INNOVATION STRATEGIES AND THE GROWTH OF REAL ESTATE DEVELOPERS IN NAIROBI COUNTY

BY

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DECLARATION

This Research project is my original work and has not been presented for a degree in any other University.

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DEDICATION

I wish to dedicate this work to my heavenly father who made all possible.

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I wish to express my sincere gratitude and appreciation to all those who in one way or another contributed to the success of preparation of this research proposal. Special thanks go to my supervisor M.S Catherine Ngahu who guided me in the research project. My classmates who were also my colleagues also encouraged me a lot thanks to them all.

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ACRONYMS AND ABBREVIATIONS

APR: Annual Percentage Rate

CAHF: Center for Affordable Housing

CBK: Central Bank of Kenya

KNBS: Kenya National Bureau Of Statistics

LR: Likert Rating

MLSs: Multiple Listing Services

PC: Personal Computers

SPSS: Statistical Package for Social Sciences

UN: United Nations

ABSTRACT

The need for property market in Nairobi has in the last 10 years thrived to an all time high. In 2010 Nairobi recorded the highest growth in luxury house prices in the world. A study by Knight Frank found that the prices for real estate increased by 25% in 2011. The study aimed at investigating the influence of innovation strategies on the growth of real estate development in Nairobi County. This study describes a phenomenon hence it used descriptive cross sectional survey research design. The population of this study comprised of all players in the industry who include; contractors, developers and financiers located in Nairobi County; however the study concentrated on developers only. According to the 2011/2012 issue of the Real Estate Developers Index, Nairobi County was home to over 65 real estate developers. Since the population was small the study targeted all the CEOs of the real estate (see appendix B). Therefore for the case of this study it was appropriate for researcher to choose census method since the population was small and the firms were easily accessible. The researcher used a questionnaire as a primary data collection instrument. Secondary data was collected from Economic Survey 2013 Kenya, National special data systems at the Ministry of lands. Data collected was sorted, classified and coded then tabulated for ease of analysis. The data was then summarized and categorized according to common themes. Data collected was analyzed using frequency distribution tables, descriptive statistics and inferential statistics. The SPSS (version 17) computer software aided in the analysis as it was more users friendly and most appropriate for analysis of Management related attitudinal responses. The results suggest that the relationship between process innovation strategy and product differentiation strategy was statistically significant. Process innovation strategy and technology strategy denoted statistical significance. Similarly, the process innovation strategy and innovative customer service strategy posted to be statistical significant. Product differentiation and technology strategy further pointing to be statistical significant. On the same note, the product differentiation strategy and the innovative customer service strategy correlated. This therefore was statistically significant. The technology strategy and innovative customer service strategy correlated and revealed to be statistical significant. The study recommends that for the expected return from investing in residential income property to increase, there should be an improved outlook is associated with a swing in government policy away from public provision of rental housing to the private provision of rental housing. Further research should be carried to establish whether subsidizing small income property investors will provide low-rent housing and hence solve the problem of housing in Nairobi. These findings of the study helped bridge the clearly identified gaps in knowledge and theories that had informed this investigation, relating for instance to the existence or otherwise of differences in cultural orientations on real estate projects, and if the existence of such differences led to significantly different growth outcomes. Such an empirical study of the relationship between organisational culture and real estate growth provided a significant contribution to the body of knowledge on culture in real estate growth.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The ability to innovate is increasingly viewed as the single most important factor in developing and sustaining competitive advantage (Sharp and Dawes, 2001). Much emphasis has been placed on building innovative organizations and the management of the innovation process, as essential elements of organizational survival (Mckeown, 2008). One way to achieve growth and sustain performance is to foster and encourage creativity and innovative practices internally within the organisation. For innovation to occur, something more than the generation of a creative idea or insight is required. The insight must be put into action to make a genuine difference, resulting for example in new or altered business processes within the organization, or changes in the products and services provided. The goal of innovation is positive change and to ensure positive growth. Innovation leading to increased productivity is the fundamental source of increasing wealth in an economy.

The origins of the diffusion of innovations theory are varied and span multiple disciplines. Morgan, NClark and Gooner (2002) espoused the theory that there are four main elements that influence the spread of a new idea: the innovation, communication channels, time, and a social system. This process relies heavily on human capital. The innovation must be widely adopted in order to self-sustain. Within the rate of adoption, there is a point at which an innovation reaches critical mass. The categories of adopters are: innovators, early adopters, early majority, late majority, and laggards (Neely, 2002). Diffusion of Innovations manifests itself in different ways in various cultures and fields and is highly subject to the type of adopters and innovation-decision process. Despite the fact that the main business of development Real estate involves working across cultures, the growing literature on real estate management rarely mentions 'culture' (Porter, 2007). Where culture, or a cross-cultural perspective is discussed, it is seen as an additional factor that should be considered, rather than an integral part of our understanding of real estate sector building (such as in the otherwise useful introduction to real estate management of Lewis (2001). Few organisations operating in the modern world can remain untouched by cross-cultural considerations.

Nairobi County has a well-developed construction and building industry with readily available quality engineering, building and architectural design services. The industry is currently on an upward trend, due to the implementation of programmes such as the Urban Transport Infrastructure plan (Oslon and Oslon, 2007). The increase in population and rural to urban migration has presented numerous opportunities for investors, especially in the housing sector. It is projected that Nairobi will have a population of over 30 million people by the year 2030, creating a huge demand for new housing units. It is estimated Nairobi alone requires approximately 150,000 new housing units per year against a maximum construction of about 10,000 units per year (Mbugua, 2006).

1.1.1 Concept of Innovation Strategies

The term innovation refers to both radical and incremental changes in thinking, things, and processes or in services, (Porter, 2007). Robledo, (2009) indicates that some innovations are built on existing products, services, or procedures, and are incremental in nature. Others involve greater degrees of difference and are more radical than incremental. Some innovators aim to be first, others aim for second place. He adds that a different dimension of innovations is the degree to which they imitate something already familiar. For example cell phones, although allow mobility and provide a radical change in the sense of freedom from phone wires, they are imitative of earlier telephones in function and physical shape. Personal computers operate on internal principles similar to those used in minicomputers and mainframes. However, individuals without extensive special training can operate the PC, unlike its larger predecessors. It allows direct interaction from nonprofessional users, does not require a special physical environment, and can be found in conveniently portable versions. Thus, in several ways, it is inventive rather than imitative (Afuah, 2003).

From a micro point of view, innovation is management discipline as it focuses on the organization's mission, searches for unique opportunities, determines whether they fit the organization's strategic direction, defines the measures for success, and continually reassesses opportunities. Chandler and Hanks (2004) commented that innovation does not require genius, but it does require a system-wide dedication to pursue unique opportunities. West and Farr (2010) is very explicit in stating that innovation is work rather than genius; successful innovation requires hard, focused, and purposeful work.

Strategy is the way by which a firm fulfills its mission and attains its objectives. According to Oslon and Oslon (2007), the essence of strategy lies in creating favorable asymmetries between a firm and its rivals. According to Barney (1997), Strategy is a pattern of resource allocation that enables firms to maintain or improve their performances. A good strategy neutralizes threats, exploits opportunities, capitalizes on strengths and/or fixes weaknesses. According to Porter, a company can outperform rivals only if it can establish a difference that it can preserve. A firm can be different by creating a unique and valuable position, involving a different set of activities and making trade-offs in competing.

Strategy of an organization involves matching its corporate objectives and its available resources. In this development of strategy, managers are concerned with reconciling the business of the organization with the allocation of resources. This allocation process is concerned with the general purposes of an organization, whether it is part of the grand plan, the overall objectives or a 'strategy' designed to keep the organization in business. According to Parasuraman, Zeithaml, and Berry (2009) strategy is the pattern of major objectives, purposes or goals and essential policies or plans for achieving these goals, stated in such a way as to define what business the company is in or to be in and the kind of company it is or is to be.

Hamdouch and Samuelides (2001) noted that management is primarily about the continuing development of the organization and its employees. The demands and needs of the environment are constantly evolving and management is about adjusting the company according to the needs and demands of the environment.

1.1.2 Firm Growth

Chandler and Hanks (2004) thought that the goal on difference innovation strategies is to build differences in levels of business growth, core interests and values. These views show the driving force of business growth. The majority of empirical results show that customer value is the tendency to lead to a direct antecedent of customer behavior. The studies of Fan and Farr (2010) have shown that customer satisfaction is one of the drivers of a firm growth, namely, the higher the level of customer satisfaction, the more the business grows.

Real estate growth is a collection of integrated activities planned, coordinated and built around a two major theme or idea designed to achieve satisfaction.

Factors that affect the business growth boosted by differentiation include customer behavior and buying behavior, competitive circumstances, product characteristics and price. The standardized approach assumes that basic human needs, wants, and expectations transcend geographical, national, and cultural boundaries. An adapted differentiation approach recognizes that even though human nature is the same everywhere, different cultures create different needs, although there will be similar basic needs. This means that in order to create satisfaction real estate firms may have different appeals across markets. Satisfaction can drive firm growth; satisfaction can also drive firm growth strategies (Johnson and Scholes, 1993).

1.1.3 Real Estate Industry in Kenya

In the last decade the real estate industry in Kenya particularly Nairobi has become increasingly competitive and robust. The industry has been responding to the good economic performance which was posted at 7.5% per annum towards 2007 – the highest in three decades (KNBS, 2012). The real estate industry has undergone a number of substantial changes in recent years. Today, real estate practice is increasingly incorporating the Internet into their business models in a variety of ways, such as offering potential buyers the option to view full, detailed Multiple Listing Services ("MLSs") online, using websites. The increased ease with which homebuyers and sellers can perform tasks that once were the exclusive domain of real estate agents has been an important factor in the increased demand for innovative, non-traditional real estate brokerage services. Indeed, use of internet has surpassed the yard sign as the most important marketing tool to reach consumers.

