VALUE CHAIN ANALYSIS AND COMPETITIVE ADVANTAGE AT MAYFAIR GROUP OF COMPANIES IN KENYA

BY

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DECLARATION

The research project is my original work and has not been presented to any other university for award of degree.

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D61/ 63083/2011

The research project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

The research project is dedicated to God Almighty who made the impossible possible, and to my daughter Mapenzi, whom I cherish and thank for allowing me pursue my studies at the expense of our time to bond. And to Daddy, Sir John I am forever grateful to you for your unwavering support and encouragement and always believing in me.

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ABBREVIATIONS AND ACRONYMS

AGOK	Association of the Gaming Operators, Kenya
BCLB	Betting Control and Licensing Board
CA	Competitive Advantage
FY	Financial Year
Kshs	Kenyan Shillings
RBV	Resource Based View
R & D	Research & Development
RKL	Resort Kenya Limited
VRIO	Value Rarity Imitability Organization
UoN	University of Nairobi
WHF	Withholding Tax

ABSTRACT

The new landscape in business today is characterized by a turbulent environment that is dynamic and competitive. Firms of the 21st Century are faced with challenges as a result of hyper competition, technological revolution and globalization. Business owners and managers are at pains in finding solutions to keep their organization effective and efficient. Therefore, there is need for firms to develop strategies that would foster sustainable competitive advantage over rival firms. In analyzing potential business opportunities and sources of competitive advantage within an organization, Porter introduces the value chain framework as a strategic tool for doing so. The Mayfair Group of Companies is licensed under gaming industry to operate in Kenya and Uganda providing services in public gaming/casino sector. The group is operating in a volatile and intensive –competitive sector hence, the need to understand how to manage its value chain activities better than rival companies to achieve competitive advantage. The study sought to determine how value chain affects competitive advantage at Mayfair Group of Companies. To achieve this objective, a case study design was used and qualitative primary data was collected utilizing an interview guide as the instrument for data collection. A total of sixteen (16) informers comprising of senior managers, middle level managers and supervisors were interviewed. Secondary data was employed through review of publications, reports and websites and the data was analyzed using content analysis. From the research findings, the study concluded that Mayfair Group is utilizing differentiation to position itself in the market and the strategies employed to achieve above-average performance are differentiation and niche strategies. The configuration of the business activities in the value chain to enhance competitive advantage exist. Value creation and cost advantage is attained through good reputation, professional and experienced managers, trained and experienced gaming staff, multiple games for customers, loyal and repeat customer base, assets and central administration and procurement systems. The recommendations made suggested that Mayfair Group needs to critically analyze its cost drivers along the business activities and to develop or strengthen products that are valuable, rare and costly to imitate by the competitors and thus, strengthening their position as a differentiator and attain sustainable competitive advantage. An Economic Order Quantity system can be acquired to improve the processes for the procurement department. The Human resource should be involved in decision–making so as to encourage the staff to take up competitive advantage as their responsibility and the management to address how they can appreciate, develop and motivate all the staff. The management should incorporate a marketing and sales department that will be charged with marketing research, product development, brand building, advertising and public relations thus increasing the customer base and the profits margins. The over reliance on repeat customer base and good will are not good enough resources for sustainable competitive advantage. Instead they are likely to be sources for competitive parity and failure to invest in them can eventually create a competitive disadvantage. The study recommends further studies using Hines Value Chain Concept that proposes a customer focus value chain approach, and one to determine how value chain affects competitive advantage in the casino sector.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The new landscape in business today is characterized by a turbulent environment that is dynamic and competitive. Firms of the 21st Century are now faced with more challenges than ever before as a result of hyper competition, technological revolution and globalization. Business owners and managers are at pains in finding solutions to keep their organization effective and efficient. Therefore, there is need for firms to develop strategies that would foster competitive advantage and its sustainability over rival firms. In the present competitive and dynamic business environment, possessing or acquiring competitive advantage has become the fundamental objective or even a philosophy for firms (South, 1981). Barney (1991) defines competitive advantage as the implementation of a value creating strategy which is not simultaneously being implemented by any current or potential competitors. Strategy is no longer just a broad vision, but the particular configuration of activities a firm adopts compared to its rivals (Porter, 1985). In analyzing potential business opportunities and sources of competitive advantage within an organization, Porter introduces the value chain framework as a strategic tool for doing so.

Resource – Based View (RBV) and Dynamic Capability theories are the key theoretical foundations for understanding how sustainable competitive advantage can be attained in organizations. RBV is an economic theory that suggests that firm performance is a function of the types of resources and capabilities controlled by firms (Barney and Hesterly, 2008). Dynamic capability is an extension of the RBV perspective defined as the firm’s ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments to attain new and innovative forms of competitive advantage (Teece et al., 1997). The Dynamic Capabilities Framework helps identify the factors likely to impact enterprise performance. It is gradually developing into a (interdisciplinary) theory of the modern corporation (Teece, 2010).

The Mayfair Group of Companies is licensed under gaming industry to operate in Kenya and Uganda providing services in public gaming/casino sector, with a total of about 835 staff employed and an annual gross turnover of Kshs.840 Million in the year 2012 (Mayfair Group,2012). The rapid growth of the gaming industry is posing challenges in the areas of intense competition, new product innovation, customer retention, promotions, brand building and sufficient operating float. According to Thompson, Peteraf, Strickland and Gamble (2007), a company that does a first rate job of managing its value chain activities relative to competitors stands a good chance of achieving sustainable competitive advantage. Mayfair Group therefore needs to understand how to manage its value chain activities better than rival companies to achieve competitive advantage.

1.1.1 Concept of Value Chain

Awino (2007) defines value chain as a linear map of the way in which value is added by means of supply chain management process from raw materials to finished delivered product and that includes services after delivery. Value chain framework is a model that helps to analyze specific activities through which a firm operating in a specific industry can create value and competitive advantage. The framework postulates that competitive advantage is understood by disaggregating the value creation process of the firm into discrete activities that contribute to the firms relative cost position and create a basis for differentiation (Stabell and Fjeldstad, 1998).

Several generic potential value chains for identifying resources and capabilities have been developed: McKinsey and Company (Grant, 1991a as cited by Barney, 1997, p.176), Porter (1985), and Hines (1993).The McKinsey framework suggests that the creation of value almost always involves six distinct activities: technology development, product design, manufacturing, marketing, distribution, and service. The Porters framework that is based on profit realization divides value creating activities into two large categories: primary activities and support activities. Hines framework proposes a customer focused value chain approach.

Porter (1985) is the most referenced piece of work on value chains for competitive advantage. Sanchez and Heene, (2004) noted that Porter's model of value chain is one of the best known and widely applied models of a company's value-creation processes. Porter presented a value chain model which identifies key activities that are generic to all businesses in terms of value generating activities. The model is based on nine generic categories of activities that can be classified into five core (primary) and four support (secondary) activities, and that these categories are linked together in characteristic ways (Porter 1985). The nine value activities are "building blocks for competitive advantage" (Porter, 1985, p.38).

The value chain model promotes a heavy focus on costs and cost drivers (Porter, 1991). Porter highlights that this approach is necessary when analyzing the sources of sustainable competitive advantage. Competitive advantage is sustained when other firms are unable to duplicate the benefits of this strategy (Barney 1991). Porter (1985, 1990) further elaborates that the overall value – creating logic of the value chain with its generic categories of activities is valid in all industries. What activities are vital to a given firm's competitive advantage, however, is seen as industry dependent.

1.1.2 Concept of Competitive Advantage

According to Porter competitive advantage exists when a firm's strategy gives it an edge over rivals in attracting customers and defending against competitive forces in order to maintain superior profitability. "Competitive advantage grows fundamentally out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it" (Porter, 1998:3). Cost advantage and differentiation are the two basic types of competitive advantage (Porter, 1980, 1985) stemming from industry structure. "The two basic types combined with the scope of activities for which a firm seeks to achieve them lead to three generic strategies for achieving above-average performance: cost leadership, differentiation and focus/niche" (Porter, 1998, p.11).

The notion underlying the concept of generic strategies is that competitive advantage is at the heart of any strategy, and achieving CA requires a firm to make a choice: about the type of CA it seeks to attain and the scope within which it will attain it. Rothschild (1984) developed a framework that's based on proved and tested techniques and concepts for gaining and maintaining the competitive advantage in business. The framework emphasis is on competitive assessment as the key in determining Competitive Advantage.

1.1.3 The Gaming Industry in Kenya

The Kenya gaming industry sectors includes public gaming premises (Casino), bookmakers, totalisator, and pool betting schemes, public lotteries and prize competition promotion. The gaming industry in Kenya is controlled and regulated by the Betting Control and Licensing Board (BCLB). BCLB was established by an Act of Parliament Chapter 131 Laws of Kenya of 1966. The Act provides for the control and licensing of Betting and Gaming premises and the activities carried therein; for the authorization of lotteries and prize competition as well as eradication of illegal gambling.

