LEVERAGING COMPETITIVE STRATEGY TO COUNTER COMPETITION IN NESTLE KENYA LIMITED

BY
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DECLARATION

This management research project is my original work and has not been presented for a degree award in any other university

Signed……………………….. Date……………………………..

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D61/70979/2007

This management research project has been submitted for examination with my approval as a university supervisor

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DEDICATION

To my mother Terry Mutuku for her unwavering support throughout the program, she prayed for me, encourages and inspired me through each step. To my brother Joe Muthama for his sacrifice and concern to ensure that I made it through the program. I thank God for their presence, love and support throughout the MBA program

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I am forever grateful to God for his unconditional love and providence. I could never thank him enough for walking with me to the completion of this program.

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Finally and most importantly my family; my father Richard, mother Terry, Sister Irene and brothers Joe and Victor Wamakau. There will never be enough words to express the love, support and encouragement that have constantly given me and more importantly your prayers. May God continue to bless and direct you in all you undertake.

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ABSTRACT

Firms throughout the world do face slower growth as well as domestic and global competitors that are no longer acting as if the expanding pie were big enough for all. Growth in the baby food market has attracted more and more players with different offerings leading to cut throat competition. The objective of this study was to find out how effective Nestle Kenya Limited has been in leveraging competitive strategy to counter competition and thus it was a was a case study of Nestle Kenya Limited. Primary data was collected using questionnaires that was used to record data. Data was collected from all member of the department. This included 6 Medical delegates, Medical field Operations manager, Brand executive, Category Chanel Sales Development Manager, Demand planner, Data support Analyst, Business Analyst, Scientific and external affairs Manager and the Country Business Manager and the type of data analysis was content analysis. From the study the researcher concludes that, creating and nurturing strong brands is an effective form of countering competition in the food and beverage industry and therefore it is important where consumers already identify with a certain firms brand to forming barriers for new entrant. It is realized that profitability remains the major performance measure in most firms while specialization of the business and information intensity stands as the most organizational determinants in adoption of competitive strategies. The researcher therefore recommends that for any firm to position itself strategically, organizational, individual as well as environmental factors affecting a firm should be identified and watched out since sustainable competitive advantage depends on hard to imitate organizational capabilities based on business processes which distinguish a company from its competitors in the eyes of the customer. in addition, firms should always ensure innovation and renovation of its products using current research and endeavors' to build a pioneering organization at the cutting edge of their products. Moreover, adherence to quality management, quality objectives and policies as well as effective formulation of policy and implementation are the preeminent recommendation on the organizational policies and procedures for successful adoption of competitive strategy to counter competition.

Key words: Leveraging; Competitive strategies; Counter competition; Nestle Kenya Ltd

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In a constantly changing environment, firms are forced to adopt strategies that allow them to stay afloat. Among the various environments influences is competitions which not only threatens the attractiveness of the business but also lowers profitability. Cut throat competition which is virtually present in nearly all markets, industries and countries across the globe is mainly driven by multifaceted forces such as globalization, liberalization, overcapacity in many industries, deregulation, privatization, new technology and blurring technological boundaries (Manning1998). Kotter (1996) proceeds to make it clear that intense competition from all corners of the world is unlikely to slacken but instead intensify in this and the next century. Hence Firms are forced to come up with mechanisms preferably lasting ones that will allow them to stay ahead of the competition. Firms have to also identify existing competencies that they can effectively capitalize on to gain an edge over their competitors.

According to Kotter (2007), a business will not survive in the long term unless it re-invents itself. In an effort to achieve efficient organizational structures, change is inevitable as a way of reducing costs and improving operational efficiency. Organizational restructuring can be done in various ways such as re-engineering, rightsizing, restructuring, turnaround etc. The ultimate goal in most cases is to make fundamental changes in how business is conducted in order to maintain a fit with constantly changing and more challenging market environment. Graham (2007) opines that change is necessary in organizations as maintaining the status quo can lead to stagnation as markets and customers move on, competition evolves and changes, and so do the stakeholders.

A company has competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces (Thompson & Strickland, 2002). Competitive strategies include different approaches that firms will take to be able to expand their markets, counter competition and also improve their current market position. To succeed in building a sustainable competitive advantage, a firm must strive to provide what buyers will perceive as superior value, this entails either a good quality product at a low price or a better quality product that is worth paying more for (Prahalad and Hamel 1990).Prahalad's views can be expounded as a situation where the firm is offering the same product at a lower price thus cost advantage or by providing product offerings/ benefits that are superior to those of the competition hence differentiation advantage. Through competitive advantage, a firm is therefore able to offer superior value to its customers and also achieve superior profits. In doing so, companies must strive to evolve fast to avoid being caught up in obsolete practices and becoming extinct

1.1.1 Competitive Strategy

Competition being at the core of the success or failure of any firm has forced firms to come up with ways to ensure that whatever activities firms engage in are viewed as unique by their consumers thus driving the consumers to buy their products or consume their services.

Hill and Jones (2000) define competitive advantage as the ability of a company to out-perform competitors within the same industry. Johnson and Scholes define competitive advantage as an advantage over competitors gained by offering consumers greater value either by means of lower prices or by providing greater benefits and services that justifies higher prices. Porter asserts that a firm is able to gain competitive advantage through two ways, cost advantage or differentiation.

These two ways when effectively utilized ensure that a firm is able to come up with strategies that are unique and thus give them an edge over their competitors as it is by choosing to compete in ways that competitors do not compete that a firm can ensure that it is able to secure itself a good portion of the market. Porter (1985) in his book Competitive advantage defines strategy as an internally consistent configuration of activities that distinguishes a firm from its rivals. Porter (1985) goes ahead to put across generic business strategies that firms can actually use in order to gain competitive advantage. The three competitive strategies include cost leadership, differentiation and Focus of which focus can further be divided into cost focus or differentiation focus. All these are geared towards enabling the firm raise the barriers to entry as well as establishing some sort of niche where competition is not able to assert themselves as well as the particular firm does, this also leads to distinguishing of one firm from the other or others by consumers.

The fundamental basis of above average performance in the long run is sustainable competitive advantage. (Porter 1985). Short term Strategies such as periodic reduction in prices may only work in giving a firm short term gains. To ensure that a firm continues to enjoy their rewards of high profits it is necessary for them to come up with lasting solutions which involve thorough examination of the organization structure against environmental factors and therefore coming up with solid cost reduction strategies that ensure that a firm can produce at low cost thus ensure provision of its products and or services at a sustainable low cost. This can be further explained by looking at sustainable competitive advantage as the measure of a firm's competencies and performance against the factors prevailing in the firm's external environment. Porter (1990) brings us back to the whole essence of competitive advantage by arguing that the essence of strategy lies in creating tomorrow's competitive advantage based on strategic capabilities and faster than competition.

Different firms will adopt different mechanisms with which they are identified by so as to achieve uniqueness in their activities. Not only must firms adopt strategies, the strategies must be competitive. Two questions underlie the choice of competitive strategy first attractiveness of the industry and competitive position which can both be shaped by the firm. Johnson & Scholes (1999) state that, 'strategy is the direction and scope of an organization of resources within changing environment to meet the needs of the market and fulfill stakeholders' expectations.

Business strategy usually is designed to position the organization within the industry so that over a long period it can earn a high rate of return on its investment. Inevitably a well orchestrated strategy would also lead to competitive advantage for the firm. A strategy therefore would tend to mirror a company's understanding of its capabilities as well as its understanding of the environmental factors that influence it.

1.1.2 Food and Beverage Industry in Kenya

Food and beverage packaging is one of the most significant components of the global market, for which the U.S. is the largest market. Growth of food and beverage is approximately 3% annually, with the market being driven by important innovations and technological developments. Key food and beverage categories include meat, grains, dairy, horticulture, seafood, confectionery and beverages including wine. The industry supplies a diverse range of products to all distribution channels: retail, food service and food ingredients. Flexibility within the industry means product supply quickly matches consumer trends such as healthy and wellbeing, as well as convenience and value for money.