A number of developments in the recent past have raised concern particularly in the laws and regulations that regulate the profession. In a way these regulations limit the consumer choice by introducing requirements in the industry that impedes competition. With the increased need for housing in Nairobi County mortgage borrowing is bleeding in silence as the lenders mercilessly continue to ravage the pay slips through high interest rates. At the end of the mortgage period the consumer will have handed to the lender money more than for the real value of the property (Mbugua, 2006).

There are also other costs that are associated with mortgages such as cost of professionals, legal fees and stamp duty among others. The developers explain that the high costs of units include apportioned cost of land which is enormous in Nairobi (KNBS, 2012).

Clearly, if ordinary Kenyans are to afford mortgages, authorities must move in tandem with financial institutions and other stakeholders to reduce interest rated significantly with a view to among other things increasing the repayment period (KMPND, 2007). The CBK, on mortgage financing in Kenya a baseline survey identifies disclosure and openness by lenders to the consumers on the interest rates and other hidden charges , total cost of repayment schedule and other Annual Percentage Rate (APR) as some of the key areas that need interrogation. There is also the desire to address the variable components of the interest rates, which catch consumers by surprise.

Real estate innovation strategies tend to be ignored in both the academic and policy debates on growth of real estate firms. Indeed, it is surprising how little attention has been given to real estate, despite the relatively high levels of funds flowing into real estate around the world. It is expected that the gaps are established and appropriate measures recommended improving marketing strategies in real estate in the country. In October 2012 Center for Affordable Housing (CAHF) reported that only 11 percent of Kenyan population can support prevailing mortgage costs (IEBC, 2012).

1.2 Research Problem

Innovation is the creative regeneration and application of new ideas that can achieve significant improvements in a product, activity, structure, program or policy. The introduction of the new products is mainly driven by more informed customer demands and competition in the industry. In the residential real estate industry, Innovation is vitally important because buying or selling a home is one of the most important financial transactions a consumer will ever undertake. Given the size of the real estate industry, any restraints on innovation in real estate practice will have significant adverse consequences for consumers.

The need for property market in Nairobi has in the last 10 years thrived to an all time high. In 2010 Nairobi recorded the highest growth in luxury house prices in the world. A study by Knight

Frank found that the prices for real estate increased by 25% in 2011 (KNBS, 2012). These prices can be explained by the fact Kenya is safer than its neighbors. It is also attracting investment from international companies and from the diaspora. The growth in prices and number of developments can also be explained by other factors, such as increased credit at low interest rates from the financial institutions, improvements and construction of new roads and the new land laws.

There have also been locals and an ever-increasing expatriate community including diplomats, and staff of the various UN agencies and multinationals who are looking for permanent high-end homes within easy reach of public services, access to basic amenities, communications, utilities and financial services. In addition, a stable political climate, despite the post election clashes of 2007/2008 has led to private equity investments and the large base of expatriates have also pushed property prices to an all-time high. Developers have responded to this by constructing more units for the different income groups (Robledo, 2009).

Garcia and Calantone (2002) carried out a study on the real estate low performance and found it was due to the fact that, rather than maximizing profits, investors respond to a social mandate. This did not give room for technological or innovative advancements thus the results of low or no profits. Loots, (2009) focused on determinants of real estate investment. However, the empirical work did not directly and fully address the influence of innovation strategies on the growth of real estate developers. Gitonga (2003) indicates that financial innovation in Kenya has been influenced by heavy competition, financial service markets, technological facilities, size of financial institutions, macro economic conditions, legislation and financial supervision and risk, while (Freel and Robson, 2004) contends that standard chartered bank has been able to introduce various innovative strategies ranging from product, technological to customer care thus contributing enormously to its profitability over the years. He suggests further research on standard chartered competitors' competitive advantage.

There was therefore a research gap that needed to be filled by carrying out an investigation into the influence of innovation strategies on the growth of real estate in Nairobi County. This study, aimed to answer the following question: What influenced innovation strategies on the growth of real estate developers in Nairobi County?

1.3 Research Objective

To determine the influence of innovation strategies on the growth of real estate development in Nairobi County

1.4 Value of the study

The findings of this study helped to improve the economy by recommending innovative ways that were adopted and implemented in the real estate to boosting National growth. Moreover the study recommended innovative strategies that were employed in attracting more real estate developers in the country.

This study was important to the policy makers in the real estate sector as they were able to know how environmental factors played a big role in shaping their operations. Another reason was that they knew how they affected innovation strategies and what strategies were used in order to remain competitive.

The study was important to real estate managers as it helped them understand the innovation strategies and how their understanding helped different firms enhance their innovation strategies. The study also helped other managers in knowing the process of developing and executing the innovation strategies. The results of this study were also invaluable to researchers and scholars, as it formed basis for further research.

The students and academicians used this study as a basis for discussion on innovation strategies. The study was a source of reference material for future researchers on other related topics. It also helped other academicians who undertook the same topic in their studies.

These findings helped bridge the clearly identified gaps in knowledge and theories that had informed this investigation, relating for instance to the existence or otherwise of differences in cultural orientations on real estate projects, and if the existence of such differences led to

significantly different growth outcomes. Such an empirical study of the relationship between organisational culture and real estate growth provided a significant contribution to the body of knowledge on culture in real estate growth.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter discusses the literature related to innovation strategies as found by other researchers. It also looked at strategy development processes which include reconstruction of market boundaries, focus on the big picture and not the numbers, reaching beyond the existing demand and getting the sequence right.

2.2 Theoretical Foundation

The study was anchored by two theories of innovation which are the innovation Diffusion Theory and Cross-Cultural Theory which are studied and their relevance to the study under research shown.

2.2.1 Diffusion of Innovation Theory

Diffusion of Innovations is a theory that seeks to explain how, why, and at what rate new ideas and technology spread through cultures. Everett Rogers, a professor of rural sociology, popularized the theory in his 1962 book Diffusion of Innovations. He said diffusion is the process by which an innovation is communicated through certain channels over time among the members of a social system. The origins of the diffusion of innovations theory are varied and span multiple disciplines. Rogers (1962) espoused the theory that there are four main elements that influence the spread of a new idea: the innovation, communication channels, time, and a social system. This process relies heavily on human capital. The innovation must be widely adopted in order to self-sustain. Within the rate of adoption, there is a point at which an innovation reaches critical mass. The categories of adopters are: innovators, early adopters, early majority, late majority, and laggards (Rogers 1962). Diffusion of Innovations manifests itself in different ways in various cultures and fields and is highly subject to the type of adopters and innovation-decision process.

The notion of radical or discontinuous innovation (Freeman, 1988) suggests that an innovation is very different from what came before, and generally, considerable innovation is necessary in the system in which it will be adopted, and in the creation of new meanings. This type of argument covers technical, economic and symbolic dimension of technology. Many real estate firms appear to be radical in some sense, either because they are used as part of radical organisational change, they demand people to make significant changes in their lives, or give people significant new opportunities. Sometimes however the change is not as radical in practice as it is in theory. Often technologies offer the possibilities of change that are in fact very slow to develop as they are implemented.

2.2.2 Cross-Cultural Theory

The idea of 'managing' real estate is a recent consideration among practitioners and academics. Development academics, which have shown an increasing interest in analysing and developing real estate management, have often been ill equipped for the task. Opinions among development practitioners seem to run from complete disdain of anything to do with managerialism to uncritical acceptance of Western management principles (Barney, 1997).

Mckeown (2008) shows that techniques and principles that were being ditched by commercial sector managers, such as 'strategic planning', during the 1990s were happily being adopted by Real estate as 'quick fixes'. Development community should be more aware of current issues and competences in management studies, and why should Real estate develop management capacity. The premise upon which the project Management and Change in Africa is based is that: 'Good organizational management is essential for the well being of human kind. Effectively managing resources would seem a logical way of alleviating human hardship and poverty, and ensuring the welfare and dignity of all people (Barney, 1997). Yet, to develop successful international and indigenous Real estate, their global and multicultural operating contexts must be a central consideration if capacity building and organizational impact is to be successful and appropriate.

When development of the real estate sector claim that their 'comparative advantage' is in their local responsiveness, social focus, and cultural sensitivity to peoples' needs and the appropriateness of interventions (Barras, 1990), it is difficult to argue that cross-cultural management theory and approaches are not central to real estate management and capacity building. For example: The way knowledge, technology and 'best practice' is transferred from one country to another may be problematic without considering the cross-cultural implications; appropriate styles and methods of 'leadership' may differ substantially from one culture to another; Concepts of ethicality differ substantially across cultures including values relating to people, relationships, exclusion, gender and power and cross-cultural sensitivities, as well as principles and mechanisms to manage these differences, need to be developed. These aspects may have consequences for the way real estate import foreign investor's principles as well as the way organisational and project impact is assessed.

2.3 Dynamics of Innovation Strategy

According to Robledo (2009) innovation refers to creating and introducing new products, production processes, and organizational systems. Afuah (2003) stated two fundamental concepts for corporate venturing, objectives focused on rejuvenating or purposefully redefining organizations, markets and industries to create or sustain a position of competitive superiority, and innovation as the premier mechanism for meeting these objectives. Clearly, innovation is one of the most important backbones for corporate venturing. Nevertheless, there are some fundamental problems which could harm the process of innovation and corporate venturing. In his research, Grönroos (1990) states that corporate internal investments in innovative activities, including research and development have often been maligned for their ineffectiveness.

