

COMPETITIVE STRATEGIES APPLIED BY SMALL AND MEDIUM-SIZED FIRMS IN MOMBASA COUNTY, KENYA.

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DECLARATION

I declare that this is my original work and has not been presented to this or any other University or college for examination or academic purposes.

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DEDICATION

I dedicate this work to Allah for enabling me to undertake this course, to my family and my sponsor, Ibrahim Ndung'u, for their invaluable support and encouragement throughout the course period.

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ABSTRACT

Today's business operating environment is characterised by dynamism that calls for constant adjustments of all business functions, strategies and alignment of the same to ensure sustainable growth of organisations. Despite these changes, SMEs, in an attempt to remain competitive in this kind of environment have opted to applying various competitive strategies to ensure that they are not pushed out of business by their competitors and larger-sized firms. This study sought to reveal in chapter one, the various competitive strategies that SMEs in Mombasa County apply in ensuring that they stay ahead of their competitors and other larger sized firms. The study, in chapter one, explains the competitive strategy concept, the context of SMEs competitive strategies in Kenya and particularly in Mombasa County and the various definitions of SMEs in Kenya and worldwide. Chapter two, explored the various theories that explain competitive strategy of firms, covering the resource-based view, game theory and Porter's generic competitive strategies in detail. It also covers the various competitive strategies that are applied by firms, as well as the various challenges faced by SMEs and the factors that affect their choice of competitive strategies. Chapter three covers the research methodology used with explanations on the research design that was used, the population of the study, the sampling design, the data collection methods and tools and the data analysis and presentation that was used by the researcher. Chapter four covered the various findings of the study that were presented in figures and scatter diagrams, while chapter five gave the summary of the study findings, conclusions and recommendations. The study revealed that SMEs in Mombasa County applied mostly differentiation strategies as well as innovative cost-reduction strategies to ensure efficiency, as well as revealing the challenges of SME competitiveness in Mombasa County, whereby competition, lack of access to external finance, lack of capital and credit were the most pressing challenges among others. The study also revealed that financial and economic factors as well as the firms' resources or capabilities, greatly affect the choice of competitive strategy among other factors. The researcher recommended that policies and mechanisms have to be put in place to ensure that SMEs overcome these pressing challenges in order to succeed in growth sustainably.

ABBREVIATIONS AND ACRONYMS

CIA	Central Intelligence Agency
GDP	Gross Domestic Product
KNBS	Kenya National Bureau of Statistics
RMB	China Yuan Renminbi - Currency
SME(s)	Small and Medium Enterprise(s)

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

In today's highly competitive business operating environment, firms have increasingly used sustainable strategic management practices to survive the intensive competition. Firms operate in an environment that may impact both positively and negatively on their pursuit of strategies. Strategies, as courses of action to achieve objectives, give direction to a firm's future, but do not necessarily mean that they give firms competitive advantage. Rather, competitive advantage is an outcome of successful competitive strategy implementation.

Competitive strategy has recently been described using various theories that base their explanations on firms' capabilities and resources as the major determinants or avenues of gaining competitive advantage. These theories include the resource based view, the game theory and Porter's generic strategies that can be used to analyse firms' competitive environment. Competitive strategy is mainly concerned with how a firm can gain advantage over others while carrying out its business. It is a major determinant of the success of firms and it also determines the appropriateness of a firm's activities that contribute to its superior performance. These activities include innovation, a cohesive culture and proper implementation of the strategies. Competitive advantage aims at establishing a sustainably superior position against the environmental forces that determine industry competition by effective use of available resources and capabilities (Barney, 2007; Capon, 2008; Grant, 2000; Porter, 1998).

Small and Medium Enterprises or firms (SMEs) face various challenges in their business operating environment (both internal and external). Their success, pegged on beating stiff competition from larger-sized firms among other challenges, is a consequence of embracing a mix of strategies, appropriate strategic leadership, and appropriate utilization of available resources to achieve competitive advantage. Despite increased competition in the business industry in Kenya, small and medium sized firms are increasing their operations to other regions in order to increase their market share (Bowen *et al.*, 2009). In Mombasa County at the Kenyan coast, there are increasing numbers of businesses registering to operate there each year. Some of the small and medium sized firms have continued to maintain competitive advantage, achieving growth and profitability in this market, but others fail to survive in the highly competitive business environment (Mwangi *et al.*, 2013; KNBS, 2012).

1.2 Competitive Strategies

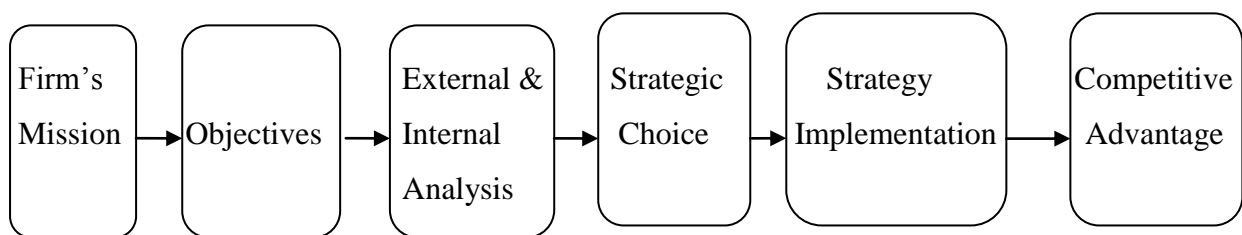
Competitive strategies are actions that firms choose to adopt to gain competitive advantage. A firm is said to have competitive advantage when it is able to create more economic value than rival firms, value(s) that are not being simultaneously being implemented by other competitors. Firms that are focussed on long-term success adopt competitive strategies that are constantly aligned to fit to the needs of the particular situation that the firm is facing in relation to the dynamic forces of the environment. These firms usually use their resources and capabilities to maximize their chances of survival in a highly competitive environment and highly dynamic business operating environment (Barney, 2007; Porter, 1980). Competition is a major determinant of the success or failure of a firm which does not align its strategy to the operating environmental forces. Firms use resources, both internal and external to create opportunities for competitive advantage as well as to counter the effects of adverse competitive forces. Porter (1998) outlined the major competitive forces that affect firms in particular operating environments.

Firms adopt their strategies after analysing both the external and internal environment in order to make strategic choices that are implemented to gain competitive advantage. These strategies are either business level strategies or corporate strategies. Business level strategies are those actions taken by a firm to gain advantage in a single market or industry while corporate level strategies are actions focussed on gaining advantage in multiple markets or industries simultaneously. The operating environmental forces can either be remote, operating and industry forces (Barney, 2007; Porter, 1998).

Environmental turbulence normally poses challenges to firms' strategy implementation, whereby turbulence is described as a combined measure of the changeability and predictability of the business operating environment. Successful strategic management is guided by the outcome of strategic choices resulting from scanning of a firm's operating environment. This is carried out to identify the potential risks and opportunities, while outlining the weaknesses and strengths of firms. Some of the tools used to assess the environment are the SWOT (strengths, weakness, opportunities and threats) analysis, the PESTEL (political, economic, social, technological, ethical/environmental and legal) analysis among others that enable firms to formulate and implement competitive strategies (Ansoff, 1990; Bruce & Birchall, 2009; Johnson & Scholes, 1999).

Competitive strategies are the outcome of a process of choosing the best action(s) to pursue in order to achieve goals and objectives. For firms, it begins with the mission or purpose which is captured in its objectives. An analysis of the firm’s external and internal environment is then carried out to come up with the best strategic choice that creates economic value to the firm. This strategic choice is then implemented to ensure that it gives the desired outcome of competitive advantage. Strategies that meet four basic criteria of supporting the firm’s mission, consistent with the firm’s objectives, exploiting opportunities using the firm’s strengths and neutralising the threats facing the firm while avoiding the firm’s weaknesses can be said to be a source of superior performance of a firm. Competitive advantage occurs when a firm is able to create more economic value than rival firms using available resources, strengths and opportunities while overcoming the effects of competitive forces on the firm (Barney, 2007, Capon, 2008; Pearce & Robinson, 1991; Porter, 1980; Porter, 1998).

Figure 1.1: Strategic Management Process



Source: Barney, J.B. - Gaining and Sustaining Competitive Advantage, 2007, Page 6.

Porter (1980 and 1998) came up with a model for competitive strategies that can be adopted by firms to gain competitive advantage. He outlined four strategies that relate to the extent to which scope of a business’ activities can be either be narrow vs broad and the extent to which a business seeks to differentiate its products and services from those of its competitors. Porter’s strategies seek competitive advantage in a broad range of market and industry segments. Differentiation strategy involves selecting one or more criteria used by buyers in a particular market, then positioning the business uniquely to meet those criteria. This is usually associated with a premium price for such products, to cover the additional product costs, to give the consumers enough reason to prefer such products to others that are less differentiated. Cost leadership is when a firm choses to become the lowest producer in an industry. It is a strategy associated with large-scale business offering standard products with little differentiation. A low cost leader can therefore give discounts on prices in order to maximise sales as a competitive strategy (Porter, 1998).

1.3 Small and Medium Enterprises in Mombasa County

There are several definitions of Small and Medium Enterprises (SMEs) that vary from region to region worldwide. SMEs can be defined within the context of the particular economies in which they operate. For instance, in China, annual sales revenue of businesses are used to define the size of SMEs whereby small enterprises are defined as those with an annual sales revenue that is less than 5million RMB (Chinese currency), whereas medium enterprises are those that generate an annual sales revenue that is above 5 million RMB but not less than 30 million RMB. Kenya has adopted the World Bank's definition of SMEs. The World Bank classifies all businesses with 11-50 employees as small and those with 51-100 employees as medium. This definition differs slightly with that of the European Union which categorises companies with fewer than 50 employees as small and those with fewer than 250 employees as medium (Isiaho, 2008).

According to the Small and Medium Entrepreneurial Resource Centre website, SMEs comprise of 80% of all firms in Kenya. These SMEs account for 60% of GDP. The Kenya National Bureau of Statistics baseline survey (KNBS, 2012) revealed that almost two-thirds of the SMEs operate in the rural areas with only one-third operating in urban areas. The survey also revealed that 16% of Kenyan SMEs operate in Nairobi, the capital city of Kenya and Mombasa, the second largest city. A majority of these SMEs (70%) are in the trade sector (buying and selling of goods and commodities), followed by SMEs in the service sector accounting for 15%, while SMEs in the manufacturing sub-sector accounted for 13%. The collective group representing other service providers such as hotels, restaurants made up only 6% of SMEs in Kenya, while SMEs in the construction industry represented less than 2% of the total SMEs in the country (KNBS, 2012).