The Board has nine sitting members and it plays a big role in changing the notion that gaming is a vice. The mandate of the Board includes regulating and controlling betting, lottery and gambling, conducting checks lottery and games, protecting the public against fraud, eradicating illegal gambling such as money laundering and promoting responsible gambling (http://www.betting.go.ke/). There are about 207 civil servants employed by the Board designated as Gaming Inspectors with a majority of them being technical staff based in the stations where they man the daily operations of Betting and Gaming Premises. BCLB is headquartered in Nairobi and operates in major towns of Kenya such as Mombasa, Malindi, Thika, Eldoret, Nakuru and Kisumu (BCLB, 2012).

The public gaming/casino sector has a total of 47 licensed casinos in the year 2012/2013. Nairobi County has 22 operational licensed casinos, Mombasa has 11 and others are in the counties of Malindi, Nakuru, Kiambu's Thika town, Kisumu and Uasin Gishu's Eldoret town (BCLB, 2012). Casinos can be classified as hotel & resort casino; land-based casino; and online casino. In Kenya casinos are licensed to stimulate economic development, creation of employment, stimulation of tourism, revenue generation and eradication of illegal gambling. The casino sector contributes over Kshs. 300 million in taxes annually and directly employs more than 4000 persons. Association of the Gaming Operators–Kenya (AGOK) registered on 1st March 2005 by the Registrar of Societies is mandated to represent and lobby for its members who are gaming organizations operating in Kenya with a valid license. (http://www.casinosofkenya.com/about/).

1.1.4 The Mayfair Group of Companies

Mayfair Group of Companies is headquartered in Nairobi, Kenya and is a conglomerate of three fully owned companies situated in East Africa: Resort Kenya Ltd., operating in Kenya, Fortuna Ltd., operating in Kampala, and Manga Pwani Ltd., operating in Kenya. The group is the market leader in Kenya in a professionally run business activity of the public gaming/ casino sector subset of the gaming industry. Mayfair Casino in Parklands, Nairobi was started in 1994 by two entrepreneurial Italian nationals, Ludovico Gneechi and Lorenzo Ventura, former employees of the renowned International Casino that wound up its operations in 1996 due to poor management and losses, and two Kenyan nationals, the late Stephen Ndichu and James Mungai (Mayfair Group, 1996-2012).

In 1999 the management of Mayfair Casino engaged in its first expansion programme through acquisition of RKL Casino- Intercontinental that was being sold off due to mismanagement and losses by its former owners. Both Mayfair Casino – Parklands and RKL Casino -Intercontinental were now being operated under Resort Kenya Ltd., a company licensed and regulated by the BCLB of Kenya. In 2008, Mayfair Kampala and Il Patio Restaurant were born and operating under Fortuna Ltd.

Due to the growth and expansion of its operations, a strategic decision was reached in 2011 to consolidate all the operations under one umbrella, the Mayfair Group of Companies. Mayfair Malindi operated under Manga Pwani Ltd. was the latest addition that started its operations in February 2013.

Mayfair Group with an annual gross turnover of Kshs. 840 Million in the year 2012 has a total of about 835 staff comprised mostly of locals and about two percent expatriates (Annual Financial Audit 2012). Products offered by Mayfair Group of Companies include; Live Games (Roulette, Blackjack, Pontoon, Poker), Slots Machines, Bingo and Speciality Restaurant. Complimentary services such as food, telephone service, drinks, and courtesy car are offered to all the players and only high rollers are offered complimentary accommodation.

1.2 Research Problem

Firms in the 21st Century are faced with intense competition from rival firms and there is need to develop strategies that will give them competitive advantage. Value chain model is one such strategic tool that can be used to analyze resources within an organization relative to competitors to attain competitive advantage. According to Porter, "competitive advantage cannot be understood by looking at a firm as a whole. It stems from the many discrete activities a firm performs in designing, producing, marketing, delivering and supporting its product. Each of these activities can contribute to a firm's relative cost position and create a basis for differentiation" (Porter, 1985: 33). Resource based approach and dynamic capabilities are theoretical anchorages that further the understanding of how organizations can determine and maintain competitive advantage and eventually sustaining it through analyses of resources and capabilities at their disposal. (Barney, 1991, 1995) uses the resource-based view (RBV) to discuss how companies can reach sustained competitive advantages. Teece, Pisano and Shuen (2000) talk about dynamic capabilities or influencing capabilities that a firm needs to posses in order to be able to cope with an environment in which change is rapid.

The Mayfair Group of companies is currently the market leader in the casino sector of the gaming industry. The industry is rapidly growing as an entertainment portfolio attracting potential investor's into the casino business of Kenya. According to BCLB, Kshs 130,304,023 was generated as revenue from licenses and permit fees only in the year 2011/2012, an increase of 15% from 2010/2011(BCLB, 2012). The period 2009-2013 recorded huge investments in casinos such as the [1]Millionaires, Sunrise, Flamingo and Mayfair Malindi. Intense competition and the struggle to remain profitable in this highly volatile business is a major challenge. Thus Mayfair Group of Companies needs to critically review the business activities by analyzing the value chain concept because it is not apparent which value chain activities Mayfair Group of Companies has capitalized on that has exemplary performance and which ones they need to improve on or eliminate across board so as to achieve improved service delivery and increase profit margins.

Various studies both locally and internationally have been done on value chain but there appears to be little if any in-depth systematic studies that focused on value chain analysis in the gaming industry in Kenya. [2]Changwony (2012) researched on a value chain approach to stakeholders' analysis and management of tea trade in Kenya. [3]Wahito (2011) studied on Porters value chain model and competitive advantage in the oil industry in Kenya. [4]Odero (2006) researched on the value chain and competitive advantage in the Corporate Banking industry in Kenya. [5]Homayooni,

[1] Millionaires Casino (South Africa Investor, started operation in March 2009), Sunrise Casino (Russian Investors, started in 2011), Flamingo Casino (Hungarian & Italian Investor, started operation in July 2012) and Mayfair, Malindi Casino (Italian Investor, started in Feb 2013).

[2] Changwony (2012) concluded that most important stakeholders in the supply chain were the warehouse operator and the tea brokers being the least.

[3] Wahito (2011) found that five large oil companies have used value chain and competitive advantage in varying ways.

[4] Odero (2006) observed that many activities that are important to any value chain converge at the customer satisfaction and satisfaction.

[5] Homayooni, (2006) established there is opportunity for new virtual intermediaries and that physical distance between tourists and suppliers can be instrumental in the development of the value chain and its special intermediaries.

(2006) studied on Impact of the Internet on the distribution of value chain: the case of Iranian tourism Industry. Tomaselli, Diserio & De Oliveria (2008) studied on value chain management and competitive strategy in the home video game industry showing that mistakes in the management process can lead to loss of billions of dollars in one generation of consoles or to an almost monopolistic control of the market. Bowen (2012) researched on the effect of mass retail buying practices on competitiveness in the retail value chain and found that the more degree of collaboration among the South African retail players, the more responsive the entire supply chain will be.

A critical look at these studies reveals various ways on how the value chain model has been utilized to improve performance and enhance competitive advantage within the different industries. However, none of the studies has focused on the public gaming industry. Given the positive contributions the gaming industry makes to the Kenyan economy in terms of employment, revenue generation and investments', gaming becomes not only a legitimate consumer pursuit but one that is in critical need of deployment of strategic tools to determine and maintain the competitive advantage position. The Porters' value chain activities though rooted on the manufacturing are generic to all businesses in terms of value generating activities, hence, the choice by the researcher to use the Porters value chain to determine how the public gaming industry can maximize its profit realization in a service industry. The study therefore seeks to determine how does value chain affects competitive advantage at Mayfair Group of Companies.

1.3 Research Objective

The study sought to determine how value chain affects competitive advantage at Mayfair Group of Companies.

1.4 Value of the Study

Much of what is known on Porters value chain is anchored on manufacturing and therefore the study will shed light on how Porters value chain affects competitive advantage through a systematic and in-depth study of a leading player in the Kenyan gaming industry.

The study will help the management and investors in the service industry to make decisions on the application and the tradeoffs of the value chain management within their activities in order to create competitive advantage. The policy maker will obtain in –depth knowledge of the gaming industry that will enable them to create favourable policies and control measures for the future growth and sustainability of the industry.

The researchers in both academic and business arena will utilize the study to expand the body of knowledge and create a basis for further research in the field of value chain and competitive advantage amongst stakeholders that includes professional managers in the gaming industry.

The theories of Resource Based View and Dynamic Capabilities towards enhancing their relevance and contribution to competitive advantage within an organization shall be a basis for further research on theoretical and empirical studies by academicians and researchers.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter presents a review of the related literature on the subject under study by various researchers, scholars and authors. Resource - Based View theory, Dynamic Capability theory, Value Chain concept and Competitive Advantage are covered. The study draws materials from several sources which are closely related to the theme and objectives. Models by writers are used to illustrate the sub topics mentioned of the objectives of the study.

2.2 Theoretical Foundation

The Resource – Based View (RBV) and Dynamic Capability theory are the main theories under study in this section. The two theories are relatively new in the study of strategic management and therefore the literature review will seek to understand their relevance and contribution to competitive advantage within organizations.