Gompers states that over the past forty years, real estate sector has attempted to capture the value from waves of technology and innovation (Sternberg et al., 1997). However, during much of this time, these organizations realized that young, nimble start-ups saw possibilities to capitalize on opportunities that the corporations saw first. An organisation contains quite a few functional strategies, for example marketing strategy, production strategy, supplier strategy etc.

Strategy is one of the most visible factors that influence the innovation performance in an organisation, because it literally dictates what innovation an organisation should perform. Strategy should not be understood as a detailed plan or program of instructions. It is a unifying theme that gives coherence and direction to the actions and decisions of an organisation (Oslon and Oslon, 2007). Strategy guides management decisions toward superior performance through establishing a competitive advantage. Strategy typically gets divided into two levels within a real estate sector strategy, business strategy and functional strategy (Sharp and Dawes, 2001). Corporate strategy defines the scope of the organisation in terms of the industries and markets in which it competes. Business strategy defines how the organisation competes within a particular industry or market and functional strategies are the elaboration and implementation of business strategies in the individual functions in the organisation. Strategy can hence be seen as a waterfall flowing from the very broad and diffuses to the more concrete and practical.

2.3.1 Process Innovation Strategy

Process innovation embraces quality function deployment and business process reengineering (Garcia and Calantone, 2002). It is a type of innovation, which is not easy, but its purpose is now well understood. An efficient supplier who keeps working on productivity gains can expect, over time, to develop products that offer the same performance at a lower cost. Such cost reductions may, or may not, be passed on to customers in the form of lower prices. Process innovation is important in both the supply of the core product as well as in the support part of any offer. Both components of an offer require quality standards to be met and maintained.

In the case of services, the management of process innovation is a particularly challenging activity (Barras, 1990). Implementing and developing the innovation process requires energy to overcome the resistance to change. Garcia and Calantone (2002) studies revealed that the best leaders were those who were with the organisation in a senior position for a considerable number of years and were predominately outwardly looking in nature. This factor is important for organizations with scarce management resources.

A succession of incremental, imitative, late innovations can have a very dramatic cumulative effect. However, this strategy appears less dynamic than that of the proactive innovator; neither is always and automatically better. The reactive innovation strategy requires more emphasis on process than product innovation. The culture of reactive innovators tends to be less supportive of creative genius and more congenial to those who progress systematically in a logical fashion (Felton and Finnie, 2003). In some ways, reactive innovators need to devote more time and attention to their competitors than do proactive innovators. Because the reactive innovator emphasizes adoption of the inventions of others, there is clearly a need to stay current on what inventions are being introduced, how they are being received, and what factors determine the most opportune time for a late mover to introduce its innovation. Further, imitative innovations require not just awareness but also a detailed understanding of the product or service being imitated (Freeman, 1982).

2.3.2 Product Differentiation Strategy

With the differentiation strategy, the unique attributes or perceptions of uniqueness and characteristics of a firm's product other than cost provide value to customers. The firm pursuing differentiation seeks to be unique in its industry along some dimension that is valued by customers, which means investing in product R&D and marketing (Hussey, 1997). A product can be differentiated in various ways. Unusual features, responsive customer service, rapid product innovations and technological leadership, perceived prestige and status, different tastes, and engineering design and performance are examples of approaches to differentiation (Sternberg, O'Hara, Lubart, 1997).

Rather than cost reduction, a firm using the differentiation needs to concentrate on investing in and developing such things that are distinguishable and customers will perceive. The essential success factor of differentiation in terms of strategy implementation is to develop and maintain innovativeness, creativeness, and organizational learning within a firm (Li and Atuahene-Gima, 2001). Successful differentiation is based on a study of buyers' needs and behaviour in order to learn what they consider important and valuable. The desired features are then incorporated into the product to encourage buyer preference for the product. The basis for competitive advantage is a product whose attributes differ significantly from rivals' products.

Efforts to differentiate often result in higher costs. Profitable differentiation is achieved by either keeping the cost of differentiation below the price premium that the differentiating features command, or by offsetting the lower profit margins through more sales volumes (Garcia and Calantone, 2002). Differentiation is aimed at the broad market that involves the creation of a product or services that is perceived throughout its industry as unique. The company or business unit may then charge a premium for its product. This specialty can be associated with design, brand image, technology, features, dealers, network, or customers' service. Differentiation is a viable strategy for earning above average returns in a specific business because the resulting brand loyalty lowers customers' sensitivity to price. Increased costs can usually be passed on to the buyers. Buyers' loyalty can also serve as an entry barrier; new firms must develop their own distinctive competence to differentiate their products in some way in order to compete successfully (Johnson and Scholes, 1993).

2.3.3 Technology Strategy

Information and communication technology is viewed as potentially capable of helping achieve innovative strategy (Garcia and Calantone, 2002). The high rate at which organizations are buying mobile phones, computer hardware and software as well as using the Internet for information and communication is evidence of the increasing awareness of information and communication technology in the market. The business benefits of using information and communication technology include efficiency and attainment of increased returns.

E-commerce is now thought to hold the promise of a new commercial revolution by offering an inexpensive and direct way to exchange information and to sell or buy products and services (Afuah, 2003). This revolution in the market place has set in motion a revolution in the real estate sector for the provision of a payment system that is compatible with the demands of the electronic marketplace. Consequently, the potential benefits of e-commerce have been widely touted (Porter, 2007).

Porter emphasized the use of technology to empower the real estate capabilities. In the context of real estate, the advancement in technology presents a new opportunity to improve service quality in response to volatile economic environment and changing competitive conditions (Chandler and Hanks, 2004). At the firm level, apart from adopting technology to integrate delivery channels to develop a close relationship with customers, real estate firms also adopt technology to enable the analysis of information about customer segmentation, demographics, product usage, transaction behaviour that thereby help them to improve the profitability and increase market share.

2.3.4 Innovative Customer Service Strategy

Functional quality is concerned with how the end result of the process was transferred to the customer. This concerns both psychological and behavioral aspects that include the accessibility to the provider, how service employees perform their task, what they say and how the service is done. Thus while technical quality can often be quite readily evaluated objectively, this is more difficult to do with functional quality (Garcia and Calantone, 2002). The model also recognizes that customers also have some type of image of the firm, which has a quality impact in itself and functions as a filter. The customers' perceived quality is the result of the evaluation they make of what was expected and what was experienced, taking into account the influence of the organization's image. There can be little doubt that quality is, nowadays, among the most critical aspects for the strategic management of service firms. Customer satisfaction and loyalty secured through high-quality products and services providing value for money for the consumer are essential for long-term survival, let alone long-term success (Couger, 1995).

Customer service is normally an integral part of a company's customer value proposition. Models have been developed to find measure and assess the determinants of service quality. SERVQUAL is based on the notion of a gap between what customers expect in terms of service quality from the providers of the service and their assessment of the actual performance of that particular service provider. Since Grönroos (2003) introduced SERVQUAL instrument; many researchers have used, extended and developed 22-item scale to study service quality in different sectors of the services industry (Hussey, 1997*).*

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlined the methodology that the researcher used in this study. The following sections were discussed; research design, sampling procedure and techniques, data collection procedure and techniques, and data analysis and tools.

3.2 Research Design

Since this study describes a phenomenon it used census to collect primary data. Census is used to ascertain the nature of a phenomenon from relatively large number of cases.

3.3 Population

The population of this study comprised of all players in the industry who include; contractors, developers and financiers located in Nairobi County; however the study concentrated on developers only. According to the 2011/2012 issue of the Real Estate Developers Index, Nairobi County was home to over 65 real estate developers (KNBS, 2012). Since the population was small there was no need for sampling rather the whole population the CEOs of the real estate was used (see appendix B).

According Kothari (2004) a census is feasible when the population is small and necessary when the elements are quite different from each other. When the population is small any sample drawn may not be representative of the population from which it is drawn. Therefore the researcher took a census method to be used because the population was small and the firms were easily assessable.

3.4 Data Collection and Procedures

The researcher used a questionnaire as a primary data collection instrument. Secondary data was collected from Economic Survey 2013 Kenya, National special data systems at the Ministry of lands. The primary data was collected using a questionnaire because of its economy, permit use of standardized questions, and it has uniform procedures, provide time for subject to think about responses and its easy to score. Questionnaires also provide greater anonymity. In this study, this

was important because information regarding marketing mix shall invoked some reticence on the part of respondents. The closed and semi-closed questionnaires were used to collect data relating to the topic of study from the 65 managers/ controllers within Nairobi County (appendix B).

The sub-sections in the questionnaire contain Likert Rating (LR) Scale which consisted of five statements adopted from Chandler (1990). To ensure that collection of data necessary for study was collected on time; the researcher involved services of a research assistant. This research assistant were identified and trained to equip him with the necessary skills prior to the actual data collection. A trained research assistant ensured that enough copies of questionnaires and covering letters were prepared and he contacted the respondents by mail and telephone requesting them to take part in this study. Data was gathered in the field after obtaining the Research Permit, developing the work plan, pre-testing the instruments through a pilot study and then after one week, they were collected by the research assistance.

Kotler et al., (2006) asserts that one of the ways to maximize questionnaires response as well as the return rate is by sending a preliminary notification about the questionnaires, and writing passionate requests for cooperation by the respondents. This end the researcher made passionate appeals to the respondents to cooperate by filling the questionnaires and then alerting the researcher for collection.

3.5 Data Analysis

Data collected was sorted, classified and coded then tabulated for ease of analysis. The data was summarized and categorized according to common themes. Data collected was analyzed using frequency distribution tables, descriptive statistics and inferential statistics. The SPSS (version 17) computer software aided in the analysis as it was more users friendly and most appropriate for analysis of Management related attitudinal responses (Chandler, 1990).