The food industry is a complex, global collective of diverse businesses that together supply much of the food energy consumed by the world population. Only subsistence farmers, those who survive on what they grow, can be considered outside of the scope of the modern food industry. The beverage industry in Kenya is dominated by a few companies with EABL in the hard drinks while COCACOLA and KETEPA Ltd are the pace setters in soft drinks. Other small firms in the industries are only policy takers. Although this is so, there is a small threat of competition from other companies that are in the industry. There is also competition from imitated beverage products. The main reason why such products in Kenya are still consumed is mainly because the majority of the consumers can not afford high quality products due to inflated prices.

Despite the fact that the EABL has tried to introduce cheaper beers, the majority of the rural population still stick with the illicit brews since most of them take alcoholic drinks for the purpose of intoxication rather than stimulation. Another major factor that contributes to large companies not reaching the rural populace is because they lack an efficient distribution system. Major illicit brews in Kenya include: Chang'aa, kumikumi, kumulika and sorghum among many others. In the soft drinks sector Coca-Cola Ltd and Softa Soda carry the day with most of their products distributed to just the door-steps of their customers. However tea and coffee emerges the cheapest beverage products since they are produced locally compared to coca-cola products that are imported.

Nonetheless, Global market forces are driving the continual evolution of the food and beverage industry. Consolidation, changing consumer preferences and increasing government regulations are dramatically impacting manufacturing and business strategy. Potential entrants into the food and beverage industry in Kenya remain high. This is because the dominant firms are not about to let up their junk of market share. It will be hard for any company to try and obtain some market share.

1.1.3 Nestle Kenya Limited

Nestle is a Global multinational food and beverage company and worldwide leader in most of its category portfolio, driving its business to become a recognized leader in nutrition, health and wellness. With global or local specific brands and products, the core focus is to meet the diverse needs and preferences of consumers all over the world. Nestlé has been in operation in Africa for more than 80years and in Kenya for 40 years. Nestlé Kenya is under the umbrella of Nestlé Equatorial Africa which comprises of 19 countries. Nestlé Kenya has 146 employees. There are 7 departments; Nutrition, Sales, Human resources, Finance and Control, Supply Chain, Factory and Nestle Professional.

In 2005 Nestle as a company decided to form global businesses that would operate independently supported by Nestle in the various markets. These businesses include Nestle Nutrition, Nestle Waters, Nestle Purina Pet Care, Nestle professional, Nestle Nespresso S.A, Alcon Inc, Cereal Partners Worldwide S.A, Laboratories Inneov, Galderma, Nestrade and Nestle International Travel Retail. The various businesses have their own personnel including Human resources, sales managers, business managers, marketing teams and sales teams. However in some markets such as Kenya, Nestlé nutrition and Nestle Professional are given functional support by Nestlé in the market.

In Kenya so far, the only established “independent” businesses are Nestle Professional and Nestle Nutrition. Nestlé nutrition in Kenya is currently focused on infant nutrition as its core business. The business has representation in all provinces in the country and has built a good reputation in its quest to become the recognized leading nutrition, health and wellness company. Despite the growing and stiff competition in the baby food business, Nestlé nutrition has continued to be the market leader. Supported by Nestlé globally, Nestlé nutrition in Kenya has ensured innovation and renovation of its products using current research. Nestlé nutrition endeavors’ to build a pioneering organization at the cutting edge of nutrition science

The reporting structure at Nestle Kenya is such that the Human resources manager, Finance and control manager, Medical Field Operations Manager, Factory Manager, Supply Chain Manager and Nestle Professional Manager rely on Nestle Kenya for operational purposes and on the regional office for Budgetary and strategic purposes.

1.2 Statement of the Problem

Firms throughout the world face slower growth as well as domestic and global competitors that are no longer acting as if the expanding pie were big enough for all (Porter, 1985) Growth in the baby food market has attracted more and more players with different offerings leading to cut throat competition. Njoroge (2006) in his study ‘Competitive strategies adopted by liquefied petroleum gas (LPG) marketers in Kenya to cope with competition’ further proceeds to state that “Kenya is a price sensitive market and consumers are known to pick products based on how they are priced.” Kiringa (2006) through a comparative study of the competitive strategies adopted by public and private primary schools in Kenya; Case study of Evurori location in Mbeere district does show that private schools charge a premium while offering more quality to stay competitive. Another study done by (Wanjohi 2008) ‘Competitive strategies and positioning within a changing business environment adopted by MFIs in Kenya (A case of Kenya women finance trust)’ concludes that one of the successes or areas of competitive advantage for the KWFT was diversification).

The baby food sector is currently dominated by Nestle Nutrition, Danone Nutrition and Tiger brands with Nestle being the market leader. In line with guidelines set by the Word health organizations as well as the ministry of health in Kenya and commitment by baby food manufactures; advertising and direct communication in regards to breast milk substitutes is not permissible in an effort to preserve and promote breastfeeding. Information on baby milk that act as breast milk substitutes can only be passed to the healthcare providers with advertising being allowed for meals meant for children aged 6 months and above. There are studies done in Kenya on competitive advantage in the petroleum industry by Njoroge (2006), sugar industry by Jowi (2006) and second hand motor vehicle industry by Wacuka (2008) among others as sighted above however none of the studies have touched on the baby food industry to the best of the researcher’s knowledge. This study therefore sought to look into the baby food Industry so as to highlight the dynamics of competitive strategy in countering competition in the said industry.

1.3 Research Objective

The objective of this study was to find out how effective Nestle Kenya Limited has been in leveraging competitive strategy to counter competition

1.4 Value of the study

The study will be of importance to various stakeholders as described below

Nestle Kenya management and Employees will be able to see the role of competitive strategy in their operations and enable them come up with appropriate organizational policies. The policy makers will also gain an appreciation of the role and place of baby food manufacturers in the market and society in general. This will ensure that the policies they come up with are also in appreciation of the significance of the role of baby foods and are in tandem with ensuring that both parties can coexist with each performing its roles as is expected.

For researchers, it will give highlights into the application, successes and gaps in competitive strategy in the baby food industry and open possible areas for further research. Those in the field of strategy will also benefit from this study as this will bring a deeper appreciation of the role of competitive strategy particularly in current times where organizations competitiveness is paramount for its survival.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature related to the study. This includes both theoretical and empirical literature review.

2.2 Theories and Concepts of Competitive Strategy

This gives highlights on theories and concepts advanced by various scholars on competitive strategy.

2.2.1 Competitive Strategy

Competitive strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson & Strickland, 2002). It is based on what a firm is undertaking in order to gain a sustainable competitive advantage. Porter (1990) outlines the three approaches to competitive strategy as follows; striving to be the overall low cost producer, (i.e. low cost leadership strategy), seeking differentiation of products from competitors, (i.e. differentiation strategy) and lastly focus on a specific narrow portion of the market, (i.e. focus or niche strategy). Competitive strategy is therefore a plan of how a firm will compete and thrive, formulated after thorough evaluation of its strengths and weaknesses compared to those of its competitors. Aside from a firm aiming at gaining competitive advantage; it must make sure that the competitive advantage is sustainable. According to Stalk (1992) Sustainable competitive advantage depends on hard to imitate organizational capabilities based on business processes which distinguish a company from its competitors in the eyes of the customer. On the same note,

2.2.2 Porter's Generic Competitive Strategies

In his book 'competitive advantage' Porter states that A firms that can position itself well may earn high rates of return much as the industry structure is unfavorable and the average profitability of the industry modest. He goes ahead to also state that the two basic types of competitive advantage in conjunction with the scope of activities for which a firm seeks to achieve them lead to the three generic strategies for achieving above average performance in the industry. These three strategies are cost leadership, differentiation and focus. While cost leadership and differentiation seek competitive advantage at a broad range, cost focus and differentiation focus seek competitive advantage in a narrow segment.

2.2.2.1 Cost leadership

Cost leadership strategies are used by market leaders and entail the production of goods and services at lower costs than rivals (Thompson Strickland, 2003).To achieve cost leadership, a firm must endeavor to produce at low costs so as to ensure that whatever goods or services it delivers are at a low cost compared to competitors and potential competitors. There are varied sources of cost advantage and these are dependent on the structure of the industry. Porter names some of them as, pursuit of economies of scale, proprietary technology, and preferential access to raw material. According to Porter, there are two major ways that a firm can gain a cost advantage and these are; controlling cost drivers and reconfiguring the value chain.

