STRATEGIC APPROACHES TO AFFORDABLE HOUSES IN
NAIROBI COUNTY, KENYA

BY

JOHN CHEGE WACHIRA

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DECLARATION

This research project is my original work and has not been submitted for awards of a degree in any other university.

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Signature                                      Date

John Chege Wachira
D61/69368/2011

This research project has been submitted for examination with my approval as the university supervisor.

....................................................... ....................................................
Signature                                      Date

Dr. Bitange Ndemo
Lecturer,

Department of Business Administration

School of Business,

University of Nairobi
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I acknowledge my supervisor Dr. Bitange Ndemo who tirelessly worked to ensure I completed this project in time. Special thanks also go to my colleagues for their moral and professional support during the time of writing this project.
DEDICATION

This study is dedicated to my family, my beloved wife and my children for their love and moral support during the time of undertaking the research project. Special dedication, also, goes to my parents.
ABSTRACT

The objective of the study was to establish the strategic approaches to affordable homes in Kenya with specific reference to Nairobi County. This study adopted a qualitative research design. Primary data was derived from interview guides formulated to target top management of several stakeholder organizations. The researcher personally administered the interview guide to the managers of Nairobi City County, top managers from the Ministry of lands and Urban Development, and top managers in Housing Finance Institutions who were handy in providing the relevant information sought by the researcher. Responses from managers indicate that some of the strategic approaches adopted to affordable housing include: efficient and effective resource allocation mechanism among responsible departments in the housing department, formulation, implementation and review of the county housing sector policy, improving the living environment in slums and informal settlements through slum upgrading as this is where most people do not have affordable homes. In addition the respondents stated promotion of low cost housing development through housing sector incentives, promotion of research and utilization of appropriate building materials and technologies and coordination of stakeholders on housing and human settlement matters in the county. It is important that the stakeholders’ management but more relevantly the county of Nairobi explores the possibility of outsourcing additional functions such as land allocation, rates collection, and research on ways of making housing affordable as well as city planning. If this is done, it is hoped; the competitive positioning of the county and other housing stakeholders will be taken a notch higher and is likely to create value and a sustainable affordable housing. It is recommended from the study that for the right to adequate housing to become a sustainable reality for the urban poor a lot needs to be put in place. Kenya probably has had enough policy advice already but with minimal notable results in affordable housing. The fact that years of policy advice and pledges have not produced dramatic reductions in slums suggests that something very fundamental is lacking in the country: visionary, democratic and dedicated leadership. Substantially realizing the right to adequate housing demands, among other things, that Kenyan leaders develop and manifest the political will to live up to their commitments. It also demands that these leaders should be continuously pressurized through legal and peaceful strategies to fully implement their commitments to the poor.
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# ABBREVIATIONS AND ACRONYMS

| RBV | Resource-Based View |
CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Affordable housing is generally considered to be housing which meets the needs of households whose incomes are not sufficient to allow them to access appropriate housing in the market without assistance. Milligan et al (2007), defines affordable housing as housing that is appropriate for the needs of a range of low to moderate income households and priced so that low and moderate incomes are able to meet their other essential basic living costs. Affordable housing may refer, in this case, to all housing for which the cost to the tenant is not regulated strictly by the market, but which is made cheaper through some form of government intervention.

Housing is housing deemed affordable to those with a median household income as rated by country, province (state), region or municipality by a recognized Housing Affordability Index. In the United Kingdom affordable housing includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. Most of the literature on affordable housing refers to a number of forms that exist along a continuum from emergency shelters, to transitional housing, to non-market rental also known as social or subsidized housing, to formal and informal rental, indigenous housing and ending with affordable home ownership (Smith, 2006).