CHAPTER FOUR: RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents an analysis of the research data using various statistical techniques and presents the research findings and an interpretation of the same. The study used questionnaires to collect data for analysis. The questionnaires were framed in a simple manner to enable quick and easy response and also deliver the fundamental information that the study was seeking. The returned questionnaires were first edited for completeness and then coded before being subjected to statistical manipulation and evaluation using statistical tools. The data was analyzed and presented in the form of tables and figures.

4.2 Response Rate

A total of 47 respondents out of a sample size of 65 respondents filled in and returned the questionnaire contributing to a response rate of 72%. This response rate was favorable; as Mugenda and Mugenda (2003) asserted that a 50% response rate is adequate and 70% rated as good, as presented in Table 4.1

Table 4:1: Response Rate

Response	Frequency	Percentage
Responded	47	72
Not responded	18	28
Total	**65**	**100**

Source: Survey Data, (2013)

4.3 Respondents Bio-Data

The section presents the general analysis on the bio data of the respondents which included; age, gender, marital status, education level, respondents' department work and work duration.

4.3.1 Respondents Gender

Here, the study sought to establish the gender of the respondents who took part in the study. The results are as shown below

Table 4.2: Gender of the respondents

Gender	Frequency	Percentage
Male	27	57
Female	20	43
Total	**47**	**100**

Source: Survey Data, (2013)

The above table tabulates the respondents gender 57% of the respondents were male while 43% of the respondents were female. This shows that researcher tried to observed gender parity.

4.3.2 Age the Respondents

This section sought to establish the age of the respondents who took part in the study, the results are as shown in Table 4.3

Table 4.3: Distribution of respondents by age

Age	Frequency	Percentage
Below 20years	1	2
21-25 years	7	15
26- 30years	12	26
30-35 years	10	21
36- 40 years	7	15
40- 50 years	6	13
Above 50 years	4	8
Total	**47**	**100**

Source: Survey Data, (2013)

From the Table 4.3, 26% of the respondents were aged between 26- 30yrs, 21% of the respondents indicated that they were between 30-35 years, 15% of the respondents were aged between 21-25 years, 15% of the respondents indicated that they were aged between 30-35 years, 13% of the respondents indicated they were aged between 40- 50 years, 8% of the respondents were above 50 years and 2% of the respondents were below 20years. This shows that majority of the CEOs are at their youthful stage.

4.3.3 Level of Education

In this section, the study sought to establish the highest level of education reached by the respondents. Education level has an impact on nature of strategies and their extent of adoption in the real estate firms.

Table 4.4: Level of education

Education level	Frequency	Percentage
Primary	0	0
Secondary	0	0
College	19	40
University	28	60
Total	**47**	**100**

Source: Survey Data, (2013)

From the findings from Table 4.4 shows that, 60% of the respondents indicated that they were university graduates, 40% of the respondents indicated that they were college graduates; none of the respondents had reached primary or secondary level. The findings show that the respondents were well educated.

4.3.4 Duration of Work

Table 4.5 shows the distribution of respondents by their work duration in their respective firms.

Table 4.5: Work duration

Years	Frequency	percentage
Below One years	5	11
1- 2 years	3	6
2-4 years	4	9
4-6 years	15	32
6- 10 years	7	15
10 -15 years	10	21
Above 15 years	3	6
Total	**47**	**100**

Source: Survey Data, (2013)

From Table 4.5, 32% of the respondents indicated that they have been working for 4-6 years, 21% of the respondents indicated that they have been working for 10 -15 years, 15% of the respondents indicated that they have been working for 6- 10 years, 11% of the respondents indicated that they have been working below one years, 9% of the respondents indicated that they have been working for 2-4 years, 6% of the respondents indicated that they have been working for 1- 2 years, 6% of the respondents indicated that they have been working for above 15 years. The findings show that majority of the respondents had worked in the institution for a longer period hence rich information about the sector was captured.

4.3.5 Size of the firm

This section sought to establish the size of the various real estate firms that took part in the study. The results are as shown in Table 4.6

Table 4.6: Size category of the firm

	Frequency	Percentage
Small	12	26
Medium	25	53
Large	10	21
Total	**47**	**100**

Source: Survey Data, (2013)

Table 4.6 tabulate the firms size category, 53% of the respondents indicated that their firm was medium size, 26% of the respondents indicated that their firm was small in size and 21% of the respondents indicated that their firm was large in size.

4.4 Process innovation Strategy

A scale of 1-5 was used. Where 1 was to no extent, 2 was to little extent, 3 was to moderate extent, 4 was to great extent, 5 was to very great extent. The scores "very great extent" and "great extent" were represented by mean score equivalent to 3.6 to 5.0 on the continuous Likert scale (3.6 <very great extent< 5.0). The scores of 'Neither agree nor disagree' were equivalent to 2.6 to 3.5 on the Likert scale (2.6 < neither agree nor disagree <3.5). The score of "No extent" and "Extremely no extent" were equivalent to 1.0 to 2.5 on the Likert Scale (1.0 < No extent < 2.5).

4.4.1 Product Pricing

On investigating product pricing as a growth strategy adopted by real estate firms, the study found that respondents have adopted growth strategy to a great extent. This was by reducing the cost of properties. According to the findings respondents ensure fair price of firm to their clients by ensuring quality and transparency in evaluating the best price to their clients. This is done by ensuring professionals are engaged in determining the best price value for both parties i.e. the buyer and the seller this ensures growth of real estate as a business. It was further found that other real estate firms provide their clients with diverse range of products in terms of designs and sizes which have attracted more customers.

4.4.2 Growth Strategies Adopted by Real Estate Firms

This section sought to establish growth strategies adopted by real estate firms that took part in the study. The results are as shown in Table 4.7

Table 4.7: Adopted growth strategies by real estate firms

Statement	Mean	Std. Deviation
Gated community	4.3067	1.09017
Back up bore holes and sufficient water supply	4.3733	.92668
Maximum security	4.3600	.93923
Accessible roads	4.2400	.89805
Modern housing	4.5600	.79253
Total	**21.84**	**4.64666**
Average	**4.368**	**0.929332**

Source: Survey Data, (2013)

On investigating growth strategies adopted by real estate firms; the study found that respondents used modern housing which was rated important as shown by a mean score of 4.5600, back up bore holes and sufficient water supply was rated important as shown by a mean score of 4.3733, maximum security was rated important as shown by a mean score of 4.3600, gated community was rated important as shown by a mean score of 4.3067 as well as accessible roads was as well rated important as shown by a mean score of 4.2400.

4.4.3 Processes Chosen as Real Estate Growth Strategy

This section sought to investigate processes chosen as real estate growth strategy. The results are as shown in Table 4.8

Table 4.8: Processes chosen as real estate growth strategy

Statement	Mean	Std. Deviation
Easy to develop	4.3200	.90285
perform and assess coordinated	4.1067	1.10983
measurable in terms of growth	4.4267	.85698
persuasive brand communication programs with the consumers	1.9733	1.11468
prospects employees and other significant external and internal audiences	3.1067	1.09758
Total	**17.9334**	**5.08192**
Average	**3.58668**	**1.016384**

Source: Survey Data, (2013)

On the main reasons why certain processes were chosen as real estate growth strategy, it was rated as important as shown by a mean score of 3.58668 in that; processes chosen were measurable in terms of growth as shown by a mean score of 4.4267, it was easy to develop processes of growth strategy was shown by a mean score of 4.3200, perform and assess coordinated by the real estate firms was shown by a mean score of 4.1067, prospects employees and other significant external and internal audiences used in choosing real estate growth strategy was rated neutral as shown by a mean score of 3.1067 while persuasive brand communication programs with the consumers was found to be less important as shown by a mean score of 1.9733.

4.4.4 Policies on Strategy Implementation

This section sought to investigate policies on strategy implementation used by real estate. The results are as shown in Figure 4.1
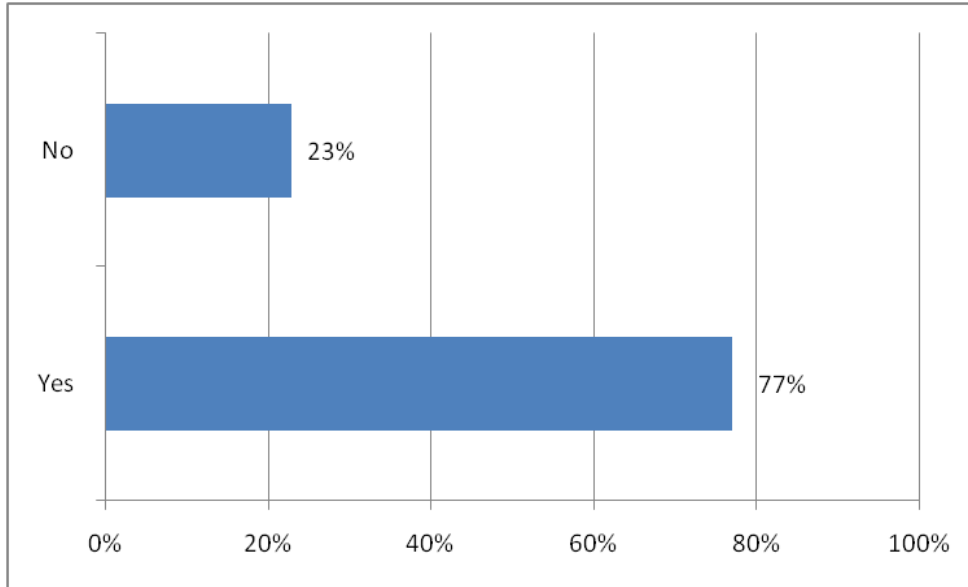
Figure 4.1: Policies on strategy implementation

Source: Survey Data, (2013)

Respondents were asked whether their company had defined policies on the strategy implementation, 77% who were the majority indicated yes while 23% indicated no as their response. In support of their answer those who indicated that indeed their company has defined policies on the strategy implementation pointed out that this was well stipulated in their strategic plan as well stressed in their growth strategy. Those who indicated no they said they saw the process as bureaucratic and the policies were not applicable in the sector.