The essence of competitive strategies is that it leads the firm beyond its existing experience and encourages experimentation, through new knowledge of markets that may be different from the firm's existing market (Tsai *et al.*, 2007). Proactively market-oriented firms work closely with lead users and engage in experiments, both of which are linked to innovative developments (Lilien *et al.*, 2002). Therefore, a cost-leadership strategy will lead to higher levels of competitiveness because proactively market-oriented firms experiment with new technological developments that allow for increased internal efficiencies. Furthermore, focusing on future customer needs may also alert the firm to new market and technology developments and increase its abilities to integrate new developments into lowering costs. In addition, because it is important that firms adopt both competitive strategies concurrently, these new technologies enable the firm to simultaneously engage in such activities as new product development whilst emphasizing cost-leadership.

2.2.2.2 Differentiation

The second generic strategy is one of differentiating the product or service offering of the firm creating something that is perceived industry wide as being unique. (Porter 1998). In such a situation a firm can charge a premium price for its goods or services so long as the buyer perceives he is getting superior value from the product or service. Differentiation can amount to good returns for the firm in so long as the price premium covers and exceeds the cost of the additional benefit. Firms may use differentiation to increase sales, get to the level of superior brands in terms of brand loyalty and also to be able to sell at a premium price. In differentiation, it is important that firms do not only focus on the product or the marketing aspect, the firm also need to look at ways in which it can differentiate itself through the value chain.

2.2.2.3 Focus

Unlike cost leadership and differentiation, focus concentrates on a narrow segment within an industry, (Porter 1998) further expounds on this as focusing on a particular buyer group, segment of the product line or geographic market. The focuser in this case aims at serving the chosen segment exclusively with an aim of achieving competitive advantage within the segment. The focus generic strategy has two variants that are; Cost focus and Differentiation focus.

In cost focus the focuser seeks to achieve cost advantage in the selected segment (Porter 1985). This is achievable where the target segment displays differences in behavior with regard to cost. The differences imply that the segments have been poorly catered for by competitors who have taken a broad approach to the market. It may be that the target segment cannot be satisfied by other competitors who have taken a broad approach as they are over-performing in meeting the needs of the segment and as such are incurring high costs in serving it. To perform above average, it is important that the segment be structurally attractive. Differentiation focus works where consumers have unique needs that are not being met by competitors who have taken a broad approach and as such have ignored this unique group of consumers. Need can be 'expressed' where customers are aware of and consequently can express or 'latent' where the customers are unaware of and reside in the subconscious of the customers (Atuahene-Gima *et al.*, 2005; Coltman *et al.*, 2008; Tsai *et al.*, 2007). According to (Porter 1985), in differentiation focus a firm seeks differentiation in its target segment. The selected segment must be different from other segments otherwise the focuser will not succeed seeing as other competitors will be well able to cater for the particular segment

To achieve continuously superior customer satisfaction requires understanding a customer's entire value chain, not only as it is today but also as it evolves over time (Tsiros, 2004).

While in a market system *value creation* (read profit) is not bad, profit within the context of a firm's procurement is somewhat problematic. Customer focus insists that data collection eventually leads to relationship. But what does relationship mean? Almost universally, relationship means understanding the customer based on knowledge of the customer (Gulati & Oldroyd, 2005; Jayachandran, et al., 2005; Boulding, et al., 2005).

2.2.3 Porter's 5 forces

Porter (1995) In his book *Competitive Advantage* states that competition is at the core of the success or failure of firms and proceeds to state that competitive strategy is the search for a favorable position in an industry, the fundamental arena in which competition occurs. He outlines the rules of competition which are embodied in five competitive forces as follow; the entry of new competitors, the threat of substitutes, the bargaining power of buyers, the bargaining power of suppliers, and the rivalry among the existing competitors. Accordingly, competitive strategy grows out of a superior understanding o the rules of competitions that determine how attractive an industry is. Porter brings out competitive strategy as that tool that aims to cope with and ideally change the rules of competition to the favor of the firm. The favorability of the five forces therefore determines how attractive the returns of the firm will be. This is because they influence prices, cost and required investment of firms in an industry-the element of return on investment Porter (1995).

2.2.3.1 Entry Barriers

The higher the entry barriers the more attractive an industry is. The seriousness of the threat of entry depends n the barriers present and on the reaction from existing competitors that the entrant can face (Mintzberg 2003). Mintzberg sites factors such as economies of scale; where firms already in the industry enjoy economies of scale and as such are able to produce at much lower prices. Product differentiation, capital requirement, cost advantage independent of size, access to distribution channels, brand identity where consumers already identify with a certain brand and are not as such willing to move to new brand and Government policies as some of the sources of barriers to entry.

2.2.3.2 Rivalry determinants

In situations where the degree of rivalry among existing competitors is high then the industry may be viewed as unattractive. The intensity of competition will depend on structure of the Industry (Murphy 2005). Rivalry determinants include factors such as industry growth where growth in an industry is closely associated with high profitability which therefore attracts more and more players who come in aggressively so as to get a share of the profits, exit barriers also serve to intensify competition as in a situation where a firm cannot exit easily, they will prefer to stay in an battle it out with all their might in an attempt to ensure sustainability and profits other factors include fixed costs/value added, intermittent overcapacity, product differences, brand identity, switching costs, concentration and balance, informational complexity, diversity of competitors and corporate stakes.

Supplier power

Suppliers comprise all sources for inputs that are needed in order to provide goods and services. The power of suppliers determines the extent to which value created for buyers will be appropriated by suppliers rather than the firm in an industry (Porter 1995). If supplier power is high then suppliers are able to sell raw materials at a premium price thus enjoying a good chunk of the industries profit. On the other hand, supplier power can be low if there are many competitive suppliers supplying a standardized product. Other factors influencing supplier power include: presence of substitute inputs, importance of volume to the supplier, cost relative to total purchases in the industry, impact of inputs on cost or differentiation and threat of forward integration relative to threat of backward integration by firms in the industry.

2.2.3.4 Buyer power

According to Mintzberg (2003), buyers tend to be more price sensitive if they are purchasing products that are undifferentiated, expensive relative to their incomes and of a sort where quality is not particularly important. The power of buyers is the impact that customers have on a producing industry. Mintzberg further highlights that buyer power would be high where buyers are concentrated or buy in large volumes, products purchased are standard or undifferentiated, where industry's product is unimportant to the quality of the buyer's product or service. Buyers are weak where they are fragmented i.e. where they are many and different hence none has any particular influence on the products or their prices and this is the case with most consumer products.

2.2.3.5 Threat of substitutes

A substitute is something that can be used in the absence or place of another. (Murphy 2005) sites steep prices, technological breakthrough that creates a new substitute and consumer tastes as some of the factors that would trigger migration to alternative products. The threat of substitutes is mostly propagated through price. Determinants of substitution threat also include switching costs whereby if switching costs are low then it becomes very easy for consumers to switch or move to a different product that is perceived to offer the same value.

2.3 Empirical Studies

In his survey of competitive strategies adopted by supermarkets in Nairobi, Billow (2004) found that sustainable competitive advantage played a role especially as the firm grew bigger as he concluded that larger firms had formal competitive strategies of 3-5 year time horizon. He also found out that supermarkets adopted different strategies based on their location, size and dynamism of respective supermarket firms. Studies on competitive strategies applied by sugar manufacturing companies in Kenya, NGOs dealing with HIV/AIDS in Kenya to cope with competition for funding, small scale enterprises in exhibitions halls in Nairobi, commercial colleges in Nairobi CBD, mainstream daily print media firms in Kenya, and those adopted by Universities in Kenya as done by Obado (2006), Okal (2006), Namanda (2004), Mwakundia (2006), Mbugua (2006) and Kitoto (2005) respectively, all show that Porters generic strategies; Cost leadership and Differentiation were applied to ensure competitiveness. Areas used to gain competitive advantage include; ensuring that the firm provides quality services and products, location, Superior staff, advertising, skills of the owner/director, economies of scale and offering variety of products. Cost seems to be one of the main reasons that hinder the implementation of competitive strategies as highlighted by Mbugua (2006), Khalid (2004) and Kitoto (2005) in their studies on competitive strategy.

Odero (2006) on studying the value chain and competitive advantage in the corporate banking sector found that technology, human resource management and customer focus were more critical in competitive advantage within the corporate banking sector.