As much as the country has made commendable progress in public housing in Kenya, public housing is presently confronted by a number of significant challenges which include administrative, institutional and management challenge. Inadequacy of up-to-date and detailed records has been the bane of housing provision in Kenya. Meeting the challenge of public housing in Kenya requires taking stock of the present state in quantitative and qualitative terms. The management challenge is particularly acute in various housing departments in the county where the need has arisen to shift from a restrictive organizational structure that is out of sync with private practice and ill-suited to effective housing delivery to a less hierarchical one (Husock, 2003) that is open and allows for innovative ways to deal with affordable housing.
1.1.1 Concept of Strategy

The process by which objectives are formulated and achieved is known as strategic management and strategy acts as the means to achieve the objective. Strategy is the grand design or an overall plan which an organization chooses in order to move or react towards the set of objectives by using its resources. Strategies most often devote a general programme of action and deployment of resources to attain comprehensive objectives. An organization is considered efficient and operationally effective if it is characterized by coordination between objectives and strategies. There has to be integration of the parts into a complete structure. Strategy helps the organization to meet its uncertain situations with due diligence. Without a strategy, the organization is like a ship without a rudder. It is like a tramp, which has no particular destination to go to. Without an appropriate strategy effectively implemented, the future is always dark and hence, more are the chances of business failure (Henderson, 1981).

In management, the concept of strategy is taken in broader terms. Mintzberg & Quinn, (1996) define strategy as the unified, comprehensive and integrated plan that relates the strategic advantage of the firm to the challenges of the environment and is designed to ensure that basic objectives of the enterprise are achieved through proper implementation process. This definition of strategy lays stress on the unified comprehensive and integrated plan, strategic advantage related to challenges of environment and proper implementation ensuring achievement of basic objectives.

Porter, (1985) has defined strategy as creation of a unique and valued position involving a different set of activities. The company that is strategically positioned performs different activities from rivals or performs similar activities in different ways. Strategy is a major course of action through which an organization relates itself to its environment particularly the external factors to facilitate all actions involved in meeting the objectives of the organization. The purpose of strategy is to determine and communicate a picture of enterprise through a system of major objectives and policies. Strategy is concerned with a unified direction and efficient allocation of an organization’s resources. A well made strategy guides managerial action and thought. It provides an integrated approach for the organization and aids in meeting the challenges posed by environment (Rumelt, 2011).
1.1.2 Housing in Kenya

Due to the growing massive demand on one hand and continuous shortage of housing on the other hand there currently exist a huge deficit of housing whose back log remains challenging to eradicate. The Kenya government and other stake holders in the housing industry are striving to address the issue of affordable housing through various strategies which are discussed in the paragraphs below.

Land use and other land regulatory policies have profound effect on the supply of affordable housing in the country. Lack of adequate land for urban development particularly for low-income housing is perhaps the single most important impediment in achieving the goal of affordable homes. Scarcity of land leads to escalating land prices, overcrowding of existing neighborhoods, and illegal invasion of vacant land and growth of squatter settlements. This trend can only be reversed by the provision of adequate and affordable land for low-income housing. In order to increase the supply of urban land, the financial and technical capabilities of the municipalities must be strengthened. It is also necessary to create conditions that would facilitate the growth of private land development agencies. Governments should formulate a regulatory framework ensuring that such private sector land developers will serve all income groups.

Housing finance institutions in the country provide services only to a small proportion of the population. Financing of housing mostly comes through informal sources of credit. This is a result of national policies that are not successful in encouraging domestic savings and the development of domestic financial institutions and instruments. Lacking collateral, the low income groups depend completely on informal credit sources, which are expensive and mostly short-term. Establishing and in rare cases (since there a few) strengthening mechanisms for financing low income housing and in this relation inclusion of the informal settlements is a fundamental issue.

Financing and facilitating infrastructure to meet basic needs of urban communities housing needs have been difficult for the urban population. This is, in most cases due to the high standard that make the provision of infrastructure very costly. Too often, infrastructure services are unnecessarily subsidized and frequently the subsidies are wrongly directed. As public authorities
have not been able, in general, to provide infrastructure to the growing number of urban communities, individual households, community groups and informal enterprises have increasingly taken over this task. There is need to improve infrastructure and services that will support the development to affordable housing. These services include sewerage systems, adequate running clean water, and provision of power supply among other things.