4.4.5 Process Strategies Contribution to the Company's Growth

This section sought to establish process strategies contribution to the company's growth used by real estate firms. The results are as shown in Table 4.9

Table 4.9: Process strategies contribution to the company's growth

Statement	Mean	Std. Deviation
Reduction of costs	4.6400	1.1927
Improved innovation process	3.0933	.93250
Conformance to regulations	2.4133	.91671
New products introduction	4.4101	.91601
Total	**14.5566**	**3.95792**
Average	**3.63915**	**0.98948**

Source: Survey Data, (2013)

On investigating process strategies contribution to the company's growth score of strong, moderate and weak were used where (3.6 <strong< 5.0), (2.6 < moderate <3.5) and (1.0 < weak < 2.5). Respondents rate was strong as shown by a mean score of 3.63915 in that; reduction of costs by the real estate firms was strongly as shown by a mean score of 4.6400, new products introduction by the real estate firms was strongly as shown by a mean score 4.4101, improved innovation process by the real estate firms was moderate shown by a mean score 3.0933 however respondents disagreed with conformance to regulations by the real estate firms as shown by a mean score of 2.4133.

4.5 Product Differentiation Strategy

The section aimed to investigate product differentiation strategy used by real estate firms.

4.5.1 Designing of Product in Order to Yield User or Buyer Satisfaction

On investigating what was considered by the real estate developers in designing their product in order to yield satisfaction or benefits to the user or buyer it was found that respondents of the real estate considered the target market demographic indicators, the area of investment in terms of economic standards, and economic trends of the county in terms of inflation rates and GDP so as to set a standard price rate that will march the real estate input.

4.5.2 Product Designing

This section sought to establish product designing used by real estate firms under study. The results are as shown in Table 4.10

Table 4.10: Product designing

Choice	Mean	Std. Deviation
Design	4.16	1.12
Color	2.28	.923
Size	4.24	.942
Style	4.49	.723
Presentation	4.44	.757
Total	**19.61**	**4.465**
Average	**3.922**	**0.893**

Source: Survey Data, (2013)

On investigating the extent of designing a product it was found that style was considered to a great extent as shown by a mean score of 4.49, presentation was considered to a great extent as shown by a mean score of 4.44, size was considered to a great extent as shown by a mean score of 4.24, design was considered to a great extent as shown by a mean score of 4.16 however color was found to be considered to a low extent as shown by a mean score of 2.28.

4.5.3 Product Innovation Strategies in Terms of Contribution to the Firm's Growth

This section sought to establish product innovation strategies in terms of contribution to the firm's growth used by real estate firms under study. The results are as shown in Table 4.11

Table 4.11: Product innovation strategies in terms of contribution to the firm's growth

Statement	Mean	Std. Deviation
Product improvement	4.7067	.63189
Product range extension	3.5867	.65951
Product costs revision/improvement	4.2000	1.12706
Product replacement	4.3467	.84619
New product introduction	4.2133	.82680
Product repositioning	3.9733	.92959
Total	**25.0267**	**5.02104**
Average	**4.171117**	**0.83684**

Source: Survey Data, (2013)

The study aimed at investigating how product innovation strategies contributed to the firm's growth which was found to be effective as shown by a mean score of 4.171117 in that; product improvement was effective as shown by a mean score of 4.7067, product replacement was effective as shown by a mean score of 4.3467, new product introduction was effective as shown by a mean score of 4.2133, product costs revision/improvement was effective as shown by a mean score of 4.2000, product repositioning was effective as shown by a mean score of 3.9733 as well as product range extension was effective as shown by a mean score of 3.5867.

4.6 Technology Strategy

The section aimed to assess technology strategy used by real estate firms.

4.6.1 Branding in the Internet

This section sought to ascertain branding in the internet used by real estate firms under study. The results are as shown in Figure 4.2
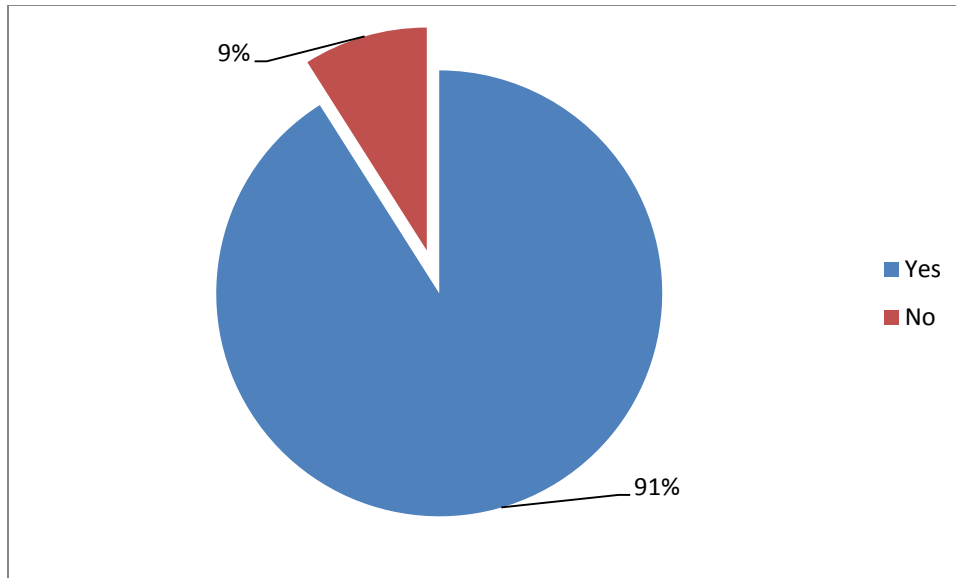
Figure 4.2: Branding in the Internet

Source: Survey Data, (2013)

On investigating whether real estate firms have defined policies about branding in the Internet, 91% who were the majority indicated yes while 9% indicated no. The findings show that internet has played a major role in branding of the real estate firms.

4.6.2 Technology Strategies on Firms Growth

This section sought to determine technology strategies on firm's growth used by real estate firms under study. The results are as shown in Table 4.12

Table 4.12: Technology strategies on firm's growth

	Mean	Std. Deviation
Internet marketing of houses	4.1200	1.02614
Mobile funds transfer on payment transactions	1.2000	.97260
Mortgage payments by use of electronic transfer	3.1067	1.09758
Total	**8.4267**	**3.09632**
Average	**2.8089**	**1.032107**

Source: Survey Data, (2013)

Technology strategies contributed average to the firm's growth as shown by a mean score of 2.8089 in that; internet marketing of houses was found to be effective as shown by a mean score of 4.1200, mortgage payments by use of electronic transfer was found to be average as shown by a mean score of 3.1067 while mobile funds transfer on payment transactions was found to be least effective as shown by a mean score of 1.2000.

4.6.3 Application of Technological Strategies Effect on Performance

This section aimed to investigate application of technological strategies effect on performance used by real estate firms under study. The results are as shown in Table 4.13

Table 4.13: Application of technological strategies effect on performance

Response	Frequency	Percentage
Yes	38	81
No	9	19
Total	**47**	**100**

Source: Survey Data, (2013)

On whether the application of technological strategies affected the performance of real estate firms; 81% who were the majority indicated yes while 19% indicated no as their response.

4.6.4 Extent of Application of Technological Strategies Effect on Performance

This section aimed to investigate extent of application of technological strategies effect on performance used by real estate firms under study. The results are as shown in Table 4.14

Table 4.14: Extent of application of technological strategies effect on performance

Response	Frequency	Percentage
Very great extent	16	42
Great extent	7	18
Moderate extent	11	29
Little extent	3	8
Not at all	1	3
Total	**38**	**100**

Source: Survey Data, (2013)

Those who indicated that indeed technological strategies affect the performance of real estate firms, 42% cited that technological strategies affect the performance to a very great extent, 29% indicated that technological strategies affect the performance to a moderate extent, 18% pointed out those technological strategies affect the performance to a great extent, 8% indicated that technological strategies affect the performance to a little extent and 3% pointed out that technological strategy affect the performance to a not at all.

4.6.5 Real estate Price on Real Estate Growth

This section aimed to investigate real estate price on real estate growth used by real estate firms under study. The results are as shown in Table 4.15

Table 4.15: Real estate price on real estate growth

Statement	Mean	Std. Deviation
Costs	4.6400	.19277
Demand conditions	3.0933	.93250
Competition	4.4133	.91671
Legal and political issues	4.4946	.72361
General company policies	1.4401	1.75749
Total	**18.0813**	**4.52308**
Average	**3.61626**	**0.904616**

Source: Survey Data, (2013)

On establishing what determined real estate price on given factors and their impact on real estate growth it was found that; costs impacted on the pricing to a great extent as shown by a mean score of 4.6400, legal and political issues was found to impact on the pricing to a great extent as shown by a mean score of 4.4946, competition was found to impact on the pricing to a great extent as shown by a mean score of 4.4133, demand conditions was found to impact on the pricing to a moderate extent as shown by a mean score 3.0933 and general company policies was found to impact on the pricing to a low extent as shown by a mean score of 1.4401.

4.7 Innovative Customer Service Strategy

The section aimed to establish innovative customer service strategy used by real estate firms.