According to Waweru (2007), these SMEs are usually characterized by ease of entry into business and ease of exit from such business, little amount of capital and equipment to start up, small-scale nature of activities, self-employment with a high proportion of family workers, a labour-intensive technology, low level of skills and organization, little access to organized markets or credit facilities. The SMEs operate in almost all sectors of the economy ranging from service sector, trade and manufacturing. Some of these SMEs are formally registered while other are not (especially those in the 'Jua Kali' sector), an informal sector comprising of both semi-skilled and skilled business enterprises (KNBS, 2012). Mombasa County is located

at the coast of Kenya, and it includes Mombasa town, the second largest city, and the major seaport of Kenya and the East African region. Mombasa County is comprised of six zones, namely, Mvita, Likoni, Changamwe, Jomvu, Nyali and Kisauni (KNBS, 2012; The World Fact Book, CIA, 2013).

1.4 Research Problem

The 21st century has witnessed an increase in emerging theoretical frameworks on strategic management literature. Drawing from Porter's model of analysing competitive forces and the generic competitive strategies, firms can adopt cost leadership, differentiation and focus strategies. Later on, Barney (2007), Pearce and Robinson (1997) attempted to enhance this concept highlighting the importance of firms' resources and capabilities, both tangible and intangible, as resources that enhance sustainable competitive advantage. These resources vary from firm to firm but are strengthened through strategic alliances and the notion that $2+2=5$, which represents the added advantages of strategic alliances of firms. Some strategies may fail to achieve desired outcomes due to several factors thus failing to achieve competitive advantage. However, some SMEs have adopted various business level strategies that are valuable, rare and costly to imitate. Firms that align their strategies in relation to their operating environmental needs and those that invest in innovation usually experience long-term sustainable competitive advantage (Bruce & Birchall, 2009; Jooste & Fourie, 2004).

Adoption of corporate level strategies by larger firms that utilize their resources and capabilities enables them to gain sustainable competitive advantage or competitive parity. On the other hand, smaller firms tend to adopt business level strategies to gain advantage in a single market or industry. Even though these strategies vary from industry to industry, recent studies have revealed that many large firms have succeeded in implementing their strategies, but some SMEs tend to shut down or record more failures after start-up, exceeding the failure rate of large firms over a short period of time (Aosa, 1992).

Similar studies have been conducted out in Kenya, at Nairobi by Mbeche (2003) and Ogutu & Nyatichi (2012) but the same have not been done in Mombasa County. These studies basically covered large firms and there is little knowledge on the competitive strategies applied by SMEs in different business environments. There is a need to continuously learn about what successful SMEs (those that have continue to achieve sustainable competitive advantage over the long-term) focus on to remain ahead of the pack by countering these competitive forces as well as

environmental challenges (Jooste and Fourie, 2000; Kotelnikov, 2004; Martins, 2011). A study carried out in Nairobi on the management of business challenges among SMEs in Nairobi and Mombasa revealed that competition is ranked as the number one challenge for the SMEs as well as financial resources availability (Bowen *et al.*, 2009; Mwangi *et al.*, 2013). However, these challenges may be ranked differently after some time considering the dynamism of business environment.

It is against this background that it is important to study the current competitive strategies that SMEs apply to cope with the highly dynamic environment. This study, therefore, was aimed at answering three research questions, ‘what are the competitive strategies being applied by SMEs in Mombasa County?’, ‘what factors influence the choice of competitive strategies by SMEs in Mombasa County?’ and “what challenges do SMEs face in implementing competitive strategies in Mombasa County?”.

1.5 Research Objectives

The objectives of this study are:-

- i. To determine the competitive strategies applied by SMEs in Mombasa County.
- ii. To establish the factors influencing competitive strategy choice by SMEs in Mombasa County.
- iii. To find out the challenges that SMEs in Mombasa County face in implementing competitive strategies.

1.6 Value of the Study

The results of this study are of great significance to investors in the SME sector. The results shed some light on the factors that influence choice of competitive strategies while at the same addressing the best ways that firms can gain competitive advantage.

This study results are useful to academicians as a secondary source of data, especially those keen on exploring new areas of study on competitive strategies. The results serve as a secondary source of data for academicians seeking to improve on current theories of defining competitive advantage.

Policy makers can use the data in formulation of new policies that govern SMEs sector in Kenya. In addition to coming up with new policies, the results can also be used to change or amend current policies governing operation of SMEs in Kenya as well as regulations of SMEs.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter focuses on reviewing the literature related to competitive strategies that give firms competitive advantage. It covers various theories (the resource based view, the game theory and Porter's generic strategies) that try to explain competitive strategy as applied by firms to gain competitive advantage, with various views, perspectives, and opinions on the same. This section, therefore, informs the understanding of issues connected to business survival practices adopted by SMEs in an increasingly competitive environment. It portrays the literary strengths and weaknesses identified as well as the knowledge gaps. These knowledge gaps contributed to defining the scope and agenda of the survey and guided the study. The main literary sources of information were theoretical literature, books, research papers, national and international reports and academic publications (printed as well as internet sources).

2.2 Theoretical Foundation of the Study

Various authors have explored firms' competitive strategy and its application, trying to explain how a company can match its resources with the business environmental requirements through an evolutionary process to achieve long-term objectives (Porter, 1980, 1998; Johnson *et al.*, 1999, 2005; Grant, 2000; Barney, 2007). This activity, they have argued, has to be determined by information gathered from firms' internal and external environmental assessment, constant monitoring of these environments and aligning of the competitive strategies (for strategic fit) to the changing environmental forces such as competition. Pearce & Robinson (2007) further argue that this is a process through which the competitive strategy is translated into functional and operational targets. This raises various structure and process elements on leadership, culture, resources, administrative procedures, compatibility and the overall strategy communication in an organization. It may sometimes lead to confusion in applying the competitive strategies if these aspects are not harmonised in the organisation. Competitive advantage is a function of various capabilities of the organisation and its ability to learn continuously from its activities (White & Bruton, 2007; Barney, 2007).

For a firm seeking to gain a competitive advantage, its structure has to be aligned accordingly. A major challenge arises in aligning these strategies, considering the dynamism of business environment and moving goalposts, communicating the same to all organization's participants and long-term achievement of harmonising competitive strategy. Hussey (1990) however

observes that environmental and organizational differences across countries may affect the way competitive strategies are applied or practiced. A competitive strategy that may be successfully applied by an SME in, let's say, China, may not be useful to an SME operating in Kenya or in developing countries. This therefore calls for continuous studies on the way strategy is implemented in different countries and also different regions within these countries that represent unique SME business environment contexts.

Teach & Schwartz (2000) have also argued that research on competitive strategy and performance are not exhaustive and therefore there is need for further studies on the same. Adoption of some competitive strategies may be appropriate at one point in time, but the same strategies may be inappropriate over the long term. The change in strategic management practices requires continuous studies and knowledge-based models of strengthening organisation resources in order to ensure firms remain competitive in the dynamic environment (Johnson & Scholes, 1999; Barney, 2007).

2.2.1 Resource-Based View of the Firm

The idea of the resource-based view is credited to Penrose (1959) from her description of the importance of firms' use of their resources to gain competitive advantage. This is an approach for analysing competitive advantage in firms. It combines the internal or the core competencies in the internal perspectives of strategy. According to Barney (2007), it was developed to explain how organisations achieve sustainable competitive advantage. He however criticised its lack of clear treatment of the environmental dynamics that guide development of new resources. He came up with an additional framework (VRIO- value, rarity, inimitability and organisation support) to explain the required characteristics of a competitive strategy that can contribute to competitive advantages of firms. The resource-based view focuses on the idiosyncratic, costly-to-copy resources of the firm, and whose exploitation may give a firm competitive advantage.

The major assumptions of the resource-based view are resource heterogeneity, which assumes that firms are bundles of products and services with firms possessing different bundles of these resources, and resource immobility, which assumes that some of these resources are either very costly to copy or imitate or either inelastic in supply (Barney, 2007). These resources can either be tangible or intangible and they include all assets, capabilities, competencies, organisation

processes, firm attributes, information, knowledge that are controlled by a firm and that enable it to conceive of and implement strategies designed to improve its efficiency and effectiveness (Pearce & Robinson, 1997; Barney, 2007).

A firm's resources are categorised into either financial, physical, human or organisation capital. These resources or internal attributes of firms have been referred to as the core competencies or core capabilities of firms that give them a competitive advantage. To achieve this, the resources must be valuable, rare, costly-to-implement (imitability) and applied by organised systems of a firm to realize their full potential. The resource-based view and the VRIO (value, rarity, imitability, and organisation) framework can be applied to individual firms to understand whether these firms will gain competitive advantage and how sustainable this competitive advantage can likely be. Peteraf (1993) outlined four resources characteristics that can lead to sustainable competitive advantage namely, the heterogeneity, ex post limits to competition, ex-ante limits to competition and imperfect mobility which have implications on the inelastic supply of such resources (Barney, 2007; Teece, 2010).

The resource based view is useful in informing about risks as well as benefits of diversification strategies. This theory has several limitations namely, unforeseen environmental upheavals or drastic turbulence, managerial influence that is limited, and data challenges based on intra-organisation resources. However, it complements other analyses such as Porter's five-force model, the generic strategies and opportunity analysis (Barney, 2007; Peteraf, 1993; Porter, 1998).

2.2.2 Game Theory in creating Competitive Advantage

This theory, also referred to as the zero-sum theory, has been a developing branch of economics in years. It spans games of static and dynamic nature under perfect or imperfect information. This theory is quite useful in analysing sequential and highly dynamic decisions at the tactical level. It puts much emphasis on the importance of being pro-active or thinking-ahead, considering alternatives and anticipating the reaction of competitors and other players in the game, which is the industry or competitive environment (Brandenburger & Nalebuff, 1995)

The game theory has been applied in the way firms compete in a particular industry, their relationship and interactions in situations of cut-throat competition, whereby one firm gains

while another one loses within an unchanging total of market share and characteristics. It is based on various assumptions (such as utility) that enhance strategic thinking whereby each party faces a choice among two or more possible strategies (Gibbons, 1992; Brandenburger & Nalebuff, 1995). The choice of strategy depends highly on the information that each party has. This could either be perfect or imperfect information and the strategic actions are simultaneous for the players, in this case competing firms in the same industry. The firms cannot collude into a particular decision since they make choices simultaneously. The zero-sum game involves just two players in which one player can only be made better off by making the other worse off (Brandenburger & Nalebuff, 1995).