The Resource-Based View (RBV) of strategy has a long antecedent, with links stretching back to Edith Penrose (1959). It's a recent strategic management theory that seeks to identify the resources and capabilities that may provide firms with a sustainable competitive advantage. Initiated in the mid-1980s by Wernerfelt (1984), Rumelt (1984) and Barney (1986), the Resource - Based View (RBV) has since become one of the dominant contemporary approaches to the analysis of sustained competitive advantage. A central premise of the Resource - Based View is that firms compete on the basis of their resources and capabilities (Peteraf and Bergen, 2003). In the 1990s with the rise of resource – based approach, strategy researchers' focus regarding the sources of sustainable competitive advantage shifted from industry to firm specific effects (Spnaos and Liukas, 2001).

According to Walker (2004) a resource is a relatively observable, tradable asset that contributes to a firm's market position by improving customer value or lowering cost (or both); and a capability denotes the ability of a firm to accomplish tasks that are linked to higher economic performance by increasing value, decreasing cost, or both. Barney and Hesterly, 2008 also describe resources as tangible and intangible assets a firm uses to conceive of and implement its strategies; and capabilities as a subset of resources that enable a firm to take advantage of its other resources. The broader category for resources and capabilities are financial, physical, human and organizational. Whatever the definition, resources are seen as assets and capability, or as a function or process facilitating the competitiveness of the assets.

The essence of the RBV lies in the emphasis of resources and capabilities as the genesis of competitive advantage: resources are heterogeneously distributed across competing firms, and are imperfectly mobile which, in turn, makes this heterogeneity persist over time (Wernerfelt 1984 and Barney 1991). The framework of Barney (1991) and Peteraf and Barney (2003) illustrate the two assumptions on heterogeneity (uniqueness) and immobility of resources (long lasting) that describe conditions under which firms will gain competitive advantage by exploiting their resources. However, they are not sufficient condition for sustained competitive advantage. According to Barney (1991), a firm resource must, in addition, be valuable, rare, and imperfectly imitable and substitutable in order to be source of a sustained competitive advantage. Peteraf (1993) presents four conditions underlying sustained competitive advantage: superior resources (heterogeneity within an industry), ex post limit to competition, imperfect resource mobility, and ex-ante limits to competition. Peteraf and Barney (2003) make clear that Barney's (1991) and Peteraf's (1993) frameworks are consistent once some terms are unambiguously defined.

VRIO framework is a tool derived from RBV to analyze the internal strength and weaknesses and asks questions about the valuable, rare, imitable and organization aspects of the firm resources and capabilities in order to evaluate competitive potential. The framework has limitations described by Barney in five ways: the responsibility for competitive advantage in a firm, competitive parity and competitive advantage, difficult to implement strategies, socially complex resources and the role of the organizations. These limitations' is what gave rise to the use of Value Chain as a strategic tool for diagnosing the firm's valuable resources and capabilities to improve performance and achieve competitive advantage. "Where organizations' capabilities are seen to be paramount in the creation of competitive advantage it will pay attention to the configurations of its value chain activities. This is because it will need to identify the capabilities within its value chain activities which provide it with competitive advantage" (Henry, 2011).The limitations of the RBV concept of being effective in static and not turbulent environment gave rise to the dynamic capability concept that was seen to be suitable to a rapidly changing environment.

Dynamic capabilities have lent value to the RBV arguments as they transform what is essentially a static view into one that can encompass competitive advantage in a dynamic context (Barney, 2001). Dynamic capabilities are "the capacity of an organization to purposefully create, extend or modify its resource base" (Helfat *et al*., 2007:1) .There is a rich stream of literature demonstrating how firms use dynamic capabilities for adding, shedding, and transforming the resource base (Cepeda & Vera, 2007; Danneels, 2008; Moliterno & Wiersema, 2007). Most of this research focuses on resource creation and reconfiguration within the firm's boundaries (e.g. Zahra *et al*., 2006; Zollo & Winter, 2002), such as the creation, integration, and retention of internal knowledge assets (Cepeda & Vera, 2007; Marsh & Stock, 2006), the reconfiguration of resources between internal divisions (Galunic & Eisenhardt, 2001), or the transformation of internal organizational forms and functions (Rindova & Kotha, 2001). Rindova and Kotha through their empirical research, identify dynamic capabilities as emergent and evolving.

Teece (2007) recognizes that dynamic capabilities help sustain firm's evolutionary fitness by enabling the creation, extension and modification of its resource base thereby creating long-run competitive success. While some see dynamic capabilities as the key to competitive advantage (Teece *et al*., 1997), others seem to doubt that there is actually such a thing. Dynamic capabilities can usefully be thought of as belonging to three clusters of activities and adjustments: Firstly, identification and assessment of an opportunity (*sensing*); secondly, mobilization of resources to address an opportunity and to capture value from doing so (*seizing*); and thirdly continued renewal (*transforming*). These activities are required if the firm is to sustain itself as markets and technologies change, although some firms will be stronger than others in performing some or all of these tasks (Teece 2011).

Eisenhardt and Martin (2000) reckon that dynamic capabilities are not tautological, vague, and endlessly recursive. Rather, they consist of many well-known processes such as alliancing, product development, and strategic decision- making that have been studied extensively in their own right, apart from RBV. Their value for competitive advantage lies in their ability to alter the resource base, create, integrate, recombine, and release resources. Although idiosyncratic, they exhibit commonalities or 'best practice' across firms. Their broad structural patterns vary with market dynamism, ranging from the robust, grooved routines in moderately dynamic markets to fragile semi structured ones in high-velocity ones. They evolve via well-known learning mechanisms. They conclude that long term competitive advantage lies with resource configuration and not dynamic capabilities.

Ambrosini *et al*. (2009) suggest that there are three levels of dynamic capabilities which are related to managers' perceptions of environmental dynamism. At the first level are the incremental dynamic capabilities, these are those capabilities concerned with the continuous improvement of the firm's resource base. At the second level, are renewing dynamic capabilities, those that refresh, adapt and augment the resource base.

These two levels are usually conceived as one and represent what the literature refers to as dynamic capabilities. At the third level are regenerative dynamic capabilities, which impact, not on the firm's resource base, but on its current set of dynamic capabilities. These change the way the firm changes its resource base.

2.3 Value Chain Analysis and Competitive Advantage

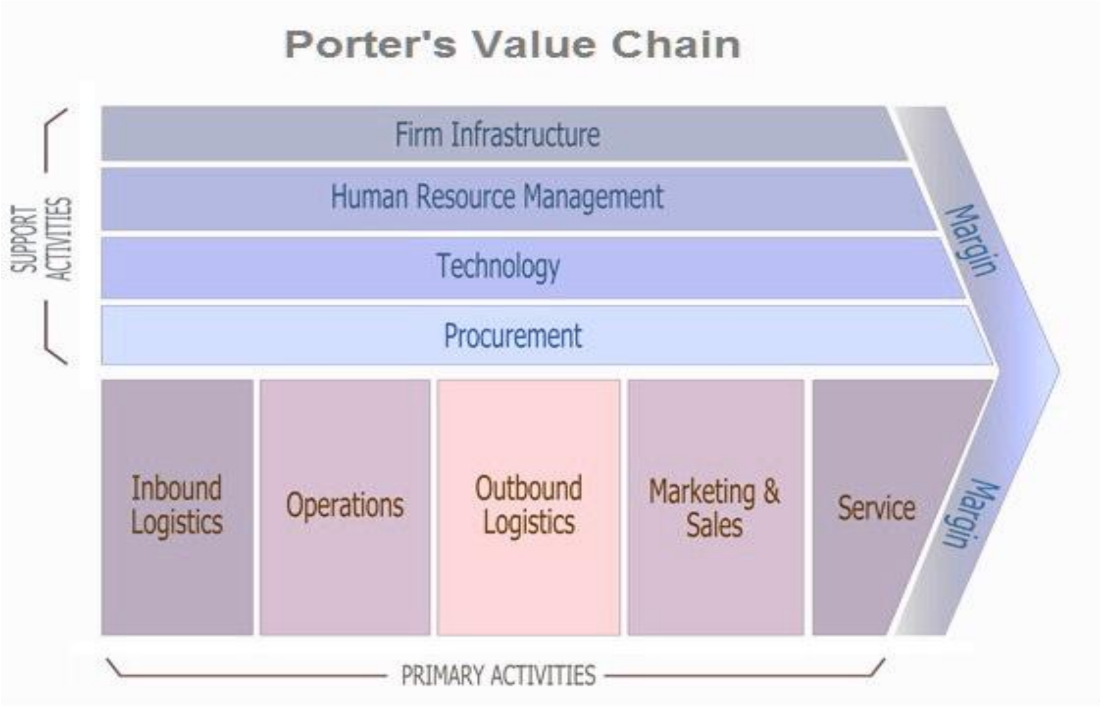
The value chain is a widely used and accepted tool for assessing business activities and identifying competitive advantage. Porter (1985), who introduced the concept of the value chain, emphasized its role in strategic planning. He stated that “given the pivotal role of competitive advantage in superior performance, the centrepiece of a firm’s strategic plan should be its generic strategy” (1985, p.25). According to Porter (1985) there are a number of strategically important activities within an organization that can be systematically reviewed to assist in the search for competitive advantage. The value chain, he suggests, acts as a tool to undertake this review, with the process being underpinned by the premise that “competitive advantage cannot be understood by looking at a firm as a whole” (1985,p.33).The value chain analysis is a systematic way of classifying all the organization’s functional activities that produce value and cost in an organization.