4.7.1 Customer Care Desk

This section aimed to investigate whether real estate firms under study had customer care desk. The results are as shown in Figure 4.3
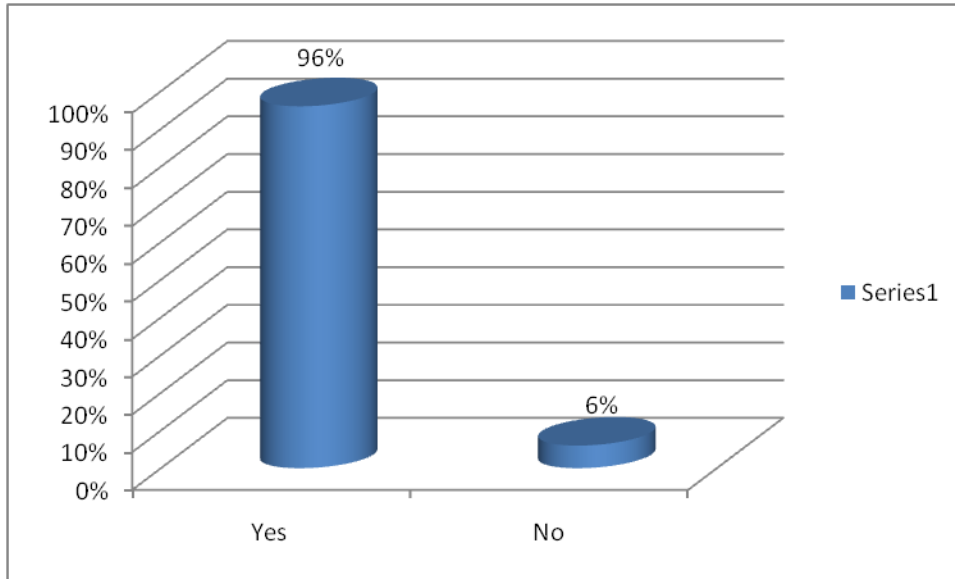
Figure 4.3: Customer care desk

Source: Survey Data, (2013)

On ascertain whether the real estate under study had customer care desk, 96% who were the majority indicated yes while 6% indicated no. The findings show that the firms had established customer care services.

4.7.2 Quality Customer Service Strategy of Operation

This section sought to establish quality customer service strategy of operation used by real estate firms under study. The results are as shown in Figure 4.4
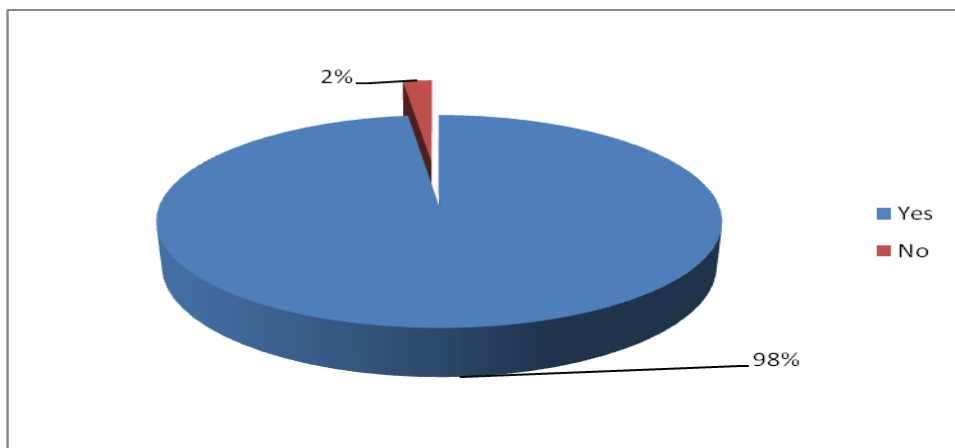
Figure 4.4: Quality customer service strategy of operation

Source: Survey Data, (2013)

On whether quality customer service strategy of operation determined the growth of real estate firms 98% indicated yes while 2% indicated no as their response. The findings are tabulated in the figure 4.4 above.

4.7.3 Real Estate Growth

This section sought to ascertain the respondents view on real estate growth. The results are as shown in Table 4.16

Table 4.16: Real estate growth

| Statement	Agree		Disagree	
	F	%	F	%
My firm is undercapitalized	17	36	30	64
We have written short and long-term goals	42	89	5	11
We know our strengths and weaknesses	39	83	8	17
We have a plan and method for expansion	35	74	12	26
We have a strategic plan	45	96	2	4
We keep abreast of our industry, market and technology	29	62	18	38
We manage our schedule well	25	53	22	47
We have customers who are so large that if they leave so does our firm	41	87	6	13
Our firm diametrically opposed to our basic philosophy	36	77	11	23
We have excellent customer service	43	91	4	9
We have a marketing plan	41	87	6	13
Our network, build referral sources and develop our interpersonal skills	17	36	30	64
Our employees understand the market process	29	62	18	38

Source: Survey Data, (2013)

In identifying how firms have embraced growth strategies the study found that; 64% who were the majority disagreed that the firms are undercapitalized, 89% who were the majority agreed that real estate firm have written short and long-term goals, 83% who were the majority agreed

the real estate firm know their strengths and weaknesses, 74% who were the majority agreed the real estate firm a plan and method for expansion, 96% who were the majority agreed that real estate firm have a strategic plan, 62% who were the majority agreed that real estate firm keep abreast with their industry, market and technology, 53% who were the majority agreed that real estate firm manage their schedule well, 87% who were the majority agreed that real estate firm have customers who are so large that if they leave so does will their business, 77% who were the majority agreed that real estate firm diametrically opposed to their basic philosophy, 91% who were the majority agreed that real estate firm have excellent customer service, 87% who were the majority agreed that real estate firm have a marketing plan, 64% who were the majority agreed that real estate firm network, build referral sources and develop interpersonal skills, 62% who were the majority agreed that real estate firm employees understand the market process.

4.7.4 Challenges Faced While Implementing Quality Customer Service

Respondents were asked to point out the major challenges they face while implementing quality customer service, according to the respondents a competitive market is a driving force behind many of the other obstacles to quality. One of the effects of a competitive market is to lower quality standards to a minimally acceptable level. If the quality of tasks performed is poor, unnecessary cost is incurred by the company and, ultimately, passed to the customer. The competitive environment, poor management practice, and a general lack of higher expectations have contributed to unproductive and unhealthy attitudes. Lack of leadership for quality in that; excess layers of management quite often lead to duplication of duty and responsibility impacting to poor quality customer service. In adequate cultural dynamism has made quality customer service implementation difficult because most of the top level management of many organizations are rigid in their ways of doing things. Since most companies do not involve quality in their strategic plan, little attention is paid to implementing quality customer service in terms of human and financial resources. Much of the attention is drawn to increasing profit margins of the organization with little regard as to whether their offers/ supply to customers is of expected quality. There is paltry budgetary allocation made towards employee training and development which is critical for total quality management implementation.

Lack of customer focus also immerged in that most strategic plans of organizations are not customer driven. They tend to concentrate much on profit-oriented objectives within a given time frame. Little (if any) market research is done to ascertain the product or service performance in the market relative to its quality. Such surveys are regarded by most organizations as costly and thus little concern is shown to quality improvement for consumer satisfaction and lack of effective measurement of quality improvement. Measurement problems are caused by goals based on past substandard performance, poor planning, and lack of resources and competitor-based standard. Worse still, the statistical measurement procedures applied to production are not applicable to human system processes.

4.8 Regression Analysis of the Findings

The researcher conducted a multiple linear regression analysis so as to determine the influence of innovation strategies on the growth of real estate development in Nairobi County and the four independent factors namely: process innovation strategy, product differentiation strategy, technology strategy and innovative customer service strategy.

The regression equation was

$$Y = \beta 0 + \beta 1 X1 + \beta 2 X2 + \beta 3 X3 + \beta 4 X4 + \varepsilon$$

Whereby   Y =. Growth of real estate development

X_1 = Process innovation strategy

X_2 = Product differentiation strategy

X_3 = Technology strategy

X_4 = Innovative customer service strategy

Table 4.17 Model Summary

Model	R	R Square	Adjusted R Square	Standard Error of the Estimate
1	0.843	0. 742	0.724	0.4216

Source: Survey Data, (2013)

a) Predictors: (Constant): Process innovation strategy, product differentiation strategy, technology strategy and innovative customer service strategy

b) Dependent variable: Growth of real estate development

The study used the R square. The R Square is called the coefficient of determination and tells us how the growth of real estate development varied with process innovation strategy, product differentiation strategy, technology strategy and innovative customer service strategy. The four independent variables that were studied explain 74.2% of the factors influencing growth of real estate development in Nairobi County as represented by R Squared (Coefficient of determinant). This therefore means that other factors not studied in this research contribute 25.8% of the factors influencing growth of real estate development in Nairobi County.

Table 4.18: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.72	9	1.302	44.231	.000(a)
	Residual	3.432	38	0.066		
	Total	**15.152**	**47**			

Source: Survey Data, (2013)

a) Predictors: (Constant), Process innovation strategy, product differentiation strategy, technology strategy and innovative customer service strategy

b) Dependent Variable: Growth of real estate development

The study used ANOVA to establish the significance of the regression model from which an f-significance value of p less than 0.05 was established. The model is statistically significant in predicting how process innovation strategy, product differentiation strategy, technology strategy and innovative customer service strategy influence growth of real estate development. This

shows that the regression model has a less than 0.05 likelihood (probability) of giving a wrong prediction. This therefore means that the regression model has a confidence level of above 95% hence high reliability of the results.