The game theory's application areas in competitive strategy are in pricing, research and development, new product introduction, advertising, regulation and in choice of either to undertake licensing or produce. Understanding the game well can enable firms to create a win-win situation to make the firm to be in a better position than other players. Understanding the game well will also make the firm change the rules, players, tactics and scope of the game in the firm's favour. The applicability of the game theory in improving competitive advantage of firms can be seen in firm's choice of adopting a new technology, and first-mover advantages, as well as cost leadership or pricing of its products and services. However, this theory has not been largely popular but it is applicable to oligopolistic businesses (Brandenburger & Nalebuff, 1995; Prahalad & Hamel, 1990; Murphy, 2005).

2.2.3 Porter's Generic Strategies

Competition in an industry is influenced by various forces in the business operating environment. Porter attempted to summarise these forces as the rivalry among existing firms, threat of new entrants, substitute products or services, increased bargaining power of suppliers and bargaining power of buyers. A firm's products/services are affected by its suppliers, substitutes, buyers, potential entrants and industry competitors. For suppliers and buyers, these have a bargaining power on a firm's products/services whereas the potential entrants and substitutes pose a threat to the firm's products and services. He further came up generic competitive strategies to counter these competitive forces (Barney, 2007 & Porter, 1998).

Porter's generic strategies are useful in determining strategic positions at the simple and broad level of organisation scope. The basis for Porter's model was the industry structure and positioning within the industry. These strategies were cost leadership and differentiation, while

the third strategy, focus was based on these two strategies. Focus is the firm's choice of competitive scope. This scope distinguishes between firms targeting broad industry segments and firms focusing on narrow segments.

Figure 2.1: The Three Generic Strategies

		Competitive Advantage	
		Lower Cost	Differentiation
Competitive Scope	Broad		
	Target	1. Cost Leadership	2. Differentiation
	Narrow	3a. Cost Focus	3b. Differentiation
	Target		Focus

Source: Hax, A.C. & Majluf, N.S. (1996), *The Strategy Concept and Process*, 2nd edition, New Jersey. Prentice-Hall, page 124.

Cost leadership as a strategy allows the firm to be a low-cost producer and thus making more profits than rivals due to low costs of production and economies of scale. This becomes an advantage for the firm, especially those that are first-movers or those that have ease of access to raw materials or factors of production. They usually focus on being the low cost producer in an industry for a given level of quality, and then sell these products at either the average industry price to earn profits higher than rivals or below the average prices in order to gain or increase their market share. These firms take advantage of their low cost of production to be able to sell at below-average prices (Barney, 2007; Porter, 1998). In case of price wars, such firms can maintain profitability when the rivals continue to suffer losses. Cost leadership as a strategy, is used by firms that target broad markets. Firms undertaking cost leadership strategy acquire cost advantage by improving processes, increasing efficiency, and gaining access to lower production costs or material costs either through vertical integration or adopting optimal outsourcing (Porter, 1998, Johnson *et al.*, 2005).

Differentiation as the second generic strategy allows a firm to offer unique products or services at a premium price pegged on the value added. The value added is usually a perception of the products by the buyers. The added value and utility of that product as perceived by that buyer enables the product to be differentiated at a cost that covers the extra value or features in it.

Differentiation results from the way a firm's products or services and the related activities affect the buyers' activities. This strategy is incorporated with the value chain framework to strengthen its application in firms' activities. All activities in the value chain (actions or characteristics that add value to a product or service) contribute to the buyer value. The cumulative costs in the value chain determine the value cost that is usually a premium price charged for the product or service (Porter, 1998). Firms that successfully implement the differentiation strategy gain by increasing their internal strengths through highly skilled and creative product development teams as well as having access to the leading scientific research due to innovation. They also gain in improving their reputation for better quality and continued innovation. Differentiation strategy enables firms to achieve higher profits due to the premium prices charged for added value (Hax & Majluf, 1996; Porter, 1998).

The third generic strategy is focus which combines the above two generic strategies. This strategy is based on serving a certain clientele to the exclusion of others in the market. These are basically buyers with unusual needs as the target market and thus the firm offers to dedicate its services or products to serve them. Application of these strategies varies in firms and it is greatly affected by the industry characteristics (Porter, 1998). This strategy enables firms to concentrate on a narrow market segment to either achieve the above two strategies of cost leadership and differentiation. It is based on the assumption that the particular needs of the narrow group of customers can be better met by focusing entirely on this group (Barney, 2007; Porter, 1998). Firms that adopt this strategy gain a high degree of customer loyalty, which in turn discourages competing firms from attempting to compete directly with them. This strategy may, however, make firms to achieve low volumes of production and customer numbers. It is characterised by lower bargaining power of suppliers though, and this means that the firm will tend to pass higher costs to customers since there is no much choice of substitutes for the product or service. This becomes disadvantageous to customers who have no choice but to buy at the price set by the firm (Barney, 2007; Johnson *et al.*, 2005).

In summary, Porter argues that firms are able to succeed in adopting multiple strategies by creating separate business units for each of the above strategies since customers often seek multi-dimensional attributes of a product to derive maximum utility. These can be a mix of quality, convenience, price and style, among other features of a product or service (Barney, 2007; David *et al.*, 2001).

2.3 Factors influencing Choice of Competitive Strategy

Firms are affected positively and negatively by various factors that can be classified as either internal or external in relation to the business environment. From the above discussion, it is clear that from analysis of the external and internal environment, firms can improve their capabilities and resources, by taking advantage of the opportunities and their strengths to gain competitive advantage. This in turn enables the firms to overcome their weaknesses and countering their threats such as fierce competition. These factors have been summarised in the PESTEL – model (political, economic, social, technological, environmental and legal) of factors that influence firm's choice of competitive strategies (Capon, 2008). The factors that influence choice of firms' competitive strategies can be summarised as follows:-

2.3.1 Access to Finance

This is an economic factor that is crucial in supporting implementation of chosen competitive strategies. Firms that are financially stable tend to succeed in choosing the best competitive strategies as they are able to invest in these strategies. Lack of access to finance contributes to lack access to credit facilities. This, in turn, may lead firms to abandoning competitive strategies or investments due to lack of financial resources and capabilities. Firms, especially smaller firms require greater financial capabilities to be able to penetrate new markets and gain customer loyalty and market share (David *et al.*, 2001, Mwangi *et al.*, 2013).

The financial capability of a firm also increases the credit-worthiness of firms and access to credit facilities. It is measured by the difference between the desired financial outcomes or objectives and those actually produced. This determines if the firm is profitable and financially healthy. Firms have to consider their financial capabilities when making choices on the best competitive strategies to apply for their products and services. This factor has been identified as a big hindrance to achieving competitiveness (Bowen *et al.*, 2009; White and Bruton, 2007).

2.3.2 Strategic Leadership

This is an economic and social factor that is internal environment strength. The intangible resource of human capital is essential in enabling a firm to achieve competitive advantage. Strategic leadership of organisations has enabled firms to remain competitive compared to those firms that do not adopt formal strategic planning and management. Some firms do adopt formal as well as informal strategic planning activities. Lack of formal strategic planning activities leaves some firms without a direction that should be clearly followed. In case of sole

proprietorships, discontinuity may result in failure of informal business strategy and eventual failure of the business. This is caused by lack of good understanding of the competitive environment and appreciation of the dynamics of competition (Aosa, 1992; Mbeche, 2003; Ogutu & Nyatichi, 2012; Porter, 1998).

Strategic leadership that lacks the basic strategic management skills will likely fail in leading the firm to success. Lack of top management commitment to strategy implementation and continuous implementation does impact negatively on firm's path to achieving success in both the short and long term. This has a ripple effect on lower levels of management and the entire organization (Aosa, 1990; Burnes, 2004; Murphy, 2005). There is a distinct scarcity of strategic planning in majority of SMEs (Mintzberg, *et al.*, as cited in Hudson *et al.*, 2001).

2.3.3 Government Policy and regulations

This factor is both political and legal factor that determines the choice of competitive strategies. Policies governing business operations highly influence competitive strategy choice in firms. For instance, changes in policies on taxation, entry barriers and tariffs usually affect the level of investment in firms, pricing and competition among firms operating in a certain region and industry. Changes in taxation rates affect pricing of products and the implementation of competitive strategies such as cost leadership (Barney, 2007).

For most SMEs the unpredictability of doing business and the complexity of procedures and regulations in most developing countries are perceived as major barriers to firms' competitive strategy choices. This implies that all these have to be considered by firms when choosing to let's say, reduce their prices on some products to penetrate a certain market. Unforeseen changes in policies and regulations affect competitive strategy choices for SMEs as this poses certain risks and uncertainty considerations (Bowen *et al.*, 2009; Mbeche, 2003).

2.3.4 Competitive Condition and Industry Attractiveness

The conditions of the competitive environment and the overall industry attractiveness form a major determining factor in choice of competitive strategies. Porters' generic strategies discussed above guide the firm in choosing competitive strategy. It is further strengthened by availability of accurate, up-to-date information on competitors' activities (Porter, 1998). The challenge, however, is in anticipating competitors' actions. Monitoring competitors' activities, by conducting market surveys and enhancing a firm's market intelligence can go a long way in

aiding the firm's choice of competitive strategy. Armed with accurate information, firms are able to anticipate their competitors' moves and take appropriate measures to counter competition, and this forms part of firm's intangible resource base (Capon, 2008; Porter, 1998).

2.3.5 Market Opportunities

Firms must have extensive knowledge of their market for their products and services. It includes the customer's preferences, values that they seek in these products, their demographic characteristics and their purchasing power, among other characteristics. This information is crucial in designing the products that may be produced for this market and in determining the prices that these customers are willing to pay for the products (Murphy, 2005).

The target market information can be obtained by conducting continuous market research to determine changing consumer preferences and needs. Market intelligence, as a source of data on market opportunities, is an important intangible asset and it influences the competitive choices of firms. It can enable firms to develop new products, modify or improve on current products or remove certain products from the market depending on the market trends (Peteraf, 1993, Kotelnikov, 2004).

2.3.6 Firm's internal resources

This is an internal factor that influences the choice of a firm's competitive strategy. It entails all the internal assets, capabilities and resources that enable to pursue a particular competitive strategy. This may include human resources, technology and equipment, knowledge and innovation and the location among other resources. These resources enable the firm to successfully pursue such strategies in a manner that gives them advantage over their competitors. For instance a firm may possess certain knowledge of innovative technologies such a drink's formula that is not easily imitated by its competitors or it may have human resources with technical knowledge that may not be available to other firms.