Support to small-scale construction activities should be supported. Small-scale construction firms which operate particularly in informal settlements should be supported. Measures in this context include formulation of more realistic planning and building standards, simplifying administrative procedures to obtain permits and licenses. Developing credit mechanisms for small construction entrepreneurs; promoting cooperative arrangements to operate and particularly acquire construction equipment; provision of training and advisory assistance; facilitating participation of smaller firms in larger public sector contracts are other examples of such support measures.

Building materials often constitute the single largest input to housing construction. It is estimated that the cost of building materials alone can take up to 70 per cent of a standard low-income formal housing unit. Kenya, despite the fact that it is endowed with abundant natural resources that can meet its need for building materials production, depend largely on imported building materials and technologies. While considerable research is conducted on local building materials, only few of these research initiatives have succeeded in disseminating findings to the potential users.

### 1.1.3 Nairobi County

Nairobi City County is one of the 47 Counties of Kenya. Its capital and only city is Nairobi, which is also Kenya's capital and largest city. Nairobi County was founded in 2013 on the same boundaries as Nairobi Province, after Kenya's 8 provinces were subdivided into 47 counties. Nairobi County is also a Province of Kenya. Its has a Total Population of 3,138,369; 985,016 House holds and covers an area of 695.1 SQ. KM. The Population density is 4,515 PER SQ. KM and 22% of the population live below the poverty line (www.nairobi.go.ke).
Its mandate is to provide and manage basic social and physical infrastructure services to the residents of Nairobi. These services include basic education, housing, health, water and sewerage, refuse and garbage collection, planning and development control, urban public transport and fire services among others. On the other hands its vision is to be the city of choice in Africa, for all to invest, work and live while its mission is to create an attractive city, excellence in governance and use of information technology in the provision of services and enabling environment for investors, residents and all others to invest work and live (www.nairobi.go.ke).

1.2 Research Problem

This research sought to find solutions for low income housing in Kenya by establishing strategic approaches to affordable homes. Access and affordability are the key problems to low income housing in the country and more specifically in Nairobi County. Most Kenyans in the urban setup are struggling with all forms of home ownership challenges such as fast rising cost of houses which is locking out many potential buyers especially from the middle to low income brackets. Provision of adequate, affordable and decent housing for low income households is clearly in short supply.

Strategy formulation and implementation in the housing sector has been a major challenge. Williams, (2002) argues that it is useful to consider strategy formulation as part of a strategic management process that comprises three phases: diagnosis, formulation, and implementation. Strategic management is an ongoing process to develop and revise future-oriented strategies that allow an organization to achieve its objectives, considering its capabilities, constraints, and the environment in which it operates. However as Hassanali, (2009) indicates that accessibility is a main issue which has been as a result of poor strategy formulation and implementation. He found out that players in this industry are too few and there seems to be a minimal interest of other private sector housing developers to provide low income housing units. These private sector developers have shied away from the low income market mainly because the profitability margins are lower as compared to housing developments for the other markets thus making accessibility of low income housing a problem.
As proposed by McCall & Kaplan,(1990) a company should appeal to a broad cross-section of the market by providing products or services at the lowest price. This requires being the overall low-cost provider of the products or services. They further argue that implementing this strategy successfully requires continual, exceptional efforts to reduce costs without excluding product features and services that buyers consider essential. While this is the case the housing situation in Kenya is the complete opposite. As Bonyo (2010) found out that affordability was another main challenge for low income earners. He also found out that other factors affecting affordability and the supply of housing from private sector housing developers prominent of which were the cost of production and the opportunity cost to the developer’s finite funds in either providing middle income housing or low income segment housing. Provision of low cost housing to the increasing number of lower and middle income classes in the country has also been hugely affected by the high cost of land and inadequate infrastructure.