Table 4.19: Coefficients Results

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.116	.186		0.623	.535
Process innovation strategy	0.577	.068	.559	8.478	.000
Product differentiation strategy	0.157	.043	.257	3.676	.036
Technology strategy	0.082	.042	. 301	2.252	.020
Innovative customer service strategy	0.021	.002	.245	6.906	.001

Source: Survey Data, (2013)

a) Predictors: (Constant), Process innovation strategy, product differentiation strategy, technology strategy and innovative customer service strategy

b) Dependent Variable: Growth of real estate development

The established regression equation was

$$Y = 0.116 + 0.577X_1 + 0.157X_2 + 0.082X_3 + 0.021X_4 + \varepsilon$$

The regression equation above has established that holding all factors (Process innovation strategy, product differentiation strategy, technology strategy and innovative customer service strategy) constant, factors influencing growth of real estate development in Nairobi County will be 0.116. The findings presented also shows that taking all other independent variables at zero, a unit increase in process innovation strategy will lead to a 0.577 increase in the scores of the growth of real estate development. A unit increase in product differentiation strategy will lead to a 0.157 increase in growth of real estate development. On the other hand, a unit increase in technology strategy will lead to a 0.082 increase in the scores of the growth of real estate development; and a unit increase in innovative customer service strategy will lead to a 0.021 increase in the scores of the growth of real estate development. This infers that process innovation strategy influences the growth of real estate development most followed by

technology strategy, product differentiation strategy and then innovative customer service strategy. The study also established a significant relationship between growth of real estate development and the independent variables; process innovation strategy (p=0.00<0.05), product differentiation strategy (p=0.036<0.05), technology strategy (p= 0.20<0.05) and innovative customer service strategy (p=0.001<0.05) as shown by the p values. The researcher dropped the regression model because p>0.5 and t<1.96.Therefore the restated model is as follows:

$$Y=0.577X_1+0.157X_2+0.082X_3+0.021X_4+ \varepsilon$$

4.9 Non-parametric Correlation

A Spearman correlation is used when one or both of the variables are not assumed to be normally distributed. The values of the variables were converted in ranks and then correlated. The study correlated process innovation strategy, product differentiation strategy, technology strategy and the innovative customer service strategy under the assumption that both of these variables are normal and interval.

Table 4.20: Correlations

			Process innovation strategy	Product differentiation strategy	Technology strategy	Innovative customer service strategy
Spearman's rho	Process innovation strategy	Correlation Coefficient Sig. (2-tailed) N	1.000 . 61	.617 .000 61	.547 .000 61	.667 .000 61
	Product differentiation strategy	Correlation Coefficient Sig. (2-tailed) N	.617 .000 61	1.000 . 61	.437 .000 61	.235 .001 61
	Technology strategy	Correlation Coefficient Sig. (2-tailed) N	.547 .000 61	.437 .000 61	1.000 . 61	.441 .002 61
	Innovative customer service strategy	Correlation Coefficient Sig. (2-tailed) N	.667 .000 61	.235 .000 61	.441 .000 61	1.000 . 61

Source: Survey Data, (2013)

The results suggest that the relationship between process innovation strategy and product differentiation strategy (rho = 0.617, p = 0.000) is statistically significant. Process innovation strategy and technology strategy had a rho of 0.547 and a p value of 0.000 therefore denoting statistical significance. Similarly, the process innovation strategy and innovative customer service strategy posted a rho of 0.667 with a p value of 0.000 therefore providing a statistical significance. Product differentiation strategy and technology strategy had a rho of 0.437, p=0.000 further pointing to a statistical significance. On the same note, the product differentiation strategy and the innovative customer service strategy correlated at rho=0.235 and p=0.001. This therefore is statistically significant. Finally, the technology strategy and innovative customer service strategy stood at a correlation of rho=0.441 and p= 0.002 revealing statistical significance.

CHAPTER FIVE: SUMMARY CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the findings of chapter four, and also it gives the conclusions and recommendations of the study based on the objectives of the study. The objectives of this study were to assess innovation strategies and the growth of real estate developers in Nairobi County.

5.2 Summary of the Findings

The study found that the selling price is influenced to a great extent by the following production costs influenced selling price to a great extent, coordination costs influenced selling price to a great extent and also the profit margin influenced selling price to a great extent. The study also found that the real estate firms have adopted growth strategies. To ensure this they have embraced modern housing, back up bore holes and sufficient water supply, maximum security was also guaranteed to their customers, gated community and accessible roads to the offered products. The study found that the real estate had defined policies on the strategy implementation where this was well stipulated in their strategic plan as well stressed in their growth strategy.

The study also found that the real estate developers designed their product in order to yield satisfaction and benefits the user or buyer this was done by considering the target market demographic indicators, the area of investment in terms of economic standards, and economic trends of the county in terms of inflation rates and GDP so as to set standard price that will march the real estate input. In the designing of a product findings style the following were considered to a great extent; style of the products, presentation of the products, size and design.

The study found that real estate firms have defined policies and that thy branded their products via the Internet. Use of technology strategies and its contribution to the firm's growth was found to be average this was through; internet marketing of houses, mortgage payments by use of electronic transfer and mobile funds transfer on payment transactions. The application of technological strategies was found to affect the performance of real estate firms to a very great extent. The study found that real estate price given factors their impact on real estate growth to a

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great extent. These factors include costs, legal and political issues, competition, demand conditions and general company policies. The study found that real estate under study had customer care desk and that quality customer service strategy of operation determined the growth of real estate firms.

The study found that the real estate firms have embraced growth strategies which are written in short and long-term goals, know their strengths and weaknesses, have plan and method for expansion, have a strategic plan, keep abreast with their industry, market and technology, management of their schedule well, have customers who are so large that if they leave so does will their business, diametrically opposed to their basic philosophy, have excellent customer service, have a marketing plan, network with other firms, build referral sources and develop interpersonal skills.

The regression equation established that holding all factors (Process innovation strategy, product differentiation strategy, technology strategy and innovative customer service strategy) constant, factors influencing growth of real estate development in Nairobi County will be 0.116. The findings presented also shows that taking all other independent variables at zero, a unit increase in process innovation strategy will lead to an increase in the scores of the growth of real estate development. A unit increase in product differentiation strategy will lead to an increase in growth of real estate development. On the other hand, a unit increase in technology strategy will lead to an increase in the scores of the growth of real estate development; and a unit increase in innovative customer service strategy will lead to an increase in the scores of the growth of real estate development. This infers that process innovation strategy influences the growth of real estate development most followed by technology strategy, product differentiation strategy and then innovative customer service strategy. The study also established a significant relationship between growth of real estate development and the independent variables; process innovation strategy, product differentiation strategy, technology strategy and innovative customer service strategy as shown by the p values.

The results suggest that the relationship between process innovation strategy and product differentiation strategy was statistically significant. Process innovation strategy and technology strategy denoted statistical significance. Similarly, the process innovation strategy and innovative

customer service strategy posted to be statistical significant. Product differentiation and technology strategy further pointing to be statistical significant. On the same note, the product differentiation strategy and the innovative customer service strategy correlated. This therefore was statistically significant. Finally, the technology strategy and innovative customer service strategy stood to be correlation and revealed to be statistical significant.

5.3 Conclusions

The study conclude that innovation strategies influence growth of real estate development to a great extent this factors include process innovation strategy, product differentiation strategy, technology strategy and innovative customer service strategy. These strategies scan increase property values and property tax revenues, encourage job creation, reduce housing and transportation costs, and create amenities and places that improve residents' quality of life. Real estate developers and investors can use smart growth development as a strategy to maximize their economic advantages while improving the quality of life and creating attractive, healthy communities that help protect the environment.

The study also concludes that not only has innovation strategies moved to centre-stage in real estate development, but there is a realisation that a coordinated, coherent, whole some approaches required from the management as well as the staff. In addition to the rapid advances in scientific discovery and in general-purpose technologies such as ICTs, the accelerating pace of innovation is being driven by globalisation. Last but not least, a catalyst for globalisation and innovation, ICTs (notably, the Internet) has become a fundamental component of the global economic infrastructure. Ensuring that the Internet is a positive agent for real estate growth will ensure the desired results in the sector.

The study further concludes that there are a number of challenges that face the sector while implementing quality customer service which include; competitive market, poor management practice, lack of higher expectations have contributed to an unproductive and unhealthy attitude, lack of leadership for quality, paltry budgetary allocation made towards employee training, lack of customer focus and lack of effective measurement of quality improvement.

5.4 Recommendations

For the expected return from investing in residential income property to increase, there should be an improved outlook is associated with a swing in government policy away from public provision of rental housing to the private provision of rental housing. In order to increase their competitive advantage, there is need for real estate investment companies to adopt newer technologies for building and construction as the Government of Kenya has already authorized use of such technologies and is at the same time promoting their use, especially within Nairobi.

The real estate investors should be aware of the marketing mix and exceptions as being aware of current improvements which can help them determine changes in supply and demand and identify potentially false trends in the industry. In order to encourage more investors in the real estate industry, institutional policies such as licensing, registration requirement, product standards and certification and infrastructure policies including utility development and land policies should be streamlined and centralized to encourage more investors. To accelerate sales during the construction of new units' period, real estate investment companies should make use of appropriate marketing tools such as was employed including use of competent estate management consultants.

The study finally recommends that the commitment of top management is essential. Substantial inflow of resources, adequate training, workforce participation and effective measurement techniques are some of the key success factors. A successful innovative program is unique, and it should motivate middle management to focus on long-term strategies rather than short-term goals which will ensure the growth of the sector.