Some firms apply various strategies to reduce adverse influences, with the most common strategy being marketing and technology. Other firms offer fair pricing for their products/services, offering discounts and special offers while others decide to offer a variety of services by increasing their products base or by simply differentiating their products (Ansoff, 1987, Martins, 2011; Porter, 1998). A firm may also opt to continuously improve their products

and services in order to meet customers' expectations, for instance investing in latest technology and innovation (Burnes, 2004; Jooste & Fourie, 2000).

2.4 Empirical Review

In the recent years, several studies have been conducted on SMEs competitive strategies in various countries. Most of these studies have been conducted outside Kenya and a few studies have been conducted locally at Nairobi and Mombasa. These include studies conducted by Bretherton and Chaston (2005) that show how small and medium sized firms such as wineries use their resources and how they access resources by using strategic alliances. In a survey conducted on 1500 small companies across Europe by the 3i European Enterprise Centre in 1994, it was found out that the companies which achieved growth in sales and profits over competitors were implementing the differentiation strategy (Bretherton and Chaston, 2005 ; Suhail, 2007). More recently, Bowen et al (2009), Ogutu and Nyatichi (2012), and Mwangi *et al.* (2013) conducted similar studies in Kenya.

The studies indicate that SMEs' provision of high quality products and being innovative were the key elements of the differentiation strategy. Innovation was also applied by these firms to meet market demand, improve productivity and efficiency, to expand sales opportunities among others. A study carried out by Bagsh-Sen in 2001 in a survey of 54 SMEs in the Niagara region of Canada showed that firms that used innovation as a competitive strategy gained competitive advantage in sales and exports than their rivals (Bagsh-Sen, 2001). Locally, various studies have been conducted in Nairobi by Mbeche (2003) and by Ogutu & Nyatichi (2012) on competitive strategies of firms, though these studies focused on large firms and multinational banks respectively. These studies revealed competitive strategies applied by larger firms in Nairobi and the challenges faced by SMEs. Additionally, a study carried on SMEs in Mombasa revealed that financial capabilities affected choice of competitive strategies and business survival (Mwangi et al., 2013). None of these studies covered competitive strategies applied by SMEs in Mombasa County, thus a need to carry out this study.

2.5 Summary of the Literature Review

In summary, the above literature review portrays that competitive advantage of firms is a consequence of embracing and implementing a certain mix of competitive strategies after continuous analysis of the competitive and business environment that a firm operates in. The empirical review shows that the generic strategies have to be viewed differently from their

static treatment of competition and rather, view the strategies on a dynamic perspective. Competitive advantage thus, results from an effective combination of appropriate strategies of firms in relation to business environment and overcoming challenges and the adverse influences on strategy choice. The current literature, however, fails to exhibit the practicality of adoption of competitive strategies in SMEs context and the major factors that influence the choice of these strategies. Application of the resource-based approach in studying competitive strategies of firms has been used by some researchers. In view of the highly dynamic business environment, up-to-date information is crucial in choice of competitive strategy. It is therefore necessary to carry out frequent studies to establish SMEs' application of competitive strategies in different contexts.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter explains the research design, target population of the study, population of the study, sampling design, data collection procedures and tools as well as the methods of data analysis and presentation for this study. After the collection of primary and secondary data, all information will be summarised and discussed in an effort to ascertain the accuracy of the information gathered as a reflection of the true picture of Mombasa County's SME sector.

3.2 Research Design

The study's research design followed a cross-sectional survey method. A survey is a method of collecting information that represents the views of the whole community or group. This method was suitable because the population targeted was quite big and SMEs scattered in different zones of the County. The survey method ensured the samples studied represent the whole population (KNBS, 2012).

The survey allowed collection of quantitative data, and analysed using descriptive statistics. The use of this survey (point-in-time) was appropriate because it was fast, inexpensive and the response rates higher (Kothari, 2004; Teach & Schwarz, 2000; Zina, 2004).

3.3 Population of the Study

The study population consisted of all the SMEs operating within the six zones of Mombasa County. This County has a total of 36,612 registered Small and Medium Enterprises (see Table 3.1 and Appendix 2), according to the Municipal Council of Mombasa. These SMEs are located in Mvita, Likoni, Changamwe, Jomvu, Nyali and Kisauni zones.

3.4 Sampling Design

A stratified random sample technique was employed to select SMEs and respondents. A stratum is subset of population that shares at least a common characteristic. A convenient sample was then used to select a sufficient number of subjects from each stratum. A total of 60 SMEs were selected, with 10 SMEs being studied in each of the six zones (Mvita, Likoni, Changamwe, Jomvu, Nyali and Kisauni). This is because a sample of at least 30 from a

population can be used to reasonably infer the characteristics of the entire population (Kirapashi, 2010; Hudson *et al.*,2001) as shown on Table 3.1 below.

Table 3.1: Small and Medium Enterprises in Mombasa County

Category of SME	Number	Percentage	Sample Size
Informal Sector (Jua Kali)	352	2%	4
General Trade, Wholesale, Retails, Stores	21,955	60%	28
Agriculture, Forestry and Natural Resources	1,470	4%	4
Accommodation and Catering (Hospitality)	2,708	7%	5
Professional and Technical Services	4584	13%	6
Private Education, Health and Entertainment	1,483	4%	4
Transport, Storage and Communications	1,441	3%	4
Industrial Plants, Factories and Workshops	2,619	7%	5
TOTAL	36,612	100%	60

Adopted from the Municipal Council of Mombasa (extracted from Appendix 3)

3.5 Data Collection

This study utilized primary data which was collected using questionnaires as an instrument of data collection. The researcher administered the questionnaires to respondents (managers/owners of SMEs) who were actively involved in the daily running of the SMEs. (Kothari, 2004; Mugenda & Mugenda, 2003). The lack of responses in questionnaires that were initially dropped to respondents resulted in the researcher administering all the questionnaires.

The questionnaire (see Appendix 1) was divided into two sections, Section A and Section B, whereby Section A was used to collect data about the SME's profile (business name, the number of years in operation, nature of business, turnover, number of employees and the number of branches outside Mombasa County). Section B focussed on questions that addressed objectives of this study, that is, data on the competitive strategies that SMEs in Mombasa County apply, the factors that influence the choice of competitive strategies and the challenges in application of competitive strategies.

3.6 Data Analysis and Presentation

Data collected from this research was summarised and analysed using descriptive statistics as a method of analysis. These included description of the mean, mode and standard deviation of

variables. The data collected was presented in tables and charts extracted from both MS Excel and Statistical Package for Social Studies (SPSS) software tools (Cooper & Schindler, 2003).

Inferential statistics were used to describe and summarise the findings in order to draw conclusions from the data collected and analysed and show the significance of the study. These attempted to answer various questions such as the relationship between two or more variables, the differences between responses from one industry to another, and how the samples compares to the general population (Kothari, 2004).

CHAPTER FOUR: RESEARCH FINDINGS, PRESENTATION AND DISCUSSION

4.1 Introduction

This chapter presents the research study data analysis and findings. The study was successfully carried out and the findings presented in tables, charts, and graphs, followed by discussion on the same. The study sought to establish two objectives; the competitive strategies applied by SMEs in Mombasa County as well as the factors that influence the choice of competitive strategies by SMEs in Mombasa County, Kenya. Primary data was collected through questionnaires that were administered by the researcher to managers and / or owners of selected SMEs in Mombasa. The data was analysed in relation to the study's objectives and the findings presented in various categories as follows.

4.2 Findings

The research study findings were recorded and analysed by aid of the Statistical package for social sciences (SPSS) version 17 for windows and Microsoft Excel 2010 software. The results were presented in graphs, tables and pie charts extracted from these software and discussions given to explain the various findings of the study. The study showed that SMEs in Mombasa applied various competitive strategies to survive in the highly dynamic business environment.

4.2.1 Response Rate

The response rate was initially below 10%, however, the researcher found out the reason for the low rate. Respondents either preferred questionnaire translation into Swahili language or the researcher administering the questionnaire, resulting in 100% response rate.

4.2.2 Registration of SMEs in Mombasa

Majority of SMEs in Mombasa were registered as sole proprietorships representing 65% of all registered SMEs, while 23% were partnerships. SMEs registered as limited companies represented 10% of all SMEs while only 1% fell under the other registered categories such as kiosks and small shops as shown in Table 4.1.

4.2.3 Ownership and management of SMEs in Mombasa County

Ownership and management of the SMEs in Mombasa County was dominated by owner-managed SMEs representing 65%. SMEs that were co-owned by the partners represented 12% while shareholding agent management of SMEs represented 5%. 18% of the SMEs were owned by other categories of ownership such as operations as aliases as shown in Table 4.2.

Table 4.1: Profile of SMEs in Mombasa County

Type of business	Frequency	Percent	Valid Percent	Cumulative Percent
Sole Proprietorship	39	65.0	65.0	65.0
Partnership	14	23.3	23.3	88.3
Limited Company	6	10.0	10.0	98.3
Other	1	1.7	1.7	100.0
Total	60	100.0	100.0	

Source: Researcher, 2013

Table 4.2: Ownership and management of SMEs in Mombasa County

Business Ownership	Frequency	Percent	Valid Percent	Cumulative Percent
Owner-managed	39	65.0	65.0	65.0
Co-ownership partnership	7	11.7	11.7	76.7
Shareholding	3	5.0	5.0	81.7
Other	11	18.3	18.3	100.0
Total	60	100.0	100.0	

Source: Researcher, 2013

4.2.4 Years in Operation

More than half of the SMEs in Mombasa County (67.5%) were in operation for a period of four to nine years (with those in business for 4 to 6 years being 30% while 7 to 9 years represented 37.5%). Those SMEs that had operated for 1 to 3 years represented 11.7% while only 16.7% of the SMEs have been in business for over 12 years. Only 5% of the SMEs had been in business for a period of 10 to 12 years as seen in Table 4.3 below.