Johnson and Selnes (2004) articulate competitive strategies when they talk about building “value for a firm across an entire portfolio of customer relationships” (p. 2). Payne and Frow (2005) talk about “improved shareholder value through the development of appropriate relationships (p.2). Johnson and Selnes (2004) mention a host of studies that show a strong correlation between “the customer relation orientation and its financial and marketing performance.”

All the studies mentioned above bring out the fact that competitive strategy is of utmost importance in ensuring the competitiveness and hence survival of a firm.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter will look at the research design, research instruments, data collection and data analysis procedures that will be used in this particular study.

3.2 Research Design

This was a case study of Nestle Kenya Limited. It involved an in-depth investigation of Nestle Nutrition and the competitive strategies they have set out to counter competition, being the market leader in the baby food industry.

3.3 Data Collection Methods

Primary data was collected using questionnaires that was used to record data. This allowed the respondents ample time to respond to the questions asked bearing in mind that the questionnaires were administered during working hours. Secondary data on strategic plans was obtained from company records. Data was collected from all member of the department. This included 6 Medical delegates, Medical field Operations manager, Brand executive, Category Chanel Sales Development Manager, Demand planner, Data support Analyst, Business Analyst, Scientific and external affairs Manager and the Country Business Manager.

3.4 Research Instruments

Data collection was by means of the questionnaires for all respondents as this ensured confidentiality for the respondents. The items on the questionnaires sought to elicit Background information, competitor information and strategic responses applied by the company. Piloting was done to test the validity and reliability of the instruments.

3.5 Data Analysis

The type of data analysis was both qualitative and quantitative. After collection, data was checked for completeness ready for analysis. The data from the field was first coded accordingly to enable the use of computer in summarizing data in tables. Frequency tables were produced using the statistical package for social sciences (SPSS) package so as to give the distribution of responses in the questionnaire in percentage form. The output was also presented in pie charts and graphs.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATIONS OF RESULTS

4.1 Introduction

This chapter discusses data analysis, findings, presentation and interpretation. The main objective of the study was in-depth investigation on the leveraging competitive strategy to counter competition in nestle Kenya Limited. Data analysis was done with the use of SPSS and presented by tables, pie charts as well as the bar graphs. Interpretation was done using frequencies and percentages while Likert Scales were interpreted using the mean and the standard deviation. Respondents for this study included 6 Medical delegates, Medical field Operations manager, Brand executive, Category Chanel Sales Development Manager, Demand planner, Data support Analyst, Business Analyst, Scientific and external affairs Manager as well as the Country Business Manager. The response rate was found to be 85.71%. The chapter is divided into ten sections based on the objectives of the study.

4.2 Demographic Outlook

Demographic outlook was based on the gender, age, level of education, length of service in the current department as well as the position of the respondents

Table 4.1: Gender of the Respondents

Gender of the respondent		
	Frequency	**Percent**
Male	6	60.0
Female	6	40.0
Total	**12**	**100.0**

Table 4.1 illustrates the gender of the respondents. According to the finding, majority (60%) of the respondents were male while the remaining (40%) were female. This indicates that, majority of management personnel at Nestle Kenya Limited are male.

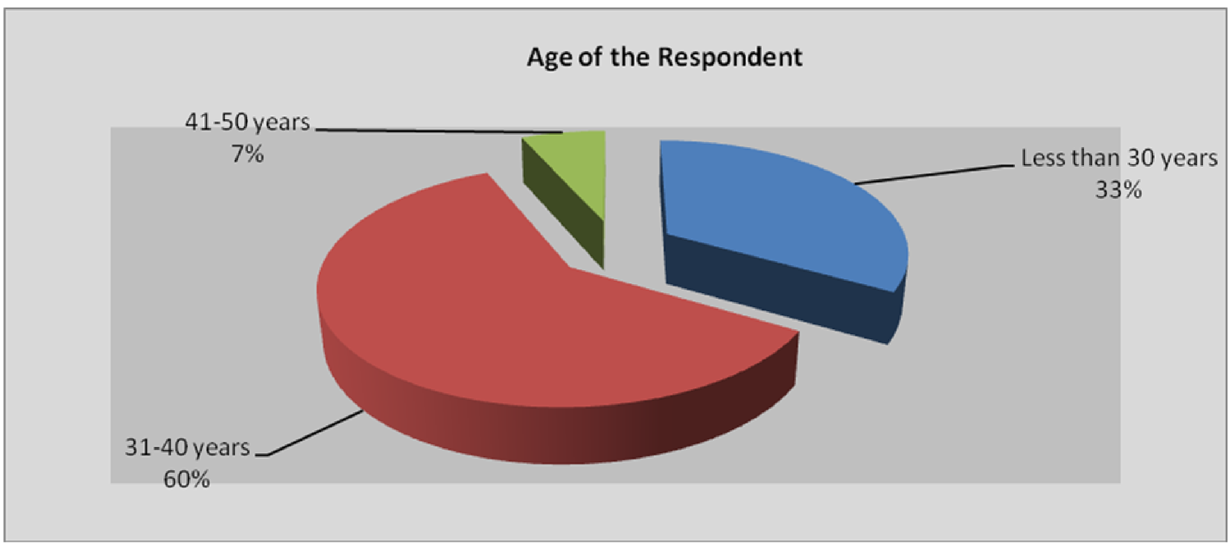

Figure 4.1: Age of the Respondents

Figure 4.1 shows the age bracket of the respondents. From the findings, majority of respondents (60%)were aged between 31-40 years while 33% were 30 years and below. Only 7% of all respondents were over 40 years. This implies that majority of managers at Nestle Kenya Limited are at more than 30 years of age. The results also indicates that most appropriate age for a personnel to be in management is 30 years and above.

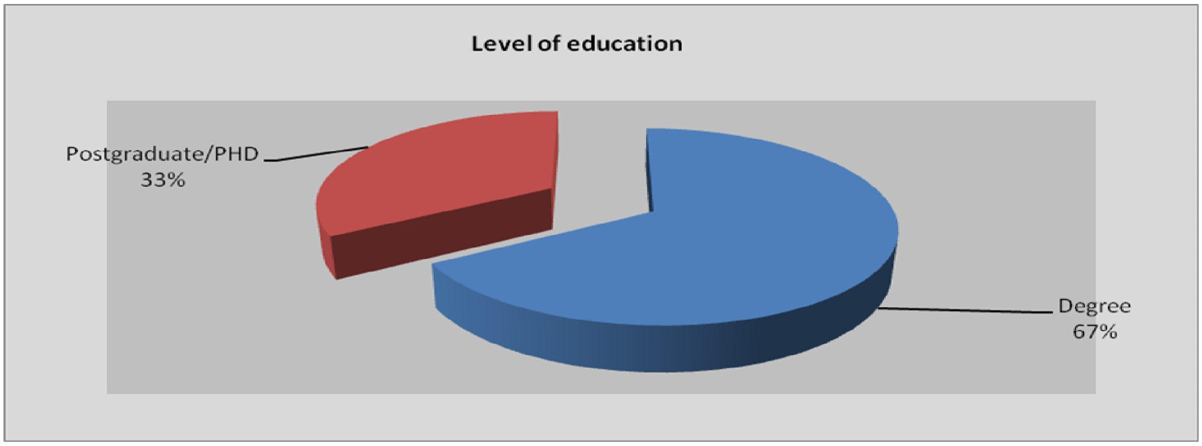

Figure 4.2: Level of Education

On the level of education, majority (67%) of the respondents had a university degree while the remaining (33%) had Postgraduate degrees. This is an indication that all respondents university degree holders. Information on the level of education was important to determine academic qualifications of managers at Nestle Kenya Limited. It would also show how informed the managers in the organization are.

Table 4.2: Duration of working in the current department

Duration of working in the current department		
	Frequency	**Percent**
0 to 2 years	7	66.7
3 to 5 years	4	26.7
6 years and above	1	6.7
Total	**12**	**100.0**

Table 4.2 illustrates the duration of working in the current department. From the findings, majority (66.7%) of all the respondents were in their respective years for 2 years and below. Only 6.7% were in their respective departments for at least 6 years. This is an indication that majority of the respondents had not been in their current department for long.