Porter distinguishes between primary activities and support activities. Primary activities are directly concerned with the creation or delivery of a product or service. They can be grouped into five main areas: inbound logistics (receipt of inputs/materials, storage, stock control, internal distribution of inputs), operations (transformation of inputs into final product, use of labour, manufacturing, technologies), outbound logistics (distribution of finished goods, stock control and inventory, distribution of final product to buyers), marketing and sales (advertising, promotional activity, persuading people to buy), and service (after sales service support). These activities are termed ‘primary’ because they are the most important ones as they add value to the product or those involved in either producing or selling the product (White, 2004).

Each of these primary activities is linked to support activities which help to improve their effectiveness or efficiency. Support activities provide the assistance required (Porter, 1980; White, 2004) for the primary activities to take place. There are four main areas of support activities: procurement (purchasing of resources, purchasing of inputs), technology development that is including R&D (technology to support primary activities and operations), human resource management (recruitment, selection, training, reward & motivation), and firm infrastructure (systems for planning processes, finance, quality, information management, leadership and structure management). Porter also derives the concept of ‘margin’ which is the difference between total value and the collective cost of performing the value activities thereby resulting into sustainable competitive advantage or profitability.

As a means for understanding competitive advantage, the value chain identifies all of the activities an organization performs and which “contribute to a firm’s relative cost position and create a basis for differentiation” (Porter 1985, p.33). According to Porter (1985), the value chain disaggregates a firm into its strategically relevant activities. The improved performance of these activities leads to competitive advantage. Although the value chain itself is an accepted model of organizational activity, research into the concept of competitive advantage, and how to gain it, has evolved and become more complex as competitors and consumers have become more sophisticated, consumers have become more mobile, distribution has intensified, and product and market information flows have evolved (Johnson and Busbin 2000).

Porter's Value Chain Model of Competitive Advantage



Source: http:/chartdiagram.com/porter-value-chain

The RBV remains an influential framework for understanding how competitive advantage and its sustainability are achieved. Recently, scholars have extended RBV to dynamic markets (Teece et al., 1997). The rationale is that RBV has not adequately explained how and why certain firms have competitive advantage in situations of rapid and unpredictable change. In these markets, where the competitive landscape is shifting, the dynamic capabilities by which firm managers 'integrate, build, and reconfigure internal and external competencies to address rapidly changing environments' (Teece et al., 1997,p.516) become the source of sustained competitive advantage. However, there is need for more theoretical and empirical studies to be done on the dynamic capabilities in order to develop it into an interdisciplinary theory of Modern Corporation (Teece 2010).Value chain rather than value addition remains the vital strategic tool for analyzing resources and capabilities within the firms' business activities to examine competitive advantage (Porter, 1998).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the research methodology that was used in the study in order to meet the objectives. These include research design, data collection, and data analysis techniques.

3.2 Research Design

A case study approach was employed in this research. The case study was found to be more appropriate as it presented an in-depth study on how value chain affects competitive advantage at Mayfair Group of Companies, Kenya. Robson (2002, p.178) as cited in Saunders, Lewis & Thornhill, (2007) define case study as "a strategy for doing research which involves empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence".

Researchers have used the case study research method for many years across a variety of disciplines. The emphasis on case study is the detailed conceptual analysis of a limited number of events or conditions and their relationships. Similar studies that have successful adopted the research design includes Odero (2006) who studied the value chain and competitive advantage in the corporate banking in Kenya, Mwanzia (2011) researched on change management practices in the Co-operative Bank of Kenya, and Thuo (2012) studied on the challenges of implementation of the balanced scorecard strategy at Safaricom Kenya Limited.

3.3 Data Collection

Primary data provided the bulk of the information in this study and secondary data was collected from reviewing the company's publication such as annual reports, audited financial reports, and minutes of meetings. The data collection techniques employed may be various and are likely to be used in combination. This includes interviews, observation, documentary analysis and questionnaire (Saunders et al., 2007). The data for this study was collected through interviews by using the interview guide (Appendix 1) as the data collection instrument and through non-participant observation. The interview guide enabled the interviewees to respond to the questions in their own words and the non-participant observation enabled the researcher to have a clear picture of how the business activities are carried out in order to achieve a thorough and detailed study on how value chain affects competitive advantage at Mayfair Group of Companies.

The researcher also conducted key informant interviews using an interview guide. Bryman (1998, p.90) as cited in Saunders et al., (2007) states that “within a case study a wide range of different people and activities are invariably examined so that the contrast with the survey samples is not acute as it appears at first glance”. Data was collected from sixteen informers who are involved in business activities of the value chain at Mayfair Group of Companies. The senior managers interviewed included the General Manager, Financial Controller and Casino Managers. The middle level managers interviewed included the Floor Managers, Chief Accountant, Pit Bosses, and Head of Logistics. The supervisors were the Food & Beverage controllers, Senior Dealers, Security Supervisor, Store Keeper, Senior Receptionist, Senior Slot Technician and Human Resources officer.

3.4 Data Analysis

Content analysis was used to analyze data collected through in-depth interview guide and results presented in prose form. Content analysis is a research tool used to determine the presence of certain words or concepts from the responses. Analysis for the collected data was compared with the theoretical approaches and documentations cited in the literature review and the researcher made meanings from informants’ responses through conceptualization and explanation building. In this study, the analysis allowed the researcher to have an in-depth understanding of the underlying attitudes, biases, or repeating themes.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. It expounds on the findings of the researcher after the employment of an interview guide, non-participant observation and review of publications, reports and websites to collect data and the evaluation of how value chain affects competitive advantage at Mayfair Group of Companies. Data collected was qualitative and therefore the researcher used content analysis to analyze the open ended questions based on two variables, competitive advantage and value chain concept.

4.2 Research Findings

Primary data was collected from sixteen (16) informers through the use of an interview guide. The data from 25% of the respondents was by direct personal interview, 25% of the respondents responded through electronic mail followed by telephone interview and 50% of the respondents responded through drop and pick method and followed by telephone interview or face –to- face meetings.

Majority of the respondents made up of 69% of the total respondents had worked for Mayfair Group of Companies for more than 5 years. The core business for Mayfair Group is gambling and for the past 17 years it has been in existence the management has put more emphasis on the primary activities that directly impact the gaming operations. The findings presented shall be based on two parameters, competitive advantage and value chain.

4.2.1 Competitive Advantage

The study established that Mayfair Group uses the differentiation and niche strategy to achieve above-average performance. The business activities identified by the respondents as contributing to competitive advantage through creating value to customers included superior products (the smart card system on slots machines, roulette tables games, poker games), Promotional activities (Ladies Poker tournament, bingo games, raffles) complimentary services (free taxi to drop and pick customers, free telephone calls, complimentary food, drinks and accommodation), excellent customer care handling, loyalty incentives (gifts for customers every end year to appreciate customer loyalty and credit facilities to regular customers losing their bets), human resource (professional and friendly staff, on-job training and staff welfare).

The major competitors for Mayfair Group of Companies were more or less the same for most respondents. These included Millionaires, Flamingo, Las Vegas, Bollywood (formerly Four Aces) and Finix. The respondents had varied views on areas Mayfair Group of Companies was facing competition. These included technology, product offer, promotional activities, high employee turnover, retaining of customers, new competitors and market saturation. Technology was seen as a threat to business because it was enabling competitors with good cash flow to purchase high quality computerized slot machines games and equipments. New entrants such as Millionaires and Flamingo Casinos have invested in better gaming equipment than Mayfair, hence resulting in loss of customers and revenue. Due to high costs of operations a lot of promotional activities were reduced or eliminated. This was cited as a window for competition to take advantage and lure the Mayfair customers to their Casinos.

With the increase in number of new Casinos that has come up in Nairobi, Mayfair has faced the challenge of losing to competitors customers seeking better offers and good employees seeking better pasture. The highly competitive environment is posing a challenge to the management on how to retain the customer base and maximize on returns. The BCLB were seen not to have done much in terms of regulating the competitive arena. There was no policy in place that regulates competition and to foster business growth and issuance of licenses for more stakeholders to operate in an already saturated market thus making it difficult for operators to realize huge margin of profits.

In response to how Mayfair Group of Companies has responded to competition, there were varying opinions from the respondents. There are those who felt the management had not done much whereas there are others who were able to identify areas of response to competition as follows; good management and better trained staff hence better services, offering complimentary food, drinks, taxi and accommodation, offering superior products such as poker games and computerized slots machines, promotional activities (raffles, tournaments, super bingo), improving customer service by offering fair treatment to all customers and improving staff welfare (offering medical cover to staff, transport to ferry staff home after night shift), flexibility during games (offering credit to those who have lost their bets, allowing customers to play on dealers side, and bonuses to those playing).

There were various strategies employed by Mayfair Group to outwit competition. The strategies employed were based on three aspects; the company, staff, and customers. The group has over the years developed a strong brand name for itself and a good reputation and acquired more assets that act as collateral and equity financing. Strategies for staff included hiring experienced and professional managers, rewarding staff through promotions, service charge, and percentage based bonuses from achieving set monthly targets and employee of the month awards. The staff welfare was also another strategy employed. Staffs are provided with medical cover, transport to home after night shift, meals during duty, education bursary for staff with bright children and are below the income of forty thousand shillings.