Table 4.3: Years in Operation

Years in operation	Frequency	Percent	Valid Percent	Cumulative Percent
1 to 3 years	7	11.7	11.7	11.7
4 to 6 years	18	30.0	30.0	41.7
7 to 9 years	22	36.7	36.7	78.3
10 to 12 years	3	5.0	5.0	83.3
over 12 years	10	16.7	16.7	100.0
Total	60	100.0	100.0	

Source: Researcher, 2013

4.2.5 Turnover for the past one year

Table 4.4: Turnover for the past one year

Turnover in Ksh.	Frequency	Percent	Valid Percent	Cumulative Percent
Ksh.250,000/- and below	26	43.3	43.3	43.3
Ksh.250,000 to 500,000/-	15	25.0	25.0	68.3
Ksh.500,001 to 1,000,000/-	3	5.0	5.0	73.3
Ksh.1,000,001 to 5,000,00/-	5	8.3	8.3	81.7
Ksh.5,000,001 to 10,000,000/-	7	11.7	11.7	93.3
Over Ksh.10,000,001	4	6.7	6.7	100.0
Total	60	100.0	100.0	

Source: Researcher, 2013

Majority of the SMEs in Mombasa County (43.3%) had a turnover of below Ksh.250,000/- while 25% had a turnover of between Ksh.250,000 – 500,000/- over the last one year, followed by 11.7% Ksh.5,000,001 – 10,000,000/-. Only 8.3% of the SMEs had a turnover of between Ksh.1,000,001 -5,000,000/-, while 6.7% represented those with a turnover of over Ksh.10,000,001/-. Only 5% of the SMEs had a turnover of between Ksh.500,001 -1,000,000/- .

4.2.6 Number of branches outside Mombasa

This question was aimed at establishing the SMEs scope of business operations. This data was useful in gathering data on SMEs profile related to their competitive strategies that enabled them to open branches outside the County. Over half of the SMEs in Mombasa (60%) had no branches outside Mombasa, 11.7% had between 1 and 3 branches outside Mombasa, 15% had 4

to 6 branches, while those over 7 to 10 branches were 8.3%. Only 5% had over 10 branches outside Mombasa County as shown in table 4.5 below.

Table 4.5: SMEs with Branches outside Mombasa

Branches	Frequency	Percent	Valid Percent	Cumulative Percent
None	36	60.0	60.0	60.0
1 to 3 branches	7	11.7	11.7	71.7
4 to 6 branches	9	15.0	15.0	86.7
7 to 10 branches	5	8.3	8.3	95.0
over 10 branches	3	5.0	5.0	100.0
Total	60	100.0	100.0	

Source: Researcher, 2013

4.2.7 Number of employees

This question was aimed at establishing the number of employees to aid in defining and identifying the SME. The number categories ranged from 1 upto 250 employees as per the definition given in chapter one. Over half of the SMEs had 1 to 5 employees (66.7%), while those with between 6 to 7 employees represented 16.7%. SMEs with 11 to 20 employees were 5%, while those with 21 to 50 employees were only 1.7%. Those with 51 to 100 employees were 5%. SMEs with 101 to 150 employees represented 3.3% while only 1.7% of the SMEs had 151 to 250 employees as shown in Table 4.6 below.

Table 4.6: Number of employees

Employees	Frequency	Percent	Valid Percent	Cumulative Percent
1 to 5	40	66.7	66.7	66.7
6 to 10	10	16.7	16.7	83.3
11 to 20	3	5.0	5.0	88.3
21 to 50	1	1.7	1.7	90.0
51 to 100	3	5.0	5.0	95.0
101 to 150	2	3.3	3.3	98.3
151 to 250	1	1.7	1.7	100.0
Total	60	100.0	100.0	

Source: Researcher, 2013

4.2.8 Highest education level of SMEs' managers/owners

This question aided in gathering profile of SMEs in Mombasa County and data useful in relation to competitive strategies applied by SMEs. Majority of the SMEs' owners and managers had attained tertiary level of education representing 35% while those who were graduates as well as those with a high school certificate represented 21.7% each. Those with post-graduate diploma represented 6.7%, while those with masters as well as those with a primary school certificate represented only 5% each. Only 3.3% were undergraduates while 1.7% had other qualifications as shown in table 4.7 below.

Table 4.7: Highest education level of owner / manager

Education level	Frequency	Percent	Valid Percent	Cumulative Percent
Other	1	1.7	1.7	1.7
Primary School	3	5.0	5.0	6.7
High School	13	21.7	21.7	28.3
Tertiary Level	21	35.0	35.0	63.3
Undergraduate	2	3.3	3.3	66.7
Graduate	13	21.7	21.7	88.3
Postgraduate Diploma	4	6.7	6.7	95.0
Masters / Ph.D	3	5.0	5.0	100.0
Total	60	100.0	100.0	

Source: Researcher, 2013

4.3 SMEs competitive strategies

The SMEs studied indicated that various competitive strategies are applied to remain ahead of their competitors. Basically the major competitive strategies were differentiation, cost leadership and focus among other competitive strategies as presented and discussed below.

4.3.1 Strategic planning formality

A 5-point Likert-scale was used in the questionnaire to assess the extent of strategic planning formality by SMEs in Mombasa County. This included a response range to statements whereby the respondents either strongly agreed(1), agreed(2), moderately agreed(3), disagreed(4) or strongly disagreed(5) on the statements. The responses were analysed using descriptive statistics, with mean, median and standard deviation.

Table 4.8: Strategic planning formality of SMEs

Statement on strategic planning	Undertake future planning	Plans written and communicated to all employees	Plans reviewed	Actions taken to ensure activities conform to plans	Regular monitoring of competitors' actions	Scanning of political, legal, economic, social, ethical, technological environment in strategy choice
N Valid	60	60	60	60	60	60
Missing	0	0	0	0	0	0
Mean	1.70	2.77	2.30	1.77	2.12	2.20
Std. Error of Mean	.104	.139	.122	.131	.119	.111
Std. Deviation	.809	1.079	.944	1.015	.922	.860

Source: Researcher, 2013

Table 4.8. above shows that a most of the SMEs in Mombasa undertook strategic planning by planning for the future, writing and communicating the plans to all employees, reviewing plans, regular monitoring and scanning of the political, legal, economic, social, ethical, technological environment in their strategy choice. With a mean of between 1.70 and 2.77, results indicated that most SMEs agreed or strongly agreed on taking actions to ensure activities conform to plans. A standard deviation of between 0.809 and 1.015 showed consistency and reliability.

4.3.2 Differentiation competitive Strategies

A 5-point Likert-scale was used in the questionnaire to assess the extent of strategic planning formality by SMEs in Mombasa County. This included a response range to statements whereby the respondents either strongly agreed(1), agreed(2), moderately agreed(3), disagreed(4) or strongly disagreed(5) on the statements. The responses were analysed using descriptive statistics, with mean and standard deviation.

Majority of SMEs in Mombasa strongly agreed or agreed on applying differentiation strategies especially strategic location, reputation, linkage in internal functions, product customization, competitive product mix, superior customer service/support and flexible pricing. This is evident in the mean of 1.88 up to 3.53 for most statements. These strategies also received greater response of agree and strongly agree compared to the least applied strategies of offering complex, hard-to-imitate products/services and intensive consumer marketing which majority of the SMEs disagreed or strongly disagreed (table 4.9). This meant that most SMEs offered similar products to their competitors and did not engage largely in consumer marketing. Further

probing revealed that most SMEs focussed on reputation, superior service, support to market their services/products. This ensured more patronage and repeat use of their products than mere consumer marketing or offering complex products that cannot be easily imitated.

Table 4.9: Differentiation Competitive Strategies

Differentiation competitive strategies		Offering more product features	Strategic location	Business operation hours suitable	Offering complex products not easily	Reputation gives advantage over competition	Enabled internal functions linkages	Mutually beneficial links with other firms	Product customization (tailor-made)	Competitive Product Mix	Distribution channels	Undertake intensive consumer marketing	Offering superior customer service and support	Prices flexible
N	Valid	60	60	60	60	60	60	60	60	60	60	60	60	60
	Missing	0	0	0	0	0	0	0	0	0	0	0	0	0
Mean		2.87	2.02	2.33	3.53	1.93	1.88	3.03	2.62	2.22	2.33	3.42	2.28	2.22
Std. Error of Mean		.093	.102	.118	.105	.111	.126	.116	.145	.104	.111	.145	.126	.130
Std. Deviation		.724	.792	.914	.812	.861	.976	.901	1.121	.804	.857	1.124	.976	1.010

Source: Researcher, 2013

4.3.3 Cost leadership competitive Strategies

This section focussed on finding out if the SMEs applied cost leadership competitive strategies using various statements that were measured using a 5-point Likert scale whereby the respondents either strongly agreed(1), agreed(2), moderately agreed(3), disagreed(4) or strongly disagreed(5). These statements' median and mean as well as the standard deviation were as shown in Table 4.10.

Table 4.10: Cost leadership competitive strategies

		Charging low prices due to low production cost	Charging high prices due to added features/quality	Changing with the latest technology	Investing in innovation and improvement of products/services
N	Valid	60	60	60	60
	Missing	0	0	0	0
Mean		3.37	3.10	2.92	1.82
Median		3.50	3.00	3.00	1.00
Std. Deviation		1.262	1.145	1.013	1.127

Source: Researcher, 2013

From the above table it is evident that majority of SMEs strongly agreed to investing in innovation and improvement of products and services (with a median of 1, that is, strongly agree), while other SMEs moderately agreed on charging high prices due to added features or quality as well as changing with technology to remain competitive. Charging low prices due to low production costs received a moderately agree response with a median of 3.50 that leaned on nearly a median of 4 that leaned on respondents disagreeing on use of such a strategy. All in all, the SMEs used cost leadership as a competitive strategy widely from the shown median.

4.3.4 Focus competitive Strategies

This section focussed on finding out if the SMEs applied focus (narrow) competitive strategies using various statements that were measured using a 5-point Likert scale whereby the respondents either strongly agreed(1), agreed(2), moderately agreed(3), disagreed(4) or strongly disagreed(5). These statements' median and mean as well as the standard deviation were as shown in Table 4.11. Disagreement to these statements (median that was either 4 or 5) would show that they applied broad focus competitive strategies.

Table 4.11: Focus competitive strategies

Statements		Selling to a particular niche only	Devoting resources to maintain market leadership in particular niche	Innovate products/services for particular niche
N	Valid	60	60	60
	Missing	0	0	0
Mean		3.78	3.63	3.55
Std. Error of Mean		.152	.146	.143
Median		4.00	4.00	4.00
Std. Deviation		1.180	1.134	1.111

Source: Researcher, 2013

From the above results, it is evident that majority of SMEs disagreed (the mean and median of 3.55 or above and 4.00 respectively) on selling only to a particular market niche, devoting resources to maintain that market niche, or even innovating products/services for this particular market niche. Thus narrow focus was not a widely applied focus competitive strategy applied by these SMEs. Further probing revealed that most SMEs opted to adopt wide focus strategies to get as much of a bigger market share and profitability while only a few SMEs applied these strategies.