The Housing Ministry in government may not be having the right resources to move its mandate forward. For example, building regulations are outdated and out of focus with the current realities. They specify only a certain narrow specification of materials and designs suitable for only one class of house construction. Water is not readily available in the most areas and is most expensive in the informal settlements. Building materials are very expensive and not necessarily of the appropriate types. Government could come up with tax and other incentives for low income housing development schemes. Ways have to be identified to contain these factors that contribute to costly housing (Nabutola, 2004).

According to Werna (2001), in most developing countries, a huge shortfall in housing provision means that the role of the individual housing development will continue to rise. Yetgin & Lepkova, (2007), found out that rapid urban population growth, the misuse of dwelling funds, the adverse effects of increasing rents for low income groups, the deficiency of the housing loan system and the increase in luxury houses rather than social houses as key areas of challenge in Kenya. Kenya Consultative Group Meeting, (2003), state that the real challenge for the Government in relation to affordable housing is to create an enabling environment for investment and to remove the impediments that hamper private sector development. These range from functioning labour, capital, and input markets through to an efficient and effective administration.
process, with an emphasis on showing real progress, building on key successes in market where the private sector already has incentives to invest. In 2012, there was a shortage of more 5 million affordable apartments for low-income people who needed them (KNBS, 2011). While the above studies have touched on the issue of affordable housing none was carried out in Nairobi County. At the same time these studies did not look at the strategic approaches to affordable homes in Nairobi County in particular and Kenya at large. This is the study gap that the current study sought to fill. The answer to be answered in the study was: what are the strategic approaches to affordable homes in Nairobi County?

1.3 Research Objective

The objective of the study was to establish the strategic approaches to affordable homes in Kenya with specific reference to Nairobi County.

1.4 Value of the Study

This research study will be of benefit to the following key stakeholders in the housing industry:

Affordable housing is one key area for social enterprises. A social enterprise is any business venture created for a social purpose. The research will highlight potential challenges and strategic approaches to new social entrepreneurs venturing into this market allowing them early opportunities to overcome these obstacles in order to succeed in the low income housing market. This study findings will therefore assists housing social enterprises in overcoming challenges associated with provision of housing through strategic approaches.

The outcome of this research will highlight key areas where private developers require reform, change or incentives in order to enter the low-income market through strategic approaches. With this knowledge, developers associations such as Kenya Private Developers Association (KPDA) can lobby for change and policy reforms as well as harness the collective strength of their developers to tap into the lower income market.
The findings of this study will enrich existing knowledge and hence will be of interest to both researchers and academicians who seek to explore and carry out further investigations. It will provide a basis for further research.
2.1 Introduction

This chapter covers the theoretical foundation of the study, the strategic approaches as well as the empirical studies.

2.2 Theoretical Foundation

This study focuses on three important theories in discussing the strategic approaches to affordable homes. These include:

2.2.1 Resource Based Theory

Resource-based theory or resource-based view (RBV) of firms is based on the view of the company as a collection of capabilities. Each organization including the counties in Kenya is a collection of unique resources and capabilities that provides the basis for its strategy and the primary source of its returns. In the 21st-century hyper-competitive landscape, an organization is a collection of evolving capabilities that are managed dynamically in pursuit of above-average returns. Thus, differences in firm's performances across time are driven primarily by their unique resources and capabilities rather than by an industry's structural characteristics same case can be applied in the provision of affordable homes (Helfat & Peteraf, 2003). The RBV has developed very interesting contributions, among others, with regard to imitation with the concepts of isolating mechanisms, time compression diseconomies, asset mass efficiencies, and causal ambiguity. Recently, much resource-based research has focused on intangible assets, which include information, knowledge and dynamic capabilities (Alvarez & Barney, 2000).

The central premise of the resource-based view is that firms compete on the basis of their resources and capabilities. Most resource-based view researchers choose to “look within the enterprise and down to the factor market conditions that the enterprise must contend with, to search for some possible causes of sustainable competitive advantages” holding constant all external environmental factors (Peteraf and Barney, 2003). This inward-looking approach has proven to be both influential and useful for the analysis of many strategic issues (Foss and
Knudsen, 2003), among which the conditions for sustained competitive advantage and diversification. Porter (1991) writes that resources are not valuable in and of themselves, but because they allow firms to perform activities that create advantages in particular markets. The competitive value of resources can be enhanced or eliminated by changes in technology, competitor behavior, or buyer needs which an inward focus on resources will overlook. Similarly, Levinthal and Myatt (1994) argue that many organizational capabilities emerge, are refined, or decay as a result of, or an absence of, product market activity.