Strategies for customers included having sufficient opening and operating float ranging between Kshs.15 -20 Million per day; customers allowed to play Kshs 10,000 in one bet as opposed to Kshs 5,000 offered by competitors; offering a variety of games under one roof such as Pontoon, Black Jack, variety of Poker tables games, American Roulette, Slots Machines and Poker tournament; instant provision of cash to winners; customers are able to transact through credit cards, liquid cash in both foreign and local currency, and via M -PESA transactions (an innovative mobile transfer solution that enables customers to transfer money); changing rules to suit the customer such as allowing customer to place bets on dealers’ hand; issuing bonuses to losing customers, marking /unsecured loan for customers who have exhausted their funds to borrow funds not exceeding Kenya Shillings 200,000 payable within a week from the time of approval, promotional games such as super bingo; jackpot for slots machines, poker tournaments and raffles; complimentary services (food, drinks, taxi and accommodation); gift hampers during major festivals such as Diwali, Chinese New Year and Christmas; reserved tables for VIP players and acceptance of post – dated personal cheques for VIP players. Surveillance systems are also installed to facilitate checking any customer disputes; and two police officers have been deployed to be stationed at the casino full time to maintain law and order.

The areas in which the respondents cited as grounds for Sustainable Cost Advantage over competitors at Mayfair Group included central procurement, in-house training, central administration, repeat customer base and minimal credit facilities. Since Mayfair Group of Companies has branches in Nairobi, Malindi and Kampala, the central procurement was seen as major contributor to cost saving because of the ability to employ economies of scale and to negotiate with the suppliers in terms of prices and credit facilities.

Mayfair Group has a tailor made training programme for the gaming staff only and as such they are able to transfer staff from one outfit to the next without having to retrain them. All new dealers that are employed are selected from a pool of applicants that have just finished tertiary education or posses an undergraduate degree. The dealers are taken through a three month training school programme and talent and experience is developed from within. Very few experienced dealers are hired externally and if need be they must have worked from the casinos that are major competitors to Mayfair Group namely Las Vegas, Flamingo, Millionaires and Bollywood. Promotions are based on performance and therefore all Inspectors and Pit Bosses have grown up the ladder over the years. This has contributed to reduction of hiring costs over the years.

The central administration system was also a means of sustainable cost advantage because all the major administration activities are operated from Mayfair Casino, Parklands that serves as the headquarters for the group. The loyalty of the customer and the tendencies of them returning back even after leaving for a while to go sample a new casino that has opened shop is also another means for achieving Sustainable Cost Advantage. To this effect whenever there is a new entrant in the market there is a rallying call amongst staff that "They shall go and come back". Minimal credit facilities are offered to VIP customers and those customers that are known to be regular players. This is seen as a means of marketing by way of attracting the customers to continue playing even when they do not have money at that moment. Another means of offering the credit facilities is by allowing the VIP customers to issue personal post dated cheques.

Mayfair Group of companies as the market leader in the casino business has differentiated itself through having their facilities in good and secure locations with ample parking and excellent ambience. Three of its facilities are fully owned while only one, RKL Casino is on rental terms. Mayfair Casino Parklands is on Msapo Road opposite Southern Sun Hotel, RKL Casino is situated inside the Intercontinental Hotel, Mayfair Kampala is in the up market area of Nakisero Kampala, and Mayfair Malindi Casino is situated in the up market area of Casuarina Malindi near the Marine Park. All these entities have a gaming hall, restaurant, bar and a lounge area. Other areas of differentiation include; excellent customer services, trained, experienced and professional staff, the gaming school and ability to pay up the wins on the spot.

Over the years Mayfair Group has managed to secure market share through having a good reputation, expansion by acquiring facilities that are in secure neighborhoods, good location and with ample parking space, offering excellent customer service, targeting niche market groups like the Indians for Mayfair, Parklands, Chinese for RKL Casino, Italians for Mayfair Malindi Casino, and maintaining a huge repeat customer base. To curb market saturation, plans for expansion outside Kenya are underway for the coming five years.

According to the Mayfair Group management, employees are the main assets who help the firm achieve sustainable competitive advantage through offering better services to customers as compared to competitors. Employees implement the policies that have been shared by the management and they offer excellent service to the customers. Some of the respondents felt that management needed to value staffs and motivate them more, invest in training and development and engage them in decision-making in order to curb the low morale amongst the staffs.

4.2.2 Value Chain Concept

The respondents were able to identify the primary business activities that contribute to the creation and delivery of service. The activities of the inbound logistics are centralized at the Main Store that is supervised by the Store –Keeper in-charge who reports to the Purchasing Officer. The materials received at the store are categorized as perishable and non-perishable, beverages, toiletries and detergents, maintenance tools, equipments and materials, and stationeries.

Based on the bin cards, the store –keepers are able to tell the level of each item and replenish as required. The perishables such as vegetables, poultry, meat and dairy products are ordered on daily basis. Other perishables such as ice-cream, butter, and cheese depend on consumption and re-order levels range between two weeks to one month. Non- perishables such as sugar, coffee, tea, toothpicks, drinking straws, and iodized salt are ordered once a month. Beverages such as beer, sodas, and juices are ordered twice a week, while the spirits largely depend on consumption and order period can range from twice-a-month to a month. Toiletries like tissue paper, bathing soap, serviettes, laundry detergents and housekeeping detergents are ordered after every two weeks. Maintenance items are ordered on regular basis depending on the need. The main store only keeps record books used by Gaming and F&B departments and are ordered after every two to three months. The rest of stationary are ordered by the Purchasing Officer and stored in the Accounts office.

When the suppliers deliver the goods as per LPO raised or after cash purchase the items are received by the Store –Keeper in the presence of a security guard. In case of vegetables and meat products the chef has to be present. Both the Store –Keeper and security guard sign the delivery note. The delivery note attached to the invoice is then forwarded to Accounts Office for processing payments. The Store Keeper will arrange the items in their respective storage space and the items are then recorded onto the bin card. The items are also entered onto the computer using the tally system. The department requiring items from the store has to raise their order using a serialized requisition book. The store has generated a schedule when items should be requisitioned. Only the Kitchen takes orders on a daily basis, while the rest is after every fortnight or weekly basis. From observation not all cash purchases were taken to the stores to be received.

All departments are involved in operations that can either be transformation of inputs from raw materials to final product or basically a service provision. Only the Kitchen, Maintenance and the Bar departments were transforming inputs from raw material to final products. For example, the Kitchen could receive raw meat and make pepper steak, and beef skewers for the customers. The Maintenance department have a fully operation workshop where they make furniture in-house and the Bar makes cappuccino from milk and espresso coffee. There is a well coordinated management structure that helps in service delivery. A total of 835 permanent staffs are employed to carry out operations for the group. 8 % is management, 70 % gaming staff while other staff are 22%. 58 staff are outsourced to provide cleaning and security services. The gaming section has invested in smart card systems for the slots machines. The cashiers provide MPESA services and credit visa card facilities through Kenya Commercial Bank. All the administration and accounts offices and the cashiers have personal computers and Tally is the operating software system for accounts and administration office while the cashiers use excel spreadsheet.

Outbound logistics is primarily done through service delivery. The gaming department will open the slots machines and the tables between 12noon and 1pm daily. The dealers will take their opening float, ranging between Kshs 200,000 - 500,000 depending on the table, from the cashier who would have them ready an hour earlier. The Pit Bosses, the Inspector and the Government Inspector will confirm the float being placed on the float tables by the dealers and then the dealers can display the chips and cards on the tables then the customers can start playing after all confirmations have been done and recorded on the tracking sheet. In a day the authorized floats additions from the cashier to the tables are only four times, thereafter the table is closed until the following day. At the end of the shift stock take is taken by the dealer in the presence of the Government Inspector, Pit bosses and Inspector.

All returns for the day are then taken by the Pit bosses to the count room in the presence of Police escort. At the count room the cashiers, casino mangers and the Government Inspectors will do the final count and a report of the daily earnings forwarded to the Managing Director via email by the Cashiers. At any given time the extra earnings surpassing the recommended operating float will be collected by the accountant and the Securex money transfer vehicle and taken for banking. Where the operating float has dropped the accountant will deliver more float from the bank. All these communication regarding the excess and drop in float is done between the cashiers and the financial controller.

The other departments F&B (kitchen, bar and restaurant), Laundry and Maintenance served customers and staffs with the finished goods. The kitchen was charged with the preparation of staff meals and was served during lunch hour between 12 noon and 2 pm and dinner between 7pm to 8pm. Tea was served at 10am, 4pm, 9pm and 12 midnight. For customers' meals Mayfair, Parklands served buffet for lunch and dinner and snacks. RKL Casino served snacks, Ala-Carte on order by the customer and buffet was only served for dinner at 9pm.Billionaires Casino Malindi has a snack bar menu and bitings served at about 11:30pm. The bar served beverages (cappuccino, tea, hot chocolate, dawa), alcoholic and non –alcoholic drinks from the time the casino was opened for business until closing times. The waiters before serving any customer must get authorization from the Casino Manager or Pit Bosses to serve the customers. Only playing customers are allowed complimentary foods and drinks and non-players can purchase using cash. Laundry delivered clean and well pressed uniforms to the staffs and table cloths and napkins to the restaurant. Maintenance made new gaming tables, chairs, buffet tables, storage shelves and delivered them to their respective recipients.