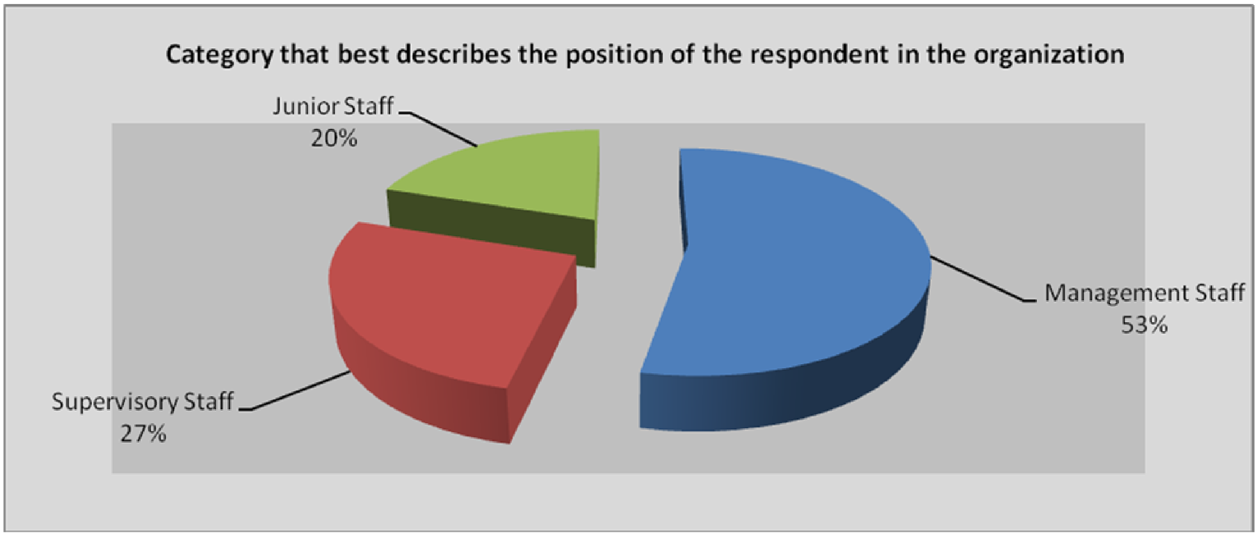

Figure 4.3: Category that best describes the position of the respondent in the organization

Regarding the category that best describes the position of the respondent in the organization, majority (53%) of respondents were management staff while 27% were in the supervisory positions. Only 20% were junior staff. This is an indication that majority of the respondents were in the management positions and thus informed leveraging competitive strategies at Nestle Kenya Limited.

4.3 Competitive Strategies Available

Table 4.3: Forms of Competitive Strategies used by Nestle Ltd

	Never	Seldom	Occasion	Often	Always	Mean	Std Dev
Creating value through pricing	13.3	-	26.7	26.7	13.3	2.67	1.74
Availability of resources and capabilities	20.0	20.0	6.7	26.7	6.7	2.20	1.64
Customer satisfaction and retention	6.7	13.3	-	40.0	20.0	2.93	1.84
Building supply chain capabilities	6.7	20.0	33.3	6.7	13.3	2.40	1.58
Creating and nurturing strong brands	20.0	-	-	13.3	46.7	3.07	2.14
Environmental analysis and response to changes	6.7	20.0	26.7	20.0	6.7	2.40	1.54
Aggressive anti-competitors marketing campaigns	13.3	33.3	13.3	-	20.0	2.20	1.68
Creating loyalty of the stakeholders	6.7	13.3	26.7	26.7	6.7	2.53	1.59

Table 4.3 shows the extent to which Nestle Ltd use different forms of strategies to counter competition. The researcher used a Likert scale where competitive strategies used most were awarded 5 points while those used least were allocated only one point. Mean and standard deviations were used to compute the prevalence and the unanimity of responses respectively. From the findings, creating and nurturing strong brands, customer satisfaction and retention, creating value through pricing as well as creating loyalty of the stakeholders were the most applied competitive strategies at Nestle Kenya Limited with mean of 3.07, 2.93, 2.67 and 2.53 respectively. Findings also revealed that, aggressive anti-competitors marketing campaigns as well as availability of resources and capabilities were seldom used by the firm to counter competition, each factor with mean of 2.20. This indicates that, creating and nurturing strong brands is an effective form of countering competition in the baby food industry. According to

Mintzberg (2003) this is important where consumers already identify with a certain brand and are not as such willing to move to new brand and therefore forming barriers for entrant.

4.4 Reasons for Adoption of Competitive Strategies

Table 4.4: Reasons for Adoption of Competitive Strategies

	Never	Seldom	Occasion	Often	Always	Mean	Std Dev
Get More Profit	6.7	6.7	20.0	13.3	33.3	3.00	1.90
Get Better Personnel	-	6.7	40.0	20.0	13.3	2.80	1.60
Get More Customers	6.7	20.0	6.7	26.7	20.0	2.73	1.81
Send business rival out of business	20.0	13.3	20.0	13.3	13.3	2.27	1.69

Table 4.4 illustrates the reasons for adoption of competitive strategies. A five-point Likert scale was used where 5 points represented the most prevalent reason while 1 point represented the least prevalent reason for the adoption of competitive strategies. According to the findings, majority of respondents mentioned gain in profit as the main reason for competitive (Mean of 3.00) while only a few (mean of 2.27) agreed that, competitive strategies are used to send business rival out of business. Others argued that, better personnel and gaining more customers are moderately used to counter competition by the firm. This indicates that, profitability is the main reason driving firms in the industry in adopting competitive strategies. Manning (1998) emphasized that, in a constantly changing environment, firms are forced to adopt strategies that allow them to stay afloat. Among the various environments influences is competitions which not only threatens the attractiveness of the business but also lowers profitability.

4.5 Impacts from Usage of Competitive Strategies

Table 4.5: Impacts from Usage of Competitive Strategies

	Never	Seldom	Occasion	Often	Always	Mean	Std Dev
More Productive	-	26.7	33.3	20.0	-	2.33	1.35
Business Grown Faster	-	20.0	13.3	33.3	13.3	2.80	1.68
Invested more	-	20.0	20.0	26.7	13.3	2.73	1.65
Earned more Profit	6.7	6.7	20.0	26.7	20.0	2.87	1.78

Table 4.5 illustrates the impact of usage of competitive strategies. From the findings, the most prevalent impact was that, firms which used competitive strategies to counter competition ended up earning more profit (mean of 2.87) as well as making their business grow faster (mean of 2.80). The result affirms that profitability remains the major performance measure as a result of usage competitive strategies in an organization. In his book 'competitive advantage' Porter states that A firms that can position itself well may earn high rates of return much as the industry structure is unfavorable and the average profitability of the industry modest.

4.6 Organizational Factors and Adoption of Competitive Strategies

Table 4.6: Organizational Factors and Adoption of Competitive Strategies

	Not at all	Little extent	Moderate extent	large extent	Very large extent	Mean	Std Dev
Size of organization	6.7	13.3	26.7	20.0	13.3	2.60	1.67
Quality of the system	-	20.0	26.7	13.3	20.0	2.73	1.69
Information intensity	6.7	6.7	20.0	13.3	33.3	3.00	1.90
Specialization of business	-	6.7	20.0	26.7	26.7	3.13	1.78
Management support of competitive strategies	6.7	26.7	26.7	13.3	6.7	2.27	1.48

Regarding the organization factors affecting the adoption of competitive strategies, specialization of business stood to be the major factor with a mean of 3.13. Other factors included the information intensity (3.00), quality of the system (2.73) as well as the size of the organization (2.60). This is indications that, specialization of the business and information intensity are the most organizational determinants in adoption of competitive strategies. Organizational factors according to Stalk (1992) are crucial since sustainable competitive advantage depends on hard to imitate organizational capabilities based on business processes which distinguish a company from its competitors in the eyes of the customer.