4.3.5 Other competitive Strategies

Apart from Porter’s generic strategies discussed above, there were other unique competitive strategies applied by SMEs in Mombasa. These included meeting all the legal requirements such tax compliance, use of Electronic Tax Register transaction receipts, offering extra services with SMEs or going an extra mile to please customers, as well as constantly getting feedback from customers to improve products/services. These were measured using a 5-point Likert scale whereby the respondents either strongly agreed(1), agreed(2), moderately agreed(3), disagreed(4) or strongly disagreed(5). These statements’ median and mean as well as the standard deviation were as shown in Table 4.12.

Table 4.12: Other Competitive strategies

		Meeting all the legal requirements(tax or license compliance)	Issue Electronic Tax Register (ETR) receipt	Offering extra services to please customers	Get and use Customer feedback for continuous improvement
N	Valid	60	60	60	60
	Missing	0	0	0	0
Mean		2.42	2.35	1.83	2.35
Std. Error of Mean		.126	.178	.124	.134
Median		2.00	2.00	2.00	2.00
Std. Deviation		.979	1.376	.960	1.039

Source: Researcher, 2013

From the above table it is evident that majority of SMEs in Mombasa County strongly agreed or agreed to using the above competitive strategies, especially offering extra services to please customers (going an extra mile) or a creating ‘wow’ effect to their products or services. This, as the SMEs managers and owners revealed was greatly effective in achieving competitiveness. For instance, SMEs in the hospitality industry usually admitted to under-promising and then over-delivering to their clients that guaranteed repeat business, increased market share and business growth, beating intensive consumer marketing hands-down as a competitive strategy.

4.3.6 SMEs response on competitive strategies

From the above discussed competitive strategies applied by SMEs in Mombasa County, not all competitive strategies are successful. This section sought to find out how these SMEs respond to unsuccessful competitive strategies applied. The respondents answered either Yes (1) or No(2) to the various responses of either undertaking cost-effective innovation, adopting a wait-and-see attitude or option, and comparing firm's competitive strategies with those of competitors' then coming up with new strategies. The results were presented in table 4.10.

Table 4.13: Response to non-successful competitive strategies

Statements		Implement alternative competitive strategies	Compare with competitors' strategies, scan environment before implementing new strategies	Adopt a wait-and-see option	Focus on cost-effective innovation
N	Valid	60	60	60	60
	Missing	0	0	0	0
Mean		1.15	1.10	1.90	1.17
Median		1.00	1.00	2.00	1.00
Minimum		1	1	1	1
Maximum		2	2	2	2
Percentiles	25	1.00	1.00	2.00	1.00
	50	1.00	1.00	2.00	1.00
	75	1.00	1.00	2.00	1.00

Source: Researcher, 2013

From the above table it is evident that majority of SMEs in Mombasa County answered affirmatively (Yes) with a median of 1(Yes) similar to the percentiles and mean of less than 1.17, to three of the above responses. The only response that these SMEs overwhelmingly answered negatively, was that of adopting a wait-and-see option with a median of 2 (No) as well as percentile of 2, and a mean of 1.90 leaning excessively to negative (No). This shows that majority of the SMEs took corrective measures to align their competitive strategies to the changing business environment, instead of waiting for the situation to improve.

4.4 Factors affecting choice of competitive strategies

The research study sought to achieve the second objective of finding out the factors that affect SMEs' choice of competitive strategies. This was attained by the questionnaire section covering the various possible factors. The data analysed using a 5-point Likert scale, with 1=very large extent,2=large extent,3=moderate extent,4=low extent and 5=no extent to indicate the level each factor affected the SME choice of competitive strategy. The results were presented in Table 4.14 below.

Table 4.14: Factors affecting choice of competitive strategies

Factors		Availability of external finance	Internal resources (skills, capabilities, equipment, equity)	Technology changes	Political changes and legal requirements	Social and cultural issues	Economic issues	Ethical and/or environmental issues
N	Valid	60	60	60	60	60	60	60
	Missing	0	0	0	0	0	0	0
Mean		1.63	1.85	2.42	1.77	3.12	1.92	2.97
Std. Error of Mean		.098	.103	.117	.120	.154	.129	.178
Median		1.00	2.00	2.00	2.00	3.00	2.00	3.00
Std. Deviation		.758	.799	.907	.927	1.195	.996	1.377
Percentiles	25	1.00	1.00	2.00	1.00	2.00	1.00	2.00
	50	1.00	2.00	2.00	2.00	3.00	2.00	3.00
	75	2.00	2.00	3.00	2.00	4.00	2.00	4.00

Source: Researcher, 2013

From the above table the results, the median of between 1 and 3, shows the SMEs either strongly agreed, agreed or moderately agreed to considering the above shown factors in choosing their competitive strategies. However, social and cultural issues, had a moderate agreement with a median of 3, unlike the other factors that had a median of 1 and 2.

4.5 Competition status

This section focussed on ranking of challenges that SMEs face in achieving their competitiveness, with a ranking starting from 1=most challenging through to 12=least challenging. The data was presented as below. The factors affecting choice of competitive strategy were closely related to various statements of SMEs opinions on their competitive position in the market and their actions to counter stiff competition, a major challenge. These also used a 5-point Likert scale as the factors mentioned in section 4.4 above.

Table 4.15: Competitive positioning

Statements	Our firm is ahead of competitors in profits	Our firm is ahead of competitors in market share	Our firm is ahead of competitors in quality	Reduce prices to attract more customers	Increase prices to attract specific customers	Prices are fixed	Selling more of the profitable products/ services	Discontinue non-profitable products / services	Different prices for special orders	
N	Valid	60	60	60	60	60	60	60	60	
	Missing	0	0	0	0	0	0	0	0	
Mean		2.77	2.87	2.60	1.93	3.25	3.90	2.47	2.15	1.98
Median		3.00	3.00	2.00	2.00	3.00	4.00	2.00	2.00	2.00
Std. Deviation		1.140	1.268	1.304	1.103	1.297	.951	1.081	1.219	1.033

Source: Researcher, 2013

From the above table it is evident that out of the statements above only one statement had a response of disagree, that is, prices are fixed. Majority of SMEs did not give fixed prices for their products or services. Most SMEs moderately agreed that they are ahead of their competitors in profits, market share and increased prices to attract specific customers. Majority of SMEs agreed that they are ahead of their competitors in quality, reduced prices to attract more customers, sold more of the profitable products, discontinued non-profitable products and offered different prices for special orders.

4.6 Challenges of SMEs' competitiveness

This section sought to establish the challenges that SMEs face in achieving competitiveness as well as ranking these challenges to find out the most challenging. These were ranked using numbers from 1=most challenging through to 12=least challenging. Competition, lack of access to credit, lack of capital, high costs of factors of production, frequent power blackouts were ranked as the most challenging by the SMEs (rank 1 to 6) while lack of appropriate skills, debt collection from creditors, insecurity, legal requirements, fraud, and other challenges such as shoddy work by quacks leading to poor reputation of the industry (such as professional services providers) ranked 7th, 8th, 9th, 10th, 11th and 12th respectively (see table 4.16).

4.7 Discussion

The study results achieved the study objectives that the researcher sought to achieve. These were the competitive strategies that SMEs in Mombasa apply, the factors that affect the choice of these strategies and the challenges that SMEs face in achieving competitiveness. The results were in agreement with previous studies conducted by Ogutu and Nyatichi (2013), Mbeche (2003) and Mwangi *et al.* (2013) on SMEs competitive strategies.

Table 4.16: Challenges of SMEs' competitiveness

1.	Competition from other firms
2.	Lack of access to credit
3.	Lack of capital
4.	High costs of factors of production
5.	Frequent power/electricity blackouts
6.	Cheap imports
7.	Lack of appropriate skills
8.	Debt collection from creditors
9.	Insecurity
10.	Legal requirements (licenses/tax)
11.	Fraud
12.	Other challenges

Source: Researcher, 2013

The results fit in with previous research and theoretical description of competitive strategies for small and medium sized firms. Some of the results however differed slightly with the findings of Bowen et al.(2009) and Mwangi et al. 2013) on ranking of challenges facing SMEs. This is due to the fact that competitive environment differs from region to region. The previous studies, especially those carried out elsewhere apart from Mombasa, differed slightly in their findings. For instance Mbeche (2003) as well as Ogutu & Nyatichi (2012) conducted studies on larger sized firms in Nairobi, covering competitive strategies applied by such firms. The findings thus corroborate previous findings though in a different level of application by SMEs in Mombasa County.

4.7.1 Competitive Strategies applied by SMEs in Mombasa County

The study results revealed that most SMEs in Mombasa mainly focussed on applying differentiation and wide focus competitive strategies and not narrow focus competitive strategies. These results are in harmony with the various theories put forward by Porter (1998), Barney (2007) and Pearce and Robinson (1997) on resource-based view, firms' resources and capabilities as important competitive advantage guidelines as well as empirical study findings on competitive strategies, competitiveness and factors affecting choice of strategy choice by firms (Aosa, 1992; Jooste and Fourie,2004;Bowen et al. ,2009, and Mwangi et al.,2013). They also agree with the idea that SMEs apply business level strategies to gain competitive advantage in a single market industry. Very few SMEs applied cost leadership as most of them admitted that lower prices that were charged were not due to low cost of production but to actually attract more customers. Focus competitive strategies (narrow focus) received disagree and strongly disagree responses by most SMEs, indicating that SMEs in Mombasa County

focussed wide markets, selling products to wide markets, devoting resources to cater for wide markets, and innovating products for wide markets. Other competitive strategies that were unique in this region were meeting all legal requirements (tax and license compliance), issuing electronic tax register receipts to clients, getting and using customer feedback to improve products/services, offering extra services (going an extra mile) to please clients were very popular among the SMEs.

4.7.2 Factors affecting choice of Competitive Strategies

The results and findings indicated agreement with previous findings by Aosa (1992) and Mwangi et al. (2013). They revealed that SMEs in Mombasa County generally agreed that the economic, political, technological, ethical/environmental, social-cultural and the availability of external finance factors as greatly affecting their choice of competitive strategy. However, some of the factors were disagreed upon, indicating that some significant number of SMEs did not consider social-cultural and ethical/environmental issues in their choice of strategy as much as the other factors mentioned above. Most SMEs strongly agreed that internal resources (comprising of skills, capabilities, equipment, equity) and availability of external finance. This indicates that majority of the SMEs in Mombasa County considered greatly these two factors as compared to the other factors discussed above.