With an exception of maintenance, all other sections conducted a daily stock take. A monthly stock take on 1^{st} of each new month was conducted by the controllers, accounts staffs and the respective heads of departments and supervisors. The stock sheets were forwarded to the F&B controller who inputs the data to the system and generates a report that was forwarded to the Financial Controller. An annual stock take was done with an external auditor from Ashwin brothers & company for the entire organization every 1^{st} day of January of each New Year.

There is no stand alone department that takes care of Marketing and Sales. The Casino Managers are the ones who come up with marketing strategies and share the same information with the Managing Director for approvals. The casino generally relies on good will and repeat customer base. There are several promotional activities that are in place such as the Bingo, poker tournaments, jackpots for slots machines, raffles. The general feeling from most respondents was that there is need for the management to take marketing seriously as competition was rife in the casino business that calls for new ways of doing things. Others suggested that the management should increase allocations for promotional activities. The complimentary services like the free taxi ride, food and drinks, accommodation for V.I.P is what most respondents cited as after sales services. Others were gift hampers issued during the festive seasons and flowers and cards sent to a hospitalized customer or to the bereaving family of a customer.

The respondents were able to describe how support business activities linked to primary activities helped to improve efficiency and increase effectiveness. Better procurement procedures ensured that quality products were got and this was seen to reduce wastage. For example the RKL, Casino situated at Intercontinental hotel had to comply with quality concerns of the Intercontinental group. On several occasions the quality officer made visit to check if the casino was complying with the quality standards resulting to some suppliers dropped because they were not offering the recommended quality goods/ service and some new methods of doing work adopted to improve on quality delivery. Procurement of better quality goods was mentioned to minimize risks of people being contaminated and getting sick and accidents occurring. The negotiated prices that were secured on goods and service contracts saved costs in the long run. Timely acquisition of goods ensured that there was no delay in service delivery and cost savings achieved.

Technology was seen to play a vital role in supporting the primary activities and operations. The introduction of the smart card slots machines improved service provision through better and timely delivery of services to customers and instant recording of cash income and reduced overhead costs. Computerization of the administration and accounts offices reduced paper work and increased generation of timely and accurate reports. By having cameras with microphone makes customers have confidence during disputes that might arise while playing.

The Human Resource department helps in getting the right type of employees and training them on-the job. The selection process is only elaborate for new dealers who have to go through a three month intensive training and that is still not a guarantee that one will secure a job. There is an attempt to recruit dealers from a pool of university graduates who have recently graduated. In the past those who had just finished high school qualified for the position. The other departments do not have to go through the same process. The staffs are recruited mainly through references from an inside source. Only gaming staffs go through in-house training and refresher courses to keep them abreast with the current trends in the market.

The departments has also come up with initiatives for rewarding and motivating staffs such as the employee of the month award, service charge, and the education support for bright children of employees with income below Kshs,40,000.Some of the respondents noted that the department had engaged in firing of staffs more than developing of the staffs. Some felt that long –term staffs were being targeted at the expense of hiring young and energetic staffs that were perceived to be cheap in terms of human labor.

Most of the infrastructure seems to be in-place. The systems for planning are mainly done through Board of Directors meetings, Heads of Department meetings and briefing within the respective departments. The Mayfair Group of Companies boasts of a strong finance department with good management structure that helps in control and quick decision making. Information within casinos is not easily shared because of the fear of the competitor learning the secrets of the organization and using the same to its advantage. To this regard information management is handled with so much sensitivity. However other information avenues such as reports, memos, staff briefings exists. The Leadership of the Mayfair Group of Companies is run by professional and experienced owners in the Casino business. They are credited with building such a strong brand with good reputation for 17 years. There exist an organogram but most managers have limited powers in making decision due to the top down approach of decision –making structure that is currently being employed. Profit Margin was reported to be minimal due to high fixed and operating costs.

Linkages within the business activities were in existence and most respondents agreed that the linkages fostered competitive advantage and was a main contributor to sustainable cost advantage. Supplier linkages was seen to exist when suppliers agree to issue favorable credit terms, supply quality goods at competitive prices and Mayfair Group paying suppliers on time. The buyer linkages existed with the growth of repeat customer base that enjoys speedy service delivery and excellent customer service, government receiving revenue in form of VAT, WHT and Corporation Tax. According to the respondents linkages helped Mayfair Group in terms of cost positioning or differentiation of product through growing a good reputation hence getting credit facilities with regular quality suppliers, customer feedback being used to improve on service delivery and develop relevant products, giving customer highest bet offers than competitors, and developing and maintaining a professional workforce.

In the competitive business arena where firms are competing on the basis of their resources and capabilities, Mayfair Group is no exception to the rule. The group has used their resources and capabilities such as experienced and professional management team, location, Human Resources and finances to become market leaders in the casino industry by employing differentiation and niche strategies.

Respondents found the heterogeneous (unique) resources to be same as the immobility (long-lasting) resources. Good, management, business location and the ambience, repeat customer base and the ability to provide multiple games at one go. There were varying views on staffs as a unique / long- lasting resource. Whereas some were for the opinion that staffs were unique resources while others felt that was not the case. Those against further explained that staffs used to be valued with the past management and there was a lot of investments made towards staff welfare and well-being which has since been reduced to minimal or totally eliminated.

Tangible and intangible assets used by Mayfair Group to implement their strategies include, management skills, good equipment, good locations, surveillance system and goodwill. The senior gaming managers are experts who have worked internationally and brings along the wealth of experience. Mayfair Group has managed to secure the best facilities for its casinos and created an ambience that is appealing to both local and international customers. Most of them are fully owned and one is on rental terms. The surveillance system has an added advantage because of the working microphone. This gives confidence to customers who have disputes arising during the games.

The capabilities that enables Mayfair group to accomplish tasks that are linked to higher economic performance by increasing value and decreasing costs includes central management hence less number of staffs required to manage the branches, commercial economies of scale as a result of bulk purchases, continuous training of gaming staffs, outsourcing services that are not core business activities, competitive remuneration for employees and good customer service. Resources that are perceived to be a source of sustainable competitive advantage that are valuable, rare, imperfectly imitable and substitutable were similar to what the respondents already mentioned as capabilities. These included well trained staffs with good gaming technical skills, good management, location of the casinos, goodwill of the name and its reputation and cash payouts to winning customers.

Respondents were able to identify dynamic capabilities that Mayfair Group was able to integrate, build and reconfigure internal and external competences to address rapidly changing environment. In creating, integrating and retaining knowledge assets the group hired a gaming advisor who keeps the management informed with the opportunities and happenings of the gaming industry worldwide and continuous training of gaming staff. The reconfiguration of resources between internal organizational forms and functions was attained through central procurement process, central management and from financial economies of scale that enables low cost of borrowing and having more assets for collateral and equity financing.

Respondents' were able to describe how Mayfair Group was involved in the transformational (continued renewal) of the organizational forms and functions. This was achieved through strategic planning that is done by the top management. However, the strategic plans were not shared with the rest of the staffs as it was believed that information should be guarded against competitors. Best practices for Mayfair Group were cited as good reputation, good management, better internal controls and the timely payouts of cash winnings. The sensed opportunity was to have an online betting and gaming to increase customer base, hence revenue.

CHAPTER FIVE

SUMMARY, DISCUSSION AND CONCLUSION

5.1 Introduction

This chapter presents the summary, discussion and conclusion of the study in relation to the objective of the study that sought to determine how value chain affects competitive advantage at Mayfair Group of Companies. The limitations and the implications of the study will also be presented.

5.2 Summary

The Mayfair Group of Companies, Kenya has employed differentiation and niche strategies to achieve above-average performance and attain competitive advantage. The study established the configuration of Mayfair Group value chain activities that produce value and costs contributing to competitive advantage. The summary of the findings shall be presented in two variables, competitive advantage and value chain.

5.2.1 Competitive Advantage

Competitive advantage provides an advantage over competition through offering consumers greater value, either by means of lowering prices or providing greater benefits and services that justifies higher prices. Barney et al. (2008) suggested that firm's should strive to create more economic value than its rivals in order to attain sustained competitive advantage. The research found out Mayfair Group employed differentiation and niche strategy to offer their customer greater value. Some approaches utilized includes providing complimentary services in food, drinks, taxi rides and accommodation for VIP customers only; offering multiple games in one setting such as the pontoon, black jack, varied poker games, American roulette, smart card slots machines and poker tournament; allowing customer to place a bet of Kshs 10,000 while the competitor are only allowing no more than half of that value as maximum bets; issuing free bingo cards as incentives for high rollers and regularly players.

The customers get value for their money through winnings during bingo sessions, tournaments, and jackpot for the slots, table wins and raffle games. The customers are assured of cash payouts after win regardless of the amount in question and that is an area of CA for Mayfair Group.