The resource-based view (RBV) as a basis for the provision of affordable homes lies primarily in the application of a bundle of valuable tangible or intangible resources at the organization's disposal. To transform a short-run competitive advantage into a sustained competitive advantage requires that these resources are heterogeneous in nature and not perfectly mobile. Effectively, this translates into valuable resources that are neither perfectly imitable nor substitutable without great effort. If these conditions hold, the bundle of resources can sustain the organizations above average returns (Crook et al., 2008). The RBV suggests that the resources possessed by a firm are the primary determinants of its performance, and these may contribute to a sustainable competitive advantage of the firm in whatever operation an organization seeks to undertake. According to Barney (1991), the concept of resources includes all assets, capabilities, organizational processes, firm attributes, information, knowledge, among many others controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness and more relevantly in the provision of affordable homes (Barney, 1991).

2.2.2 Dynamic Capabilities Approach

Dynamic capabilities theory examines how institutions integrate, build, and reconfigure their internal and external firm-specific competencies into new competencies that match their turbulent environment (Teece, Pisano, & Shuen, 1997). The theory assumes that organizations with greater dynamic capabilities will outperform organizations with smaller dynamic capabilities which are true even in the provision of affordable housing. The aim of the theory is to understand how organizations use dynamic capabilities to create and sustain a competitive advantage over other organizations by responding to and creating environmental changes.
whenever necessary which should be the case with in the provision of affordable homes (Teece, 2007).

Capabilities are a collection of high-level, learned, patterned, repetitious behaviors that an organization can perform better relative to its competition. Organizational capabilities are called zero-level or zero-order capabilities, as they refer to how an organization earns a living by continuing to sell the same product, on the same scale, to the same customers. Dynamic capabilities are called first-order capabilities because they refer to intentionally changing the product, the production process, the scale, or the markets served by a firm (Winter, 2003). An organization has dynamic capabilities when it can integrate, build, and reconfigure its internal and external firm-specific capabilities in response to its changing environment. For example, whereas organizational capabilities have to do with efficient exploitation of existing resources, dynamic capabilities refer to efficient exploration and implementation of new opportunities (March, 1991).

A firm has a capability if it has some minimal ability to perform a task, regardless of whether or not that task is performed well or poorly. An organization does not actually have to use a capability in order for it to have that capability. However, on average, firms have to use their capabilities in order to sustain their ability to use them. In other words, there is a use it or lose it assumption about a firm’s capabilities over time (Helfat & Peteraf, 2009). A dynamic capability is the capacity of an organization to purposefully create, extend, and modify its resource base. The resource base of an organization includes its physical, human, and organizational assets (Eisenhardt & Martin, 2000). Dynamic capabilities are learned and stable patterns of behavior through which a firm systematically generates and modifies its way of doing things, so that it can become more effective (Macher & Mowery, 2009). For example, operating routines develop from the accumulation of experience through the repeated execution of similar tasks over time.

A firm’s history and prior paths help determine its current tangible and intangible positions and asset bases, which lead to organizational processes. The firm uses its sensing capabilities to identify opportunities. Once they are identified, the firm invests in seize these opportunities to improve its organizational capabilities. Then the firm actually recombines or reconfigures its organizational capabilities into new capabilities that better fit its environment. These new
capabilities can help a firm create new paths, positions, and asset bases, which can lead to a sustained competitive advantage for the firm relative to other firms (Teece, 2007). The dynamic capabilities approach (Helfat et al., 2007) constitutes an extension to the resource-based perspective. While some see dynamic capabilities as the key to competitive advantage, others seem to doubt that there is actually such a thing. The term dynamic refers to capacity to renew competences so as to adapt to the changing business environment (Teece et al., 1997). The term capabilities emphasizes the key role of strategic management in appropriately adapting, integrating and reconfiguring internal and external organizational skills, resources and functional competences to match the requirements of a changing environment.