4.7.3 Challenges of SMEs competitiveness

The findings were in corroboration with previous findings by Mwangi et al. (2013) and Bowen et al.(2009) which revealed that competition is the most pressing challenge for SMEs, followed by financial resources constraints. However, the results revealed that frequent power blackouts or lack of reliable electricity experienced by most SMEs was a pressing challenge for SMEs in Mombasa County. Other challenges that were among the top six most pressing challenges included high costs of factors of production and cheap imports. These affected negatively the competitiveness of SMEs in Mombasa County. However, it must be noted that these challenges may be ranked differently at a different period or point in time, thus a need for frequent studies on the same to establish changing trends.

All in all, the study results have enhanced the current theories and empirical study findings on the need to constantly monitor business environment, taking into account the firms' resources and capabilities or opportunities and constantly benchmarking to ensure sustainable competitiveness in today's highly competitive and dynamic business environment.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the study findings about the competitive strategies applied by SMEs in Mombasa County in Kenya, and conclusions as well as recommendations made on the same. This chapter has the summary of findings, conclusions and recommendations, the limitations of the study and suggestions for further research.

5.2 Summary

From the findings, it is evident that majority of SMEs in Mombasa County adopt differentiation and cost leadership strategies. Most of the SMEs however, emphasize on applying differentiation and innovative cost-effective strategies as they ranked the challenge of competition as the highest, followed by access to credit as a pressing challenge and the high cost of factors of production as number three challenge. This indicated that the SMEs, in their attempt to counter these pressing challenges, they considered various factors, especially availability of external finance, resources available and the market opportunities mostly to make their choice of competitive strategies in differentiation and reducing costs of doing business. This has enabled most SMEs to stay ahead of their competitors despite the stiff competition they face from similar businesses offering the same products as well as bigger businesses, or multinational firms offering substitutes. Most of the SMEs offer similar products, and thus with neck-to-neck fight for the market share the SMEs basically survive by constantly monitoring their competitors' moves and quickly adjusting to counter any negative moves that may threaten their survival in the various industries.

5.3 Conclusions

The study reveals that in order for the SMEs in Mombasa to ensure that they apply sustainable competitive strategies, they have to constantly monitor other SMEs and businesses, as well as scan their operating environment, to overcome all the challenges that may impede their pursuit of organisational goals.

This means that SMEs that do not apply competitive strategies based on monitoring their environment, while considering the organisations' capabilities and correct timing of strategies will find themselves being overtaken by others. SMEs in Mombasa County have been growing in both profitability and employees numbers as seen in the findings. This means the learning

curve enables the SMEs that have been in business for longer have mastered the art of applying competitive strategies for growth and realization of their organisational goals over the long-term.

5.4 Recommendations

From the conclusions and findings above, it is recommended that SMEs have to consider various factors in coming up with competitive strategies. These are the operating environment factors as well as the competitive environment monitoring, which changes over short periods of time. SMEs have to develop mechanisms of gathering market intelligence, benchmarking to ensure that they meet the best standards and ensuring that they are in constant touch with their customers. This ensures continuous improvement in services and products that are centred on the customers.

SMEs in Mombasa County face various challenges, with the most pressing challenges being competition, lack of access to credit, and finance, as well as constant power/electricity blackouts, among other pressing challenges. This means that the government has to provide incentives, subsidies as well as set up a conducive business operating environment for SMEs. This means that the government, which controls the provision of some factors of production such as electricity, has to check on the monopoly of this service provision to ensure that SMEs growth is sustainable as well as their profitability.

5.5 Limitations

There were several limitations in the research study exercise which included, but were not limited to, the data collection using the questionnaire, time constraints, insecurity and language barrier. Initially all questionnaires were to be self-administered, with an introduction letter from the University of Nairobi (Appendix 2), but most of the respondents either returned some half-completed or totally unanswered questionnaires with a response rate of below 10%. This limitation was overcome by the researcher through administering the questionnaire to all the sixty respondents. Another limitation was language barrier. Some respondents preferred using Swahili language promoting the researcher to translate the questions orally into Swahili language enabling easier and accurate gathering of data. Thirdly, there were time constraints as data had to be collected in two weeks and analysis of the same for timely submission to the University. During data collection, there were security concerns after the Westgate (Nairobi) shopping centre attack (from September 21st 2013) as reported in the media and subsequent government directives on security alerts. This caused delays and biased responses influenced by the insecurity concerns at some business premises. It elicited overwhelming respondents'

choice of insecurity as a major challenge. The researcher had to wait for more than a week to get less biased responses on challenges of SMEs competitiveness.

5.6 Suggestions for further research

This study mainly concentrated on competitive strategies applied by SMEs in Mombasa County, based on Porter's generic strategies guided by the resource-based view of firm. Further research can be carried out using other strategies to establish the dynamism of competitive strategies applied by various types of firms to gain competitive advantage.

5.7 Implications for policy and practice

This study revealed that SMEs face stiff competition, lack access to credit, encounter challenges in increased costs of factors of production among other pressing challenges. Policies should be formulated to support sustainable growth of SMEs in order to create employment, wealth creation and improve the economy of the country as a whole. Policies should also be put in place to ensure that major resources that aid in reducing production such as electricity are readily available to counter constraints of monopoly in the vital resource/service provision.

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APPENDICES

Appendix 1 : Questionnaire

SECTION A

1. Nature of Business / Industry _____
2. Registered as a : Sole Proprietorship Partnership Limited Company Other
3. Ownership: Owner-Managed Partnership Shareholding Family-owned Other
4. Number of years in operation: _____
5. Turnover for the past year (Ksh): Below 250,000 250,001-500,000 500,001 -1,000,000
1,000,001 – 5,000,000 5,000,001 – 10,000,000 Over 10,000,001
6. Number of Branches in other areas apart from Mombasa: _____
7. Number of employees: 1-5 6-10 11-20 21-50 51-100 101-150 151-250
8. Highest education level of the owner(s) / manager
 Masters / PhD. Postgraduate Dipl. Graduate Undergraduate
 Tertiary level High School Primary School Other (specify)

SECTION B

1. Kindly indicate (√) your opinion on the following statements as applies to your firm, where 1=Strongly Agree, 2=Agree, 3=Somehow Agree, 4=Disagree 5=Strongly Disagree

Strategic planning formality	1	2	3	4	5
i. Our firm undertakes planning for its future activities					
ii. Our plans are written and communicated to all employees					
iii. Our plans are reviewed to check if they are successful					
iv. Actions are usually taken to ensure all activities conform to the plans					
v. We regularly monitors competitors' actions					
vi. We scan the political, legal, economic, social, ethical, technological situation before choosing competitive strategies(underline whichever applies)					

2. Kindly indicate your view on the following competitive strategies applied in your firm. 1=Strongly Agree, 2= Agree, 3=Somehow Agree 4=Disagree and 5=Strongly Disagree

Differentiation Competitive Strategies	1	2	3	4	5
i. We offer more Product Features than our competitors					
ii. Our firm is strategically located					
iii. We offer suitable business timing (operating days/ hours)					
iv. Our Products are complex and cannot be easily imitated					
v. Our Reputation gives us an advantage over our competitors					
vi. We have enabled linkages in internal functions for smooth operation					

vii. We have mutually beneficial links with other firms					
viii. We allow Product customization (tailor-made products)					
ix. We have a competitive Product Mix					
x. We have distribution channels to reach our customers					
xi. We undertake intensive Consumer marketing					
xii. We offer superior customer Service and support					
xiii. Our prices are flexible					

Cost Leadership Competitive Strategies	1	2	3	4	5
i. We charge low prices due to low cost of production					
ii. We offer high prices due to added features and/or high quality					
iii. We change with Technology (latest) in our operations					
iv. We invest in innovation and improvement of our products					

Focus Competitive Strategies	1	2	3	4	5
i. We focus on selling products/services to a particular market niche only					
ii. We devote our resources to maintain market leadership in this niche					
iii. We innovate products/services for this market niche					

Other Competitive Strategies	1	2	3	4	5
i. Our firm meets all the legal requirements (tax and license compliance)					
ii. We give Electronic Tax Register Receipts (ETR) receipts to clients					
iii. We offer extra services to please our customers (going an extra mile)					
iv. Others (please specify).....					

3. Some the above competitive strategies may not work sometimes, how does your company respond to this? (Kindly tick as applicable.)

- i. Implement alternative competitive strategies
- ii. Compare your strategies with competitors' strategies and scan the environment to come up with new ones
- iii. Adopt a wait-and-see option
- iv. Focus on cost-effective innovation
- v. Others (please specify).....

4. How would you rate, on a scale of 1 to 5, the following factors that affect your firm's choice of competitive strategies? 1= Very large extent, 2=Large extent, 3=Moderate extent, 4= Low extent, 5= No extent

Factors affecting choice of Competitive Strategies	1	2	3	4	5
i. Availability of external finance					
ii. Internal resources (skills, capabilities, equipment, equity)					
iii. Technology changes					
iv. Political changes and legal requirements					
v. Social or cultural issues					
vi. Economic issues					
vii. Ethical and/or environmental issues					

5. Kindly indicate your opinion on the following statements, whereby, 1=Strongly Agree, 2=Agree, 3= Somehow Agree, 4=Disagree, 5=Strongly Disagree.

Statements on Competition	1	2	3	4	5
i. We are ahead of our competitors in terms of profits					
ii. We are ahead of our competitors in terms of market share					
iii. We are ahead of our competitors in terms of quality					
iv. We reduce prices on some products to attract more customers					
v. We increase prices on some products to target specific customers					
vi. Our prices are fixed					
vii. We produce and/or sell more of the most profitable products					
ix. We discontinue products that are no longer profitable					
x. We offer different prices for special orders					

7. Kindly rank the challenges below of your firm's competitiveness (1=most challenging)

- | | |
|--|--|
| Lack of (access) to credit | Insecurity |
| Competition from other firms | Fraud |
| Lack of appropriate skills | Lack of capital |
| Frequent power/electricity blackouts | Legal requirements (licenses, tax) |
| High costs of factors of production | Cheap imports |
| Debt collection from creditors | Others (please specify) |

Thank you!