The VIP customers enjoy a variety of loyalty incentives such as the use post dated personal cheques, credit facilities / unsecured loans of up to Kshs 200,000 is offered payable after a week, benefit of doubt during disputes and reserved tables. Other players are treated professionally and are allowed to enjoy the games in a secure location with excellent ambience. During the festive seasons such as Diwali, Chinese New Year and Christmas and New Year the customers are appreciated by being provided with gift hampers, the menu for the day is made elaborate, free –cocktails served at the entrance, flowers issued to the ladies and raffle game to be won.

The Finance department has a strong infrastructure and has employed qualified persons to manage the department. The organization over the years has built a strong financial base giving it financial economies of scale that facilitates low cost of borrowing and has acquired assets both in Kenya and Uganda that they use for collateral and equity financing. The sound financial infrastructure has enabled the group to grow and open branches in Nairobi, Malindi and Kampala. Plans to expand outside Kenya are underway. The financial department has controllers who are charged with the responsibility of controlling costs for the entire group. The challenge over the past has been how to control the costs of the elaborate complimentary services and reduce overheads costs to minimal without necessarily affecting the service delivery.

The casino sector has increasingly become competitive and the study established that there is market saturation in Nairobi with a total of 22 casinos having licenses and are operational. This has had a dire effect on the operations of Mayfair Group as a market leader. The profits margin is rapidly shrinking and the few customers have to be shared by the many casinos in operation. Mayfair Group has put up strategies to outwit competition by remaining secretive with the information on their operations, engaging in- house training for their gaming staffs, hiring professional and experienced management team, differentiating their product offer and expanding to other locations in Kenya and other countries. The research also found out that Sustainable Cost Advantage was achieved through central procurement, in-house training, central administration, repeat customer base and minimal credit facilities.

5.2.2 Value Chain Concept

The Porters value chain has been predominantly utilized in the manufacturing sector. However this research found that the Porter value chain can be applied in a service industry as well. The categorization of business activities into both primary and secondary and linkages thereof was evidenced at Mayfair Group of Companies. The primary activities were anchored to the gaming activities that were the core activities of the group. The gaming activities however relied on secondary activities so as to achieve sustainable competitive advantage.

The research established that the value chain affects competitive advantage at Mayfair Group of Companies. The research found that the core activities of the group were mainly the gaming activities and the management placed more emphasis and investment on this area. The gaming department generates the highest percentage of the revenue earned through its activities. 70% of the employed workforce is gaming staffs who are given preferential treatment to other staffs. The staffs have a written policy and work procedures that they have to adhere to at all times. In- house trainings is organized for these group to keep them abreast with the current trends of gaming. A special training school is organized whenever there is need to recruit new dealers and they are taken through a rigorous three- month programme before being employed. Only the gaming managers, pit bosses, inspectors and cashiers are rewarded on target based performance. The gaming staffs also are rewarded and motivated through promotions and cash incentives. They are also the best paid lot within the organization. The morale of the gaming staffs is high and this in return has an effect on performance and how they handle customers thus, increasing revenue for the organization.

The non-gaming staffs performing the secondary activities are not highly motivated and are not well remunerated as the gaming staffs. There is a feeling that the management has neglected them and is not seen to be performing important roles for the company. These staffs do not enjoy training and development like their counter parts in the gaming area; they take very many years before being promoted or having a salary increase although the unionized staffs will enjoy salary increment under the collective bargaining act. They only benefit from a very minimal service charge that is taxable in their salary.

As result of de-motivation the researcher found that these staffs are either using the organization as platform to better themselves through acquiring higher learning and thereafter seeking better pasture or using the company as a safe haven because they have long-outstanding loans that they have to clear before seeking an alternative opportunity. The long serving support staffs who are the majority employed by the group have a feeling they are a target by the new management to get rid of them and replace them with recent graduates as a way of cost savings.

Over the years Mayfair Group has established a good business with good reputation that foster the good will from customers hence, the large database of repeat customers realized and the word of mouth advertising relied on from satisfied customers. This has led to there no being a department that is charged with the activities of Sales and Marketing. Instead the Marketing activities are done in ad hoc way. The casinos managers are the ones who come up with the promotional activities and maintain customer through offering excellent customer service. The casino business in Kenya has become competitive and several potential investors have now opened casinos. New technology is also a challenge because it is providing avenue to new product development and the new casinos are opening up facilitates with state- of- the art equipment that is superior to what Mayfair Group owns. The management should re-consider their approach to Marketing and Sales in order to maximize on what they have already built so as to achieve sustainable competitive advantage.

Linkages within the primary and secondary activities were established through the study. The Procurement department has put in place systems and structures that enable it achieve commercial economies of scale as a result of bulk purchases. However, not all purchases within the group are centralized. The study established that there are on- going cash purchases that are done by the gaming department, logistics department and finance department independently. These departments are allowed to purchase anything they may need and are not available in the central stores. There is a lot of paper work through requisition of goods from the central store by other operations.

Human Resources have proved to be very critical in the success of the casino operations and have played a big role in scouting for right candidates to be employed and managing the employee of the month award and staff welfare. However, there is need to improve on areas that will contribute to competitive advantage and these includes; developing a Human Resource policy that stipulates the process of selection, recruitment, training, compensation, reward and motivation. Compensation programs intended to encourage worker creativity and productivity should be established. The management should strive to ensure all staffs are provided with equal opportunity in training and development so that they can maximize on the potential of all staffs and ensure staffs are engaged in the organization decision – making so as to achieve sustainable competitive advantage. The chain of command and reporting lines stipulated in the organogram should be followed to enhance proper communications channels and sound management practices.

Technology was utilized through acquisition of smart card slots machines, laundry and kitchen machinery and equipments, surveillance system and computerization of finance and administration offices. There is a strong finance department with good management structure that helps in control and quick decision making process. The founding fathers have offered good leadership that has resulted to the growth and stability of the organizations for the past 17 years. An organogram (Appendix 3) exists that employs top-down decision making approach. Supplier and buyers linkages also exist through having suppliers who provide quality goods at competitive prices in return they are paid on time, the government is paid taxes and the customers are provided with good service delivery in return for income.

Mayfair Group of Companies being the market leader in the casino sector is employing differentiation and niche strategy to achieve its objectives. The differentiation strategy is in the location of their facilities that is in secure, up market areas with ample parking. The Casino offers its customers products that are difficult to imitate by the competitors. For example only Mayfair Group offers its customer a maximum bet of Kshs 10,000. The elaborate complimentary services put in place are another differentiation strategy employed. Mayfair Group employs financial economies of scale as well commercial economies of scale through bulk purchases. The gaming staffs have a better remuneration in the market. The niche strategy focuses on the customer focus groups for the various establishments.

5.3 Discussion

Value chain is a widely used and accepted tool for assessing business activities and identifying competitive advantage Porter (1985). Though anchored in manufacturing the tool can also be used in a service context as was evident in the case of Mayfair Group. However there are business activities in the tool that need to be adjusted to cater for service –based organizations and there are areas that requires improvement so as to attain CA as highlighted below.

The Inbound –Logistics that involves the processes of receipt of inputs/ materials, storage, stock control, and internal distribution of inputs should be reviewed to incorporate service delivery as an input in a service – based context. The service delivery should include developing and producing manuals on standard operating procedures, training in customer care service and handling of customers, taking customer orders and recording complaints or comments from customers and deploying the service providers to the various sections of the establishment.

The Human resource has no doubt been singled out by most respondents as a critical valuable resource that attribute to competitive advantage. According to Porter (1985) the Human Resources is a support activity. The case of Mayfair Group has revealed that the Human Resource is very critical in the business function of any Casino such that without them all operations will be paralyzed. Human Resource forms the largest percentage of operation costs and the management has invested much in terms of training, better compensation rates and motivation programs. Porter further describes that primary activities are directly concerned with the creation or delivery of a product or service and this was the case of the Human Resource of Mayfair Group. Therefore the Human Resources in a service –context should be treated as a primary activity and not support activity.

The management should enhance their differentiation strategy through developing products that are valuable, rare, costly to imitate and substitutable in order to foster sustainable competitive advantage. According to Barney (1991), a firm resource must, in addition, be valuable, rare, and imperfectly imitable and substitutable in order to be a source of sustained competitive advantage. The Mayfair Group management can embrace thinking globally and acting locally by adopting some of the best practices in the International Arena. For instance Las Vegas is known for a dynamic gaming industry that offers an integrated approach of entertainment experience to gambling activities to both gamblers and non- gamblers. The United Kingdom recently developed the Olympic Casino experience that also promotes the entertainment element to gambling activities. The senior staffs of the gaming department and staffs of the finance department can attend the gaming expositions organized annually to enrich the learning mechanism and to provide a platform for networking and having insight on new trends and best practices in the market.

The procurement of the organization should literally be centralized. The independent purchases by the gaming department, finance and logistics should be looked into critically and a way to integrate them to the main procurement system sought so as to control the cost drivers and also to ensure that items are purchased at competitive prices in order to attain an overall cost advantage and profitability. An Integrated Economic Order Quantity system that helps in minimizing total inventory cost and enhancing efficiency in real time controls can be sort to provide the opportunity for the store keeper to monitor levels of goods consumed and make orders utilizing the First In First Out and Last In First Out approach and the supplier to instantly increase the re-order levels. The finance department can improve controls on cost management through real time supplies management.