5.5 Limitation of the Study

There was no research or study without its own unique limitations, therefore the short comings of this research were:

There was reluctance and lack of cooperation on the part of the respondents in answering the questions in the questionnaire appropriately.

The fact that the method of study was through the use of questionnaires meant that it was mainly the opinion of the respondents that would elicit information; the sincerity of the respondents was not known or determined.

5.6 Suggestions for Further Research

The study has explored innovation strategies and the growth of real estate developers in Nairobi County. The real estate sector in Kenya however comprises of various other real estate stakeholders located in other areas in Kenya who differ in their way of management and have different settings all together. This warrants the need for another study which would ensure generalization of the study findings for all the real estate stakeholders in Kenya and hence pave way for new policies. The study therefore recommends another study be done with an aim to investigate innovation strategies and the growth of real estate developers in Kenya.

A replication of these study should be carried out but these time using a larger sample, more time should be allocated to the same and a combination of more than one of data collecting instrument should be used example interview and focus group discussion these will help to counter check the information provided. Experimental approach need to be tried so as to find the causal relationship among variables that influence growth of real estate developers in Kenya. A further study needs to be conducted using more variables that seem to be more relevant to this study.

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Appendix A: Questionnaire

Introduction

This questionnaire is designed to obtain information for an academic research as part of an effort to enhance our understanding of influence of innovation strategies on the growth of real estate in Nairobi County. Data is being collected from the real estate developers focusing on the managers/ controllers. The accuracy of the information you provide will be crucial to attaining the objective of the study. The questionnaire has five (5) sections. Kindly respond to each of the items in the questionnaire. There is no right or wrong answer to the questions. We are interested in your general impression. The information you provide will be used for this academic purpose only and will be treated with utmost *confidentiality*.

SECTION A: BIO- DATA

Gender

        Male   [ ]   Female   [ ]

Age

    Below 20years [ ]   21-25 years [ ]   26- 30yrs   [ ]

    30-35 yrs   [ ]   36- 40 years [ ]   40- 50 years [ ]

    Above 50 years   [ ]

Level of education

    Primary   [ ]   Secondary   [ ]

    College   [ ]   University   [ ]

No of years worked in the firm

    Below One Yr   [ ]   1- 2 Yrs [ ]   2-4 Yrs   [ ]

    4-6 Yrs   [ ]   6- 10 Yrs [ ]   10 -15 Yrs [ ]

    Above 15 Yrs   [ ]

How can you rate your firm in terms of size?

    Small   [ ]   Medium [ ] Large   [ ]

Key: Small- 0-9

    Medium 10-50

Above 100

SECTION B: PROCESS STRATEGY

Which is the main growth strategy has your firm adopted and why?

………………………………………………………………………………………………

In ensuring growth to what extent has your firm adopted the given strategies? Use a scale of; 5 Very important, 4 important, 3 neural, 2 not important and 1 less important.

	1	2	3	4	5
Gated community					
Back up bore holes and sufficient water supply					
Maximum security					
Accessible roads					
Modern housing					

The following are the main reasons why processes are chosen as real estate growth strategy. Kindly rate in order of importance; Use a scale of; 5 Very important, 4 important, 3 neural, 2 not important and 1 less important.

	5	4	3	2	1
Easy to develop					
perform and assess coordinated					
measurable in terms of growth					
persuasive brand communication programs with the consumers					
prospects employees and other significant external and internal audiences					

Does your company have defined policies on the strategy implementation?

Yes [ ]   No [ ]

Briefly support your answer…………………………………………………………………

………………………………………………………………………………………………

How do the above process strategies contribute to the company's growth? (rank on a scale of 1-5, where 1= strongly disagree and 5 = strongly agree)

	1	2	3	4	5
Reduction of costs					
Improved innovation process					
Conformance to regulations					
New products introduction					

SECTION E: PRODUCT

What do you consider in designing your product in order to yield satisfaction or benefits to the user or buyer? …………………………………………………………………………

……………………………………………………………………………………………………

While designing a product to what extent do you consider the following while designing your product? use a scale of; 5 Very great extent, 4 Great extent, 3 Moderate extent, 2 Little extent and 1 No extent.

	5	4	3	2	1
Design					
Color					
Size					
Style					
Presentation					

How do you rate the above product innovation strategies in terms of contribution to the firm's growth? (Rank on a scale of 1-5, 1 being least affecting while 5 being most affecting).

	1	2	3	4	5
Product improvement					
Product range extension					
Product costs revision/improvement					
Product replacement					
New product introduction					
Product repositioning					

SECTION B: TECHNOLOGY STRATEGY

Does your company have defined policies about branding in the Internet?

Yes [ ]   No [ ]

How do the above technology strategies contribute to your firms growth? (Rank on a scale of 1-5, 1 being least affecting while 5 being most affecting).

	1	2	3	4	5
Internet marketing of houses					
Mobile funds transfer on payment transactions					
Mortgage payments by use of electronic transfer					

Does application of technological strategies affect the performance of your firm?

Yes   [ ]   No   [ ]

If yes, to what extent?

    Very great extent   ( )   Great extent   ( )

Moderate extent   ( )   Little extent   ( )

Not at all   ( )

Real estate price is determined by the following rate their impact on real estate growth; use a scale of; 5 Very great extent, 4 Great extent, 3 Moderate extent, 2 Little extent and 1 No extent.

	5	4	3	2	1
Costs					
Demand conditions					
Competition					
Legal and political issues					
General company policies					

SECTION D: QUALITY CUSTOMER SERVICE

Does your firm have a customer care desk?

Yes [ ]   No [ ]

In your firm does the quality customer service strategy of operation determine the growth of real estate firms?

Yes [ ]   No [ ]

Kindly indicate where your firm is given the following statements that regard to real estate growth?

Statement	Agree	Disagree
My firm is undercapitalized		
We have written short and long-term goals		
We know our strengths and weaknesses		
We have a plan and method for expansion		
We have a strategic plan		
We keep abreast of our industry, market and technology		
We manage our schedule well		
We have customers who are so large that if they leave so does our firm		
Our firm diametrically opposed to our basic philosophy		
We have excellent customer service		
We have a marketing plan		
Our network, build referral sources and develop our interpersonal skills		
Our employees understand the market process		

Kindly indicate the major challenge that you face while implementing quality customer service in your firm? …………………………………………………………………………….
……………………………………………………………………………………………………

THANK YOU FOR YOUR TIME AND PARTICIPATION

Appendix B: List of Registered Real Estate Firms/Developers in Nairobi

1. Bannie &Archer
2. Daebak Investments
3. Diamond Park Developers
4. East Gate Apartments Limited
5. Easy Properties Ltd (K)
6. Garun Investments LTD
7. Kenya Private Developers Association
8. Madison Property Group
9. Magison International Limited,
10. Mburu Consult Eng (k) ltd
11. Motor & Properties Network
12. Nyumbaquest.biz
13. Riparo Properties Limited
14. Soin ltd
15. Sultan Properties
16. Minrod East Africa Ltd
17. Palm Golding Properties Ltd
18. Super Contractors Ltd
19. Super Shelter Construction Co
20. Superior Construction Co Ltd
21. Suraj Construction
22. Swapno Properties Consultants Ltd
23. Swing Ltd
24. Syndicate Holdings Ltd
25. Tafuta Development Co Ltd
26. Tagaka Holdings Ltd
27. Developing Africa ltd
28. Chigwel Holdings Ltd
29. Tamarind Properties Ltd

30. Tana River Traders

31. Taneebhai Constructors

32. Erdemann Property Ltd

33. Tarmac (Kenya) Ltd

34. Tatu Traders Ltd

35. Thiomi Limited

36. Valleyplace development ltd

37. Suraya Developers Ltd

38. Bellaway Developers & Consultants

39. Victory Consultants and developers Ltd

40. Hass Consult Real Estate

41. Brickvale Kenya

42. Daebak Investments

43. Sultan Properties

44. Euro Trust Real Estate

45. KRUSS Real Estate

46. Easy Properties Ltd (K)

47. Garun Investments LTD.

48. Ali Barbour's Group

49. Villacare Kenya

50. Hadar Ltd

51. Mitco Ventures Ltd

52. Home Afrika Limited,

53. Valleyplace Development Ltd

54. MburuConsult Eng (K) Ltd

55. EURO Trust Real Estate

56. Continental Villas Ltd

57. Decimal Homes

58. Dream Properties Limited

59. Firstunion Kenya Investments

60. Komarock Ranches

61. Pink Properties Developers

62. Sternon Real Estate

63. Summer Ville Development Company Ltd

64. The Aga Khan Department For Africa

65. Trident Estate

Source; Office of the Registrar of Companies (2013)

Appendix C: Work Plan

The table below shows the schedule of all the events, it indicates the month each particular activity will take place.

ACTIVITY	PERIOD				
	Jun	Jul	Aug	Sep	Oct
Preliminary literature review	■				
Consultations with supervisor	■	■			
Thesis proposal writing		■	■		
Developing instruments			■	■	
Thesis proposal defense					■

Source: Author (2013)

Appendix D: Budget

The table below provides the budget for all the expenses that the researcher will incur.

Activity	Amount in Ksh.
Transport[1]	18,000
Writing Materials[2]	4,000
Typing, Photocopying and Binding[3]	16,500
Internet [4]	5,000
Laptop	51,000
Miscellaneous[5]	5,000
Total	**99,500**

Source: Author (2013)

Notes:

1 Travelling expenses

2 Payment for the purchase of writing materials such as foolscaps and pens

3 Printing and binding the 3 final copies of the thesis proposal report.

4 Payment of internet service since much of the secondary data will be gathered from the internet.

5 Amount set aside for any uncertainties that are unforeseen at the point of planning.