4.7 Individual Key Success Factors and Adoption of Competitive Strategies

Table 4.7: Individual Key Success Factors and Adoption of Competitive Strategies

	Very Strong	Strong	Fairly Strong	Not all	No idea	Mean	Std Dev
Product Development	-	6.7	6.7	20.0	46.7	3.47	1.93
Market Penetration	-	13.3	33.3	26.7	6.7	2.67	1.53
Superior Products/Product Ranges	-	6.7	13.3	20.0	40.0	3.33	1.89
Customer Loyalty	6.7	6.7	20.0	33.3	13.3	2.80	1.72
Market Intelligence	6.7	6.7	33.3	20.0	13.3	2.67	1.66
Information	6.7	20.0	-	20.0	33.3	2.93	1.95

On individual key success factors on adoption of competitive strategies, product development, superior products/product ranges, information, customer loyalty as well as market intelligence are the most prevalent individual key success factors and adoption of competitive strategies with mean of 3.47, 3.33, 2.93 and 2.80 respectively. This indicates that, product development as superior products/product ranges forms the individual key factors on adoption of competitive strategies. As put forward by Porter (1998), product development by a firm creates something that is perceived industry wide as being unique. In such a situation a firm can charge a premium price for its goods or services so long as the buyer perceives he is getting superior value from the product or service.

Table 4.8: The most important factor towards a competitive strategy

The single most important factor in driving the respondent company towards a competitive strategy		
	Frequency	**Percent**
Vision	3	40.0
Philosophy (way of doing things)	3	20.0
Shared commitment by everyone in the organization	2	13.3
Cleared communication and communications channels	1	6.7
Performance Evaluation	2	13.3
Any other	1	6.7
Total	**12**	**100.0**

Table 4.8 illustrates the most important factor in driving the respondent company towards a competitive strategy. According to the findings, the most important factors mentioned were the corporate vision for the form (40%) and the company philosophy (20%). Other major factors were the shared commitment by everyone in the organization as well as performance evaluation (13%). This is an indication that, corporate vision is the most important factor in driving the respondent company towards a competitive strategy.

Table 4.9: Availability of Resources and Capacities

	Excellent	Very Good	Good	Satisfactory	Poor	Mean	Std Dev
Skilled workforce	-	-	26.7	13.3	40.0	3.33	1.85
Training and Development	13.3	13.3	13.3	20.0	20.0	2.60	1.82
Retention and Separation	20.0	13.3	26.7	20.0	-	2.07	1.44
Better communication without increasing expenses	6.7	13.3	40.0	13.3	6.7	2.40	1.50
Better collection of receivables-Debtors' bills	-	13.3	53.3	6.7	6.7	2.47	1.41
Inventory controls and management		20.0	40.0	13.3	6.7	2.47	1.45
Strict Cash Budget	6.7	13.3	20.0	26.7	13.3	2.67	1.70

The researcher also determined the stake of availability of resources and capacities on adoption of competitive strategies. According to the findings, skilled workforce, strict cash budget as well as training and development were pointed out as well laid out at Nestle Kenya Ltd as given by mean of 3.33, 2.67 and 2.60 respectively. Results from this study emphasize the need for skilled workforce, strict cash budget as well as training and development for effective adoption of competitive strategies to counter competition. Studies done by Obado (2006), Okal (2006), Namanda (2004), Mwakundia (2006), Mbugua (2006) and Kitoto (2005) showed that, areas used to gain competitive advantage include ensuring that the firm provides superior staff and skills of the owner/director as well as economies of scale (strict cash budget) among other areas.

Table 4.10: Other Individual Factors Affecting Adoption of Competitive Strategies in Nestle Nutrition

	Not at all	Little extent	Moderate extent	large extent	Very large extent	Mean	Std Dev
CEOs (managers) innovativeness	-	20.0	26.7	6.7	26.7	2.80	1.76
CEOs (managers) Competitive strategies knowledgeability	20.0	6.7	20.0	13.3	20.0	2.47	1.82

Other individual factors affecting adoption of competitive strategies in Nestle Nutrition included the CEOs (managers) innovativeness as well as their competitive strategies knowledgeability. From the findings, the CEOs (managers) innovativeness is a major determinant of adoption of competitive strategies in Nestle Nutrition while their competitive strategies knowledgeability is important only to a moderate extent. This is an indication that, innovativeness, rather than knowledgeability of the CEO or a firm's manager is more important in adoption of competitive strategies. The results affirms that, Nestlé nutrition in Kenya has ensured innovation and renovation of its products using current research and endeavors' to build a pioneering organization at the cutting edge of nutrition science

4.8 Environmental Factors and Adoptions of Competitive Strategies

Table 4.11: Environmental Factors and Adoptions of Competitive Strategies

	Not at all	Little extent	Moderate extent	large extent	Very large extent	Me an	Std Dev
Competitive pressure	-	6.7	33.3	20.0	20.0	2.93	1.69
Supplier/Buyer Pressure	-	20.0	20.0	26.7	13.3	2.73	1.65
Public policy	6.7	-	26.7	26.7	20.0	2.93	1.77
Government Roles	20.0	-	20.0	26.7	13.3	2.53	1.78

Concerning the environmental factors and adoptions of competitive strategies, competitive pressure, supplier/buyer pressure, public policy as well as government roles were considered as critical factors in adoption of competitive strategies to counter competition being given by mean of 2.93, 2.93, 2.73 and 2.53 respectively. However, the results elaborates that, competitive pressure and public policy were more prevalent as compared to other environmental factors. As asserted by Thompson & Strickland, (2002), competitive strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position.

4.9 General Barriers to Adoption of Competitive Strategies

Table 4.12: General Barriers to Adoption of Competitive Strategies

	Not at all	Little extent	Moderate extent	large extent	Very large extent	Mean	Std Dev
Lack of financial resources	46.7	6.7	13.3	6.7	6.7	1.60	1.45
Lack of awareness and knowledgeable of competitive strategies	13.3	26.7	20.0	13.3	6.7	2.13	1.50
High cost or too expensive projects	33.3	20.0	-	13.3	13.3	1.93	1.69
Lack of skills and competitiveness	33.3	13.3	20.0	13.3	-	1.73	1.34
No need for competitiveness	46.7	13.3	6.7	6.7	6.7	1.53	1.41

The researcher also looked at the general barriers to adoption of competitive strategies where lack of financial resources, lack of awareness and knowledgeable of competitive strategies, high cost or too expensive projects, lack of skills and competitiveness as well as no need for competitiveness were the barriers considered. From the study, the most prevalent barrier was the lack of awareness and knowledgeable of competitive strategies (mean of 2.53) while the least rampant barrier was 'no need for competition' (mean of 1.53) as detailed by Table 4.9. Generally, lack of financial resources and lack of skills and competence are barriers that affect adoption of competitive strategies at Nestle Kenya Limited insignificantly.

4.10 Top Management Commitment/Practices

This section gives the views on top management practices in relation to competitive strategies. These recommendations are based on the organizational policies and procedures as well as the support for employees and involvement in the organization

Table 4.13: Organizational Policies and Procedures

	Not at all	Little extent	Moderate extent	large extent	Very large extent	Mean	Std Dev
Quality objectives and policies	20.0	-	-	13.3	46.7	3.07	2.14
Adherence to quality management	6.7	-	6.7	20.0	46.7	3.40	1.99
Staff welfare	13.3	-	33.3	6.7	26.7	2.73	1.84
Team building	13.3	26.7		13.3	26.7	2.53	1.89
Healthy life and safety	6.7	6.7	6.7	33.3	26.7	3.07	1.88
Formulation of policy and implementation	6.7	20.0	13.3	33.3	6.7	2.53	1.63

Regarding the organizational policies and procedures, the quality objectives and policies, adherence to quality management, staff welfare, team building, healthy life and safety as well as formulation of policy and implementation were the key factors highlighted with mean of 3.07, 3.40, 2.73, 2.53, 3.07 and 2.53 respectively. Details are illustrated by table 4.13. This is an indication that adherence to quality management, quality objectives and policies as well as effective formulation of policy and implementation are the preeminent factors that management puts emphasis on in regards to organizational policies and procedures for successful adoption of competitive strategy to counter competition. Further recommendations by Mbugua (2006), Khalid (2004) and Kitoto (2005) in their studies on competitive strategy cost seems to be one of the main reasons that hinder the implementation of competitive strategies and therefore firms should ensure proper objectives, policies and procedures are set for successful formulation and implementation of strategies.