Appendix 2 : Letter of Introduction



UNIVERSITY OF NAIROBI MOMBASA CAMPUS

Telephone: 020-2059161
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsities

P.O. Box 99560, 80107
Mombasa, Kenya

DATE: 26TH SEPTEMBER 2013

TO WHOM IT MAY CONCERN

The bearer of this letter, **Mutisya Swabra Mumbua** of Registration Number **D61/63914/2010** is a Master of Business Administration (MBA) student of the University of Nairobi, Mombasa Campus.

She is required to submit as part of her coursework assessment a research project report. We would like the student to do her project on ***Competitive Strategies Applied by Small and Medium Sized Firms in Mombasa County - Kenya***. We would, therefore, appreciate if you assist her by allowing her to collect data within your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organization on request.


Thank you.



Zephaniah Ogero Nyagwoka

Administrative Assistant, School of Business-Mombasa Campus

Appendix 3: Registered Businesses in Mombasa County as at June 2013

 LOCAL AUTHORITY INTEGRATED FINANCIAL OPERATIONS MANAGEMENT SYSTEMS BUSINESS ACTIVITY CODE SUMMARY			
LA Name : • 516 / MUNICIPAL COUNCIL OF MOMBASA			
Main Activity Code	Main Activity Description :	No of Businesses :	Revenue Potential (Ksh) :
100	GENERAL TRADE, WHOLESALE, RETAIL, STORES,	24,564	162,450,300.00
Business Registration Details			
Activity Code :	Main Activity Description :	Category No of Businesses :	Category Permit Fee (Ksh) : Category Rev Potential (Ksh) :
103	Mega Store, Hypermarket	25	51,000 1,275,000
105	Large Trader, Shop, Retail Store or Personal Service	2,584	17,000 43,928,000
110	Medium Trader, Shop or Retail Service	5,553	8,500 48,350,500
115	Small Trader, Shop or Retail Service	16,200	4,250 68,950,000
120	Kiosk	33	3,400 112,200
195	Other Wholesale-Retail Traders, Stores, Shops and Services	69	3,400 234,600
Main Activity Code	Main Activity Description :	No of Businesses :	Revenue Potential (Ksh) :
200	INFCRMAL SECTOR	388	844,900.00
Business Registration Details			
Activity Code :	Main Activity Description :	Category No of Businesses :	Category Permit Fee (Ksh) : Category Rev Potential (Ksh) :
205	Hawker with Motor Vehicle (1 Person)	7	4,250 29,750
210	Hawker without Motor Vehicle (1 Person)	29	3,400 98,600
215	Small Informal Sector Trader / Service Provider	126	1,700 214,200
220	Semi Permanent Informal Sector Trader	139	2,550 354,450
295	Other Informal Sector Operation	87	1,700 147,900
Main Activity Code	Main Activity Description :	No of Businesses :	Revenue Potential (Ksh) :
300	TRANSPORT, STORAGE, AND COMMUNICATIONS	1,992	35,876,800.00
Business Registration Details			
Activity Code :	Main Activity Description :	Category No of Businesses :	Category Permit Fee (Ksh) : Category Rev Potential (Ksh) :
305	Large Transportation Company	48	68,000 3,284,000
310	Medium Transport Company	126	25,500 3,187,500
315	Small Transport Company	557	8,500 4,734,500
320	Independent Transport Operator	14	4,250 58,500
325	Large Petrol Filling Station	66	17,000 1,122,000
330	Medium Petrol Filling Station	60	8,500 510,000
335	Small Petrol Filling Station	143	5,950 850,850
340	Large Cold Storage Facility	5	46,750 233,750
345	Medium Cold Storage Facility	11	21,250 233,750
350	Small Cold Storage Facility	7	10,200 71,400
355	Large Storage Facility	292	42,500 12,410,000
390	Medium Storage Facility	283	17,000 4,811,000
355	Small Storage Facility	209	8,500 1,776,500
370	Large Communications Co.	1	76,500 76,500
375	Medium Communications Co.	19	40,750 888,250
340	Small Communications Co.	38	25,500 969,000
395	Other Transport, Storage, and Communications	114	5,950 678,300



**LOCAL AUTHORITY INTEGRATED FINANCIAL OPERATIONS MANAGEMENT SYSTEMS
BUSINESS ACTIVITY CODE SUMMARY**

LA Name : - 516 / MUNICIPAL COUNCIL OF MOMBASA

Main Activity Code	Main Activity Description :	No of Businesses :	Revenue Potential (Ksh) :
400	AGRICULTURE, FORESTRY, AND NATURAL RESOURCES	1,484	12,454,200.00

Business Registration Details

Activity Code :	Main Activity Description :	Category No of Businesses :	Category Permit Fee (Ksh) :	Category Rev Potential (Ksh) :
405	Large Agricultural Producer/Processor/Dealer/Exporter	13	55,250	718,250
410	Medium Agricultural Producer/Processor/Dealer/Exporter	95	21,250	2,018,750
415	Small Agricultural Producer/Processor/Dealer	1,217	6,800	8,275,600
420	Large Mining or Natural Resources Extraction Operation	1	68,000	68,000
425	Medium Mining or Natural Resources Extraction Operation	4	38,250	153,000
430	Small Mining or Natural Resources Extraction Operation	12	21,250	255,000
495	Other Agricultural, Forestry, and Natural Resources	142	6,800	965,600

Main Activity Code	Main Activity Description :	No of Businesses :	Revenue Potential (Ksh) :
500	ACCOMMODATION AND CATERING	3,203	42,104,750.00

Business Registration Details

Activity Code :	Main Activity Description :	Category No of Businesses :	Category Permit Fee (Ksh) :	Category Rev Potential (Ksh) :
503	Large-High Standard Lodging House/Hotel D Class	28	85,000	2,380,000
506	Medium-High Standard Lodging House/Hotel D Class	23	59,500	1,368,500
509	Small-High Standard Lodging House/Hotel D Class	31	42,500	1,317,500
512	Large Lodging House with Restaurant and/ or Bar B/C Class	70	38,250	2,677,500
515	Medium Lodging House with Restaurant and/ or Bar B/C Class	109	29,750	3,242,750
518	Small Lodging House with Restaurant and/ or Bar B/C Class	70	21,250	1,487,500
521	Large Lodging House B/C Class	36	34,000	1,224,000
524	Medium Lodging House B/C Class	136	21,250	2,890,000
527	Small Lodging House B/C Class	110	12,750	1,402,500
540	Large Restaurant with Bar/Membership Club	147	25,500	3,748,500
543	Medium Restaurant with Bar/Membership Club	254	12,750	3,238,500
546	Small Restaurant with Bar Up to 10 customers	87	8,500	739,500
549	Large Eating House; Snack Bar; Tea House "Hotel"	197	12,750	2,511,750
552	Medium Eating House; Snack Bar; Tea House "Hotel"	428	8,500	3,638,000
555	Small Eating House; Snack Bar; Tea House "Hotel"	819	5,950	4,873,050
558	Butchery with Roasted Meat and/or Soup Kitchen	14	8,500	119,000
561	Large Bar/Traditional Beer Seller	11	12,750	140,250
564	Medium Bar/Traditional Beer Seller	141	10,200	1,438,200
567	Small Bar/Traditional Beer Seller	436	6,800	2,964,800
571	Large Night Club/Casino	6	42,500	255,000
574	Medium Night Club/Casino	6	25,500	153,000
577	Small Night Club/Casino	3	17,000	51,000
595	Other Catering and Accommodation	41	5,950	243,950

Main Activity Code	Main Activity Description :	No of Businesses :	Revenue Potential (Ksh) :
600	PROFESSIONAL & TECHNICAL SERVICES	4,724	88,232,550.00

Business Registration Details

Activity Code :	Main Activity Description :	Category No of Businesses :	Category Permit Fee (Ksh) :	Category Rev Potential (Ksh) :
605	Large Professional Services Firm	116	76,500	8,874,000



**LOCAL AUTHORITY INTEGRATED FINANCIAL OPERATIONS MANAGEMENT SYSTEMS
BUSINESS ACTIVITY CODE SUMMARY**

LA Name : - 516 / MUNICIPAL COUNCIL OF MOMBASA

610	Medium Professional Services Firm	291	38,250	11,130,750
615	Small Professional Services Firm	2,987	17,000	50,779,000
620	Independent Technical Operator	806	5,950	3,605,700
625	Large Financial Services	24	80,750	1,938,000
630	Medium Financial Services	119	55,250	6,574,750
635	Small Financial Services	58	38,250	2,218,500
695	Other Professional & Technical Services	523	5,950	3,111,850

Main Activity Code	Main Activity Description :	No of Businesses :	Revenue Potential (Ksh) :
700	PRIVATE EDUCATION, HEALTH, AND ENTERTAINMENT	1,754	24,197,800.00

Business Registration Details

Activity Code :	Main Activity Description :	Category No of Businesses :	Category Permit Fee (Ksh) :	Category Rev Potential (Ksh) :
705	Private Higher Education Institution	49	38,250	1,874,250
710	Large Private Education Institution	253	25,500	6,451,500
715	Medium Private Education Institution	425	12,750	5,418,750
720	Small Private Educational Facility	330	8,500	2,805,000
725	Large Private Health Facility	5	59,500	297,500
730	Medium Private Health Facility	1	38,250	38,250
735	Small Private Health Facility	5	25,500	127,500
740	Health Clinic/Doctor's Surgery	72	8,500	612,000
745	Traditional Health Services, Herbalist, Traditional Healer, etc.	72	6,800	489,600
750	Large Entertainment Facility	9	38,250	344,250
755	Medium Entertainment Facility	78	21,250	1,657,500
760	Small Entertainment Facility	166	12,750	2,116,500
795	Other Education, Health, and Entertainment Services	289	6,800	1,965,200

Main Activity Code	Main Activity Description :	No of Businesses :	Revenue Potential (Ksh) :
800	INDUSTRIAL PLANTS, FACTORIES, WORKSHOPS,	2,743	35,995,800.00

Business Registration Details

Activity Code :	Main Activity Description :	Category No of Businesses :	Category Permit Fee (Ksh) :	Category Rev Potential (Ksh) :
805	Large Industrial Plant	48	85,000	4,080,000
810	Medium Industrial Plant	76	59,500	4,522,000
815	Small Industrial Plant	103	34,000	3,502,000
820	Large Workshop/Service-Repair Contractor	76	42,500	3,230,000
825	Medium Workshop/Service-Repair Contractor	556	17,000	9,452,000
830	Small Workshop/Service-Repair Contractor	1,635	5,950	9,729,250
895	Other Manufacturer, Workshop, Factory, Contractor	249	5,950	1,481,550

Total No. of Businesses	40,852	Total Potential	402,157,100
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