Due to the dynamic and volatile nature of the casino sector, Mayfair Group can purposefully create, extend or modify its resource base (Helfat et al., 2007) thereby creating long-run competitive success. The dynamic capabilities already in existence that can be extended or modified include strategic decision–making and internal knowledge assets. Others for creation can be product development, ISO certification and strategic alliances in order to address the challenge of market saturation. Eisenhardt and Martin (2000) reckon that dynamic capabilities are not tautological, vague and endlessly recursive. Rather, they consist of well- known processes such as alliancing, product development, and strategic decision-making that have been studied extensively in their own right.

An example of product development that can be utilized to improve service delivery can be an integrated real-time ordering system for the F&B department. After the customer has given the order to the waiter, the order can be input in a computerized system that is accessible to all relevant sections such as the Gaming managers that are involved in approvals for the order, the kitchen or bar that prepares the food or drink ordered and the F&B controllers that deals with costing and stock controls. This will reduce the delays experienced from the time the order is taking, approvals done and customer is served. The elaborate paper work during the ordering process and report generation can be eliminated.

BCLB should regulate the competitive arena and establish policy that would foster growth of the industry. There should be policy on how many players can be registered for a specific location. The existing policy document that was adopted from the United Kingdom Version in the 1960s should be revised and made relevant to the current local environment. The BCLB should spearhead the process and engage all stakeholders in the gaming sector in coming up with a policy that can improve the standard of the gaming sector.

5.4 Conclusion

The casino sector is experiencing intense competition from the various players in the industry. These calls for strategies that will enable the players attain sustainable competitive advantage. There is no doubt that the value chain is one such strategic tool that can be employed to generate competitive advantage. The Mayfair Group of Companies needs to critically analyze its business activities, identify the cost drivers related to value chain activities and maximize on resources and capabilities in order to evaluate its competitive potential and increase the profit margin. In doing so, they will be at liberty to share information without fear of losing out to the competitor and as a result, strengthens its market position as a differentiator.

The Porters' Value Chain model although anchored in Manufacturing has proved that it can be employed in a service context as was the case of Mayfair Group. However, some amendments need to be done for it to work effectively as a tool for analyzing cost and value to evaluate CA. The Inbound logistics can be adjusted to incorporate service delivery that involves developing and producing manuals on standard operating procedures, training in customer care service and handling of customers, taking customer orders and recording complaints or comments from customers and deploying the service providers to the various sections of the establishment. The Human Resource activity should also be relocated from being a support activity to become a primary activity because they are directly concerned with the creation of the product or service.

The management needs to find a way to appreciate, develop and motivate all staffs. Based on most respondents human resource seemed to have contributed greatly to competitive advantage. The decision- making structure should be all-inclusive and the human resource valued highly because they are valuable resource that is rare and costly to imitate. Resource – based logic suggests that competitive advantage is every employee's responsibility and as such the management should strive to involve them in decision –making.

The marketing and sales activities should be addressed and made operational as competition is rife. Repeat customer base and good will are not good enough resources in the long –run sustainability of the organizations. These can be a source of competitive parity and failure to invest in them can eventually create a competitive disadvantage.

5.5 Limitations of the Study

The researcher met with various challenges key among them being time. The study required an-in-depth interview to be conducted for the respondents. Some of the respondents being busy executives were only able to give a short interview. Otherwise, after constant reminders and follow up a good number were willing to have an in-depth interview during their off days or the weekends when they had ample time.

Some of the key informers did not want to divulge too much information due to the intensive –competition being experienced currently in the sector that is challenging the position of Mayfair Group as the market leader. In fact some key respondents requested not to conduct the interview due to the sensitive nature of information. Because of the various branches existing, the respondent was able to replace those with others of the same position in other branches. Some respondents did not want to respond to questions that they perceived were not related to their work and chose to leave those blank.

5.6 Area for Further Research

The study determined how Porters' value chain affects competition advantage at Mayfair Group of Companies, Kenya and to this regard a suggestion for further research by the researcher will be proposed to cover any of the two study areas. A similar study should be done on Mayfair Group but using the Hines value chain concept that proposes a customer focus value chain approach. Another appropriate study would be to determine how value chain affects competitive advantage in the casino sector.

5.7 Implications of the study on Policy, Theory and Practice

Due to a volatile sector that is faced by intense competition, technology revolution and globalization there is need for the policy makers to establish policies that will foster growth and sustainable competitive advantage through application of strategic tools such as the value chain.

The Porters value chain has mostly been applied in the manufacturing sector. The study has however, shown value chain can be applied to the service industry and especially if their main focus is profit maximization like was the case of the casino sector that is perceived to make so much profit yet most of the returns are pegged on high fixed costs. More studies on value chain should therefore be carried out in the service industry to increase the knowledge body on the subject.

There are various cost drivers that can be employed to determine the competitive advantage of the organization. The practitioners can engage in further study and establish which cost drivers can offer them a sustainable competitive advantage by either being cost leaders or differentiators.

The study can enhance the furtherance of concurrent theoretical and empirical research by academicians and researchers in the area of resource based view and dynamic capabilities theories and how organizations can utilize the resources and capabilities to maximize on attaining competitive advantage.

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APPENDIX 1: INTERVIEW GUIDE

General Information

1. Your Name ……………………………………………………….. (Optional)

2. Job Title ……………………………………………………….. (Optional)

3. How long have you worked at Mayfair Group of Companies?

   ……………………………………………………………………………

4. The number of years worked in current position?

   …………………………………………………………………………….

5. The number of staffs you have in your department?

   ……………………………………………………………………………..

SECTION A: Competitive Advantage

1. In your view, which business activities contribute to competitive advantage through creating value to customers? …………………………………………………………

2. In what areas is Mayfair Group of Companies facing competition?
   ....
3. Who are the major competitors for Mayfair Group?
   …………………………………………………………………………………………
4. How has Mayfair Group responded to competition?
   …………………………………………………………………………………………
5. What are the competitive strategies used by Mayfair Group to outwit competition.
   ………………………………………………………………………………………….
6. In what ways do you think Mayfair Group is gaining Sustainable Cost Advantage over competitors? ....
7. How has Mayfair Group differentiated itself from competitors?

……………………………………………………………………………………………

8. How has Mayfair Group of Companies been able to secure market share?

   …………………………………………………………………………………………….

9. In what areas is Mayfair Group the leader in the Market?

   …………………………………………………………………………………………….

10. How is Mayfair Group planning to grow its market share in the next 5 years

    …………………………………………………………………………………………….

11. What role do Mayfair Group employees play in helping the firm achieve sustainable competitive advantage? ....

SECTION B: Value Chain Concept

12. Describe how the following primary business activities contribute to the creation and delivery of service.
    - (i) Inbound Logistics ………………………………………………………….
    - (ii) Operations ……………………………………………………………………….
    - (iii) Outbound Logistics ……………………………………………………………
    - (iv) Service (i.e. after sales service support) ……………………………………….
13. Describe how the following support business activities help to improve efficiency and /or effectiveness
    - (i) Procurement …………………………………………………………………
    - (ii) Technology development and R&D (supporting primary activities and operations) ………………………………………………………………………..
    - (iii) Human Resources Management ……………………………………………..
    - (iv) Firm Infrastructure ………………………………………………………..

14. From your description in No.12 and No.13, do you think there are linkages within the value chain activities and also with the other stakeholders' e.g. suppliers, Government agencies, customers etc? Briefly explain the linkages…………………………………......

15. Briefly explain how these linkages have helped your company in terms of cost positioning or differentiation of products/ service………………………………………

16. In your view, describe the heterogeneous (unique) resources and the immobility (long – lasting) resources at Mayfair Group of Companies
…………………………………………………………………………………………….

17. Which tangible and intangible assets Mayfair Group uses to conceive and implement its strategies? ……………………………………………………………………………….

18. In your opinion explain which capabilities enable Mayfair Group to accomplish tasks that are linked to higher economic performance by increasing value and decreasing cost…………………………………………………………………………………….

19. Giving examples, describe resources possessed by Mayfair Group that are perceived to be source of Sustainable Competitive advantage that are Valuable, Rare, Imperfectly – Imitable and Substitutable resources…………………………………………………......

20. With the rapidly changing business environment primarily due to intense competition, globalization and technological revolution, how does Mayfair Group identify and assess opportunities? ....

21. How does Mayfair Group mobilize resources to address the opportunities that have risen and to capture value from doing so?
....

22. Describe how Mayfair Group is involved in the transformational (continued renewal) of organizational forms and functions………………………………………………..

23. Describe Mayfair Group of companies best practices across the firm
………………………………………………………………………………………..

24. Describe the Learning Mechanisms at Mayfair Group and how they contribute to competitive advantage…………………………………………………………………

25. Explain how Mayfair Group create , integrate and retain internal knowledge assets
…………………………………………………………………………………………

26. How does Mayfair Group reconfigure resources between internal divisions?
………………………………………………………………………………………….

27. What capabilities concerned with continuous improvement of the firms resource base does Mayfair Group posses? ……………………………………………………………

28. Describe the capabilities that refresh, adapt and augment(increase) the resource base
…………………………………………………………………………………………….

29. Which capabilities within Mayfair Group changes the way the firm changes its resource base. …………………………………………………………………………