Table 4.14: Support for Employees and involvement in the organization

	Not at all	Little extent	Mode rate extent	large extent	Very large extent	Mean	Std Dev
Overall decision making	6.7	13.3	20.0	26.7	13.3	2.67	1.70
Rewards	13.3	20.0	13.3	20.0	13.3	2.40	1.70
Training and development	6.7	13.3	6.7	20.0	33.3	3.00	1.93
Delegation-clearly assigning responsibilities	13.3	6.7	13.3	6.7	40.0	2.93	2.02
Owner/guardian/facilitator of learning-where does the evaluation report go?	6.7	13.3	13.3	33.3	13.3	2.73	1.73
Feedback-Established processes of follow up?	6.7	20.0	20.0	13.3	20.0	2.60	1.74
Organization-Clear structure and mandatory link to learning processes?	20.0	13.3	20.0	13.3	13.3	2.27	1.69
Staff representative committee-Informal interest groups and formal capacity building to use evaluation results?	13.3	13.3	26.7	26.7	-	2.27	1.48
Clear link to planning and decision making (Resource based management)?	13.3	13.3	20.0	20.0	13.3	2.47	1.71
Promote a learning culture	13.3	13.3	-	26.7	26.7	2.80	1.94
Attitude of senior management	6.7	40.0	20.0	6.7	6.7	2.07	1.39
Make effective and visible use of evaluation findings	6.7	13.3	40.0	13.3	6.7	2.40	1.50
Facilitates horizontal learning	6.7	26.7	20.0	20.0	6.7	2.33	1.53

Table 4.14 illustrates recommendations on the support for employees and involvement in the organization. Training and development, delegation-clearly assigning responsibilities, promoting a learning culture as well as owner/guardian/facilitator of learning were the prevalent recommendations by the respondents with mean of 3.00, 2.93, 280 and 2.73 respectively. Prahalad and Hamel (1990) records that competitive advantage also depends on core competencies based on skills and technologies- the collective learning of the organization. The durability of competitive advantage depends on barriers to imitation, capability of competitors and general dynamism of the industry environment.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter gives the research summary, conclusions and recommendations based on the findings. The chapter also gives suggestions for further study

5.2 Research Summary

The main objective of this study was to in-depth investigation on the leveraging competitive strategy to counter competition in nestle Kenya Limited where respondents included 6 Medical delegates, Medical field Operations manager, Brand executive, Category Chanel Sales Development Manager, Demand planner, Data support Analyst, Business Analyst, Scientific and external affairs Manager as well as the Country Business Manager. From the study, majority (60%) of the respondents were male aged between 31-40 years (60%) and being holders of university degree (67%). Majority (66.7%) of all the respondents were in their respective years for 2 years and below though most of them (53%) were management staff.

From the findings, creating and nurturing strong brands, customer satisfaction and retention, creating value through pricing as well as creating loyalty of the stakeholders were the most applied competitive strategies at Nestle Kenya Limited with mean of 3.07, 2.93, 2.67 and 2.53 respectively. On the impact of usage of competitive strategies, the most prevalent impact was that, firms which used competitive strategies to counter competition ended up earning more profit (mean of 2.87). Regarding the organization factors affecting the adoption of competitive strategies, specialization of business stood to be the major factor with a mean of 3.13. On individual key success factors on adoption of competitive strategies, product development and superior products/product ranges are the key success factors on adoption of competitive strategies with mean of 3.47 and 3.33 respectively.

According to the findings, skilled workforce, strict cash budget as well as training and development were pointed out as well laid out at Nestle Kenya Ltd as given by mean of 3.33, 2.67 and 2.60 respectively. In addition, the CEOs (managers) innovativeness is a major determinant of adoption of competitive strategies in Nestle Nutrition. Competitive pressure, supplier/buyer pressure, public policy as well as government roles were considered as critical factors in adoption of competitive strategies to counter competition being given by mean of 2.93, 2.93, 2.73 and 2.53 respectively.

5.3 Conclusions

From the study the researcher concludes that, creating and nurturing strong brands is an effective form of countering competition in the food and beverage industry and therefore it is important where consumers already identify with a certain firms brand to forming barriers for new entrant. The study revealed that, desire for more profit is the main reason driving firms in the food and beverage industry in adopting competitive strategies in a constantly changing environment where firms are forced to adopt strategies that allow them to stay afloat. Notably, competitive pressure and public policy were more prevalent as compared to other environmental factors. Among the various environments influences is competitions which not only threatens the attractiveness of the business but also lowers profitability.

It is obvious that profitability remains the major performance measure in most firms while specialization of the business and information intensity stands as the most organizational determinants in adoption of competitive strategies. Nonetheless, the need for skilled workforce, strict cash budget as well as training and development for effective adoption of competitive strategies to counter competition remains. The study also guides that, innovativeness, rather than knowledgeability of the CEO of a firm's manager is more important in adoption of competitive strategies. Moreover, competitive strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position.

It is clear from the research that, service quality and customer relationship are optimumly the most effective competitive strategies used by food and bevearage industry as well as differentiation of product by the the various departments in Nestle Kenya. This is crucial in creation of competitive edge for performance improvement in Nestle (Kenya) Limited since differentiated products give a customer a variety of products from which they can explore and see their benefits.

5.4 Recommendations

A firm that can position itself well may earn high rates of return much as the industry structure is unfavorable and the average profitability of the industry modest. Towards this end and guided by the findings from this study, the researcher recommends that:

Organizational, individual as well as environmental factors affecting a firm should be identified and watched out since sustainable competitive advantage depends on hard to imitate organizational capabilities based on business processes which distinguish a company from its competitors in the eyes of the customer.

Areas used to gain competitive advantage include ensuring that the firm provides superior staff and skills of the owner/director as well as economies of scale (strict cash budget) among other areas. Therefore, firms should always ensure innovation and renovation of its products using current research and endeavors' to build a pioneering organization at the cutting edge of their products.

Out-rightly, adherence to quality management, quality objectives and policies as well as effective formulation of policy and implementation are the preeminent recommendation on the organizational policies and procedures for successful adoption of competitive strategy to counter competition.

Firms should ensure proper objectives; policies and procedures are set out for successful formulation and implementation of strategies.

5.4.1 RECOMMENDATIONS ON COMPETITIVE STRATEGIES

The researcher was also interested in knowing the respondents' recommendations on what managers in their respective organizations ought to do in order to prompt effective competitive strategies. Content analysis was used to gather the respondents' opinion where majority indicated that, a manager has to take a long-term view, rather than short term view when they are formulating strategies. Respondents substantially pointed out that, while the existing staff will be working towards known and established goals, their manager must look further ahead so that these goals are selected wisely and thus effectively give a competitive edge. In addition, the management in their respective organizations should think about the eventual consequences of different plans, a fact that will enable them develop strategies that are not exceedingly uncovered to risks. By taking account of the needs not only of the next project but the project after that, manager in the food and beverage industry should always ensure that work is not repeated nor problems tackled too late, and that the necessary resources are allocated and arranged.

Since the Manager has access to information and materials needed in the organizations respondents recommended that, implementation of strategies should be done promptly. Moreover, innovativeness should be witnessed often without always focusing on competition activity. Over and above most respondents were of the view that, the management should tap the potential of unreached masses with the right product/ pricing not forgetting that strategies developed for competitive advantage have to be SMART and customized to suit the local working environment.

5.5 Limitations of the study

The food industry is very dynamic and wide but due to time constraints, it was not possible to research on all issues that affect all the players of the food industry. The study is also specific to Nestle Kenya Ltd and the findings may not relate to other industries or be applicable to other companies in the production of food and beverage

5.6 Suggestions for Further Studies

Based on the scope and delimitation of this study, the researcher recommends further study areas such as in-depth investigation on the competitive strategies adopted by firms in food and beverages industry, but drawing population across a big sample to ensure well validated conclusions drawn on the study as well as challenges facing adoption of competitive strategies should form an area to be investigated for enriching the study.

5.7 Implications on Policy and Practice

Forming a successful business strategy involves creating a first-rate competitive strategy. At the same time, businesses must develop a plan that addresses ways to compete in their respective markets. However, for Nestle Kenya Limited as well as any other organizations to achieve sustainable competitive advantages, the following would be policies to be overtly applied:

In adopting a broad focus scope, the organization must ascertain the needs and wants of the mass market, and compete either on price (low cost) or differentiation (quality, brand and customization) depending on its resources and capabilities.

Adoption of competitive strategies implies going for better performance in terms of demand and sales of Nestle Kenya Limited products. This in turn implies matching demand and capacity period by period. This could result in a considerable amount of hiring, firing or laying off of employees; insecure and unhappy employees; increased inventory carrying costs; problems with labor unions; and erratic utilization of plant and equipment. It also implies a great deal of flexibility on the firm's part.

In addition, organizations must apply the JIT (just-in-time) production concept as a competitive edge that would demand focusing on a particular line of production for economies of scale and reduced warehousing costs. Direct implication of this is cost leadership.

Differentiation, cost leadership and market focus policy would prevent the company from utilizing backorders. This would imply focus on regular and constant output level, implying a level workforce, while overtime and subcontracting are used to meet demand on a period by period basis. This would assist in lowering the cost of implementation of the combined generic strategies.

Moreover the Nestle Kenya Limited must seek for a substratum in the market for gaining more competitivevess through appreciating the fact that food and beverage industry, particularly the babyfood segment is a perfectly competitive sector and thus it has to position its products firmly within the industry. This implies removing the notion of monopolistic competition from the mind of the directors. Moreover, it indicates demand-oriented strategies. The firm must listen to customers-cum-executives and should undertake research that points towards thought leadership, and should work with the business world through lifelong learning networks for better performance of its products.

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APPENDICES

APPENDIX I: Introductory Letter

August 11^{th} 2010

Nestle Kenya Limited
Nutrition Department
P.O Box 30265-00100
NAIROBI.

Dear Respondent,

RE: QUESTIONNAIRE

I am a Student at the University of Nairobi, pursuing a degree in Master of Business Administration and specializing in Strategic Management. In Partial fulfillment for the requirements of the course, I am conducting a case study on leveraging competitive strategy to counter competition in Nestle Kenya Limited.

The information that you will provide will not be used for any other purposes other than those of this study and your answers will be treated with utmost confidentiality. I will be glad to share the outcomes of the study upon your request.

Your support will be highly valued and appreciated.

Yours Faithfully

Nduku Wamakau
D61/70979/2007

APPENDIX II: Questionnaire

PART A: DEMOGRAPHIC INFORMATION

1. Gender: Male ( )

Female ( )

2. Age: Less than 30 Years ( )

31-40 Years ( )

41-50 years ( )

More than 50 Years ( )

3. What level of education have you completed?

Diploma/ HND ( )

Other College Education ( )

Degree ( )

Postgraduate/PhD ( )

4. How many years have you been working at your current department?

0 to 2 Years ( )

3 to 5Years ( )

6 to Date ( )

5. Which category best describes your position in the organization:

Junior Staff ( )

Supervisory Staff ( )

Management Staff ( )

Other (Please State) ( )

B. COMPETITIVE STRATEGIES AVAILABLE

7. What form of Competitive strategies does your firm employ? (You can tick more than one)

Creating value through pricing [ ]

Availability of resources and capabilities [ ]

Customer satisfaction and retention [ ]

Building supply chain capabilities [ ]

Creating and nurturing strong brands [ ]

Environmental analysis and response to changes [ ]

Aggressive anti-competitors marketing campaigns [ ]

Creating loyalty of the stakeholders [ ]

8. How often does Nestle use these forms of Competitive strategies? (Rank on a scale of 1-5, 1 being least frequent use and 5 being most frequent use)

	1	2	3	4	5
Creating value through pricing					
Availability of resources and capabilities					
Customer satisfaction and retention					
Building supply chain capabilities					
Creating and nurturing strong brands					
Environmental analysis and response to changes					
Aggressive anti-competitors marketing campaigns					
Creating loyalty of the stakeholders					

C. REASONS FOR ADOPTION OF COMPETITIVE STRATEGIES

9. On a scale of 1-5 rank your use of competitive strategies on the following uses. 1 means least used while 5 means most used.

	1	2	3	4	5
Get More Profit					
Get Better Personnel					
Get more customers					
Send business rival out of business					

D. IMPACTS FROM USAGE OF COMPETITIVE STRATEGIES

10. On a scale of 1-5 rank the impact usage of competitive strategies has had on Nestle. 1 means least impact while 5 means most impact.

	1	2	3	4	5
More Productive					
Business Grown Faster					
Invested More					
Earned More Profit					

E. ORGANIZATIONAL FACTORS AND ADOPTION OF COMPETITIVE STRATEGIES

11. On a scale of 1-5 rank how these factors have affected your adoption of Competitive strategies in Nestle. 1 means least affected while 5 means most affected.

	1	2	3	4	5
Size of organization					
Quality of the systems					
Information intensity					
Specialization of business					
Management support of Competitive strategies					

F. INDIVIDUAL KEY SUCCESS FACTORS AND ADOPTION OF COMPETITIVE STRATEGIES

12). In which way is your organization considered very strong as a key success factor
Please put an (X) on the area considered. 5. Very Strong, 4. Strong, 3. Fairly Strong, 2. Not all, 1. No Idea

a) Sound Financial	**1**	**2**	**3**	**4**	**5**
Product Development					
Market Penetration					
Superior Products/Product Ranges					
Customer Loyalty					
Market Intelligence					
Information					

13) What is the single most important factor in driving your company towards a competitive advantage?

a) Vision [ ]
b) Philosophy (Way of doing things) [ ]
c) Shared commitment by everyone in the organization [ ]
d) Clear Communication & Communications channels [ ]
e) Performance Evaluation [ ]
f) Any other please specify____

14) Availability of Resources and Capacities please put a mark (X) in the appropriate column.

5. Excellent 4. Very Good 3. Good 2. Satisfactory 1. Poor

		1	2	3	4	5
1. Human Resource	Skilled workforce					
	Training and Development					
	Retention and Separation					
2. Availability of Cash	Better communication without increasing expenses					
	Better collection of receivables- Debtors, bills					
	Inventory controls and management					
	Strict Cash Budget					

15. On a scale of 1-5 rank how these factors have affected adoption of competitive strategies in Nestle Nutrition. 1 means least affecting while 5 means most affecting

	1	2	3	4	5
CEOs (managers) innovativeness					
CEOs (managers) Competitive strategies Knowledgeability					

G. ENVIRONMENTAL FACTORS AND ADOPTIONS OF COMPETITIVE STRATEGIES

16. On a scale of 1-5 rank how this factors have affected adoption of competitive strategies by Nestle. 1 means least affected while 5 means most affected

	1	2	3	4	5
Competitive pressure					
Supplier/Buyer Pressure					
Public policy					
Government Roles					

GENERAL BARRIERS TO ADOPTION OF COMPETITIVE STRATEGIES

17. On a scale of 1-5 rank how these general factors have affected adoption of Competitive strategies by Nestle. 1 means least affected while 5 means most affected

	1	2	3	4	5
Lack of financial resources					
Lack of awareness and knowledgeable of competitive strategies					
High Cost or Too expensive projects					
Lack of Skills and competitiveness					
No need for competitiveness					

H. Top management commitment/practices

18. On a scale of 1-5 how committed management has been towards organizational policies and procedures as well as support for employees and involvement in the organization. 1 means least committed while 5 means high level of commitment

Top management commitment to the organization		**RATING**				
		1	**2**	**3**	**4**	**5**
Organizational policies and procedures	Quality objectives and policies					
	Adherence to quality management systems					
	Staff welfare					
	Team building					
	Healthy life and safety					
	Formulation of policy and implementation					
Support for Employees and involvement in the organization	Overall decision making					
	Rewards					
	Training and development					
	Delegation-Clearly assigning responsibilities					
	Owner/guardian/facilitator of learning-Where does the evaluation report go?					
	Feedback-Established processes of follow up?					
	Organization-Clear structure and mandatory link to learning processes?					
	Staff representative committee-Informal interest groups and formal capacity building to use evaluation results?					
	Clear link to planning and decision making (Resource based management)?					
	Promote a learning culture?					
	Attitude of senior management					
	Make effective and visible use of evaluation findings					
	Facilitates horizontal learning					

I. Recommendations on competitive strategies

19. What recommendations would you make on competitive strategies?