The dynamic capability approach focuses attention on the organizations’ ability to renew its resources in line with changes in its environment. Dynamic capabilities refer to the firm’s ability to alter the resource base by creating, integrating, recombining and releasing resources (Eisenhardt & Martin, 2000). Dynamic capabilities are the firm’s ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments. The dynamic capabilities approach is not merely an inward-looking view of the organization and its strategy. Its central focus is on the degree of ‘fit’ over time between an organization’s changing external environment and its changing portfolio of activities and capabilities.

2.2.3 Institutional Theory

This theory considers the impact of the firms’ environment and the cognitive, normative and regulative structures that surround the organizations. It attempts to explain how these structures impact the actions and boundaries of the firm. These structures provide stability to actions, routines and cultures; define legitimacy and constrain action. The theory focuses on how institutions are created, how they pervade societies and industries and finally how institutions change over time. The institutional theory focuses on the deeper and more resilient aspects of social structure. It considers the processes by which structures, including schemes, rules, norms, and routines, become established as authoritative guidelines for social behavior (Scott, 2004). Different components of institutional theory explain how these elements are created, diffused, adopted, and adapted over space and time; and how they fall into decline and disuse.
Institutional theory provides a non-economic explanation of organizational behaviors and strategies in business markets (Scott, 2008). Institutions regulate economic activities by setting the rules of the game as the basis for production, exchange, and distribution. It is essential for managers to follow rules, norms, and belief systems related to the institutional environment and mobilize their social, economic, and political resources to adapt and change institutional environments. The theory is important in the development and conceptualization of various institution-based constructs and their inter-relationships with other well-established theories, such as transaction cost economics, and the resource-based view, (Peng, Wang, & Jiang 2008). For example, firms often employ such approaches as isomorphism, decoupling, ceremonial adoption to gain social acceptance from various legitimating parties. The theory also explores performance implications of institutional environments from an interactive perspective (Yang & Wang, 2011). Such interactive perspectives explore how firms accommodate strategic responses to handle institutional constraints and take advantage of institutional capital. For example, how do institutional pressure and process such as regulating, validating, and habitualization evoke business strategic actions, which in turn, affect organizational performance.

The institutional process does not hold only the establishment of practices. According to Kostova (1998), the institutional process continues after the implementation of practices, going until when the employees give value to the new practices. He explains that there are two elements that compose the process of organization practices: the spread of a group of rules and the transmission or creation of a meaning for these rules. The rules and routines suggest a memory of the organization and they constitute themselves on the basis for the evolution of the organizational behaviour. Under the institutional perspectives the enterprises operate inside a social structure of laws, values and assumed presuppositions (taken-for-granted) over what constitutes the appropriate or acceptable economical behaviour. The institutional view suggests that the reasons of the human behaviour extend beyond the economical optimization, to the social justification and obligation (Zeffane, 1996).
2.3 Strategic Approaches

Industry structure and positioning within the industry housing is necessary since they are the basis for models of competitive strategy promoted by Michael Porter. The Five Forces define the rules of competition in any industry. Competitive strategy must grow out of a sophisticated understanding of the rules of competition that determine an industry's attractiveness. Porter, (1985), claims, the ultimate aim of competitive strategy is to cope with and, ideally, to change those rules in the firm's behavior in this case provision of affordable homes. The five forces determine industry profitability, and some industries may be more attractive than others. The crucial question in determining profitability is how much value firms can create for their buyers of affordable homes, and how much of this value will be captured or competed away. Industry structure determines who will capture the value. But real estate firms are not a complete prisoner of industry structure firms can influence the five forces through their own strategies. The five-force framework highlights what is important, and directs manager's towards those aspects most important to long-term advantage (Porter, 1985).

At the most fundamental level, firms should create competitive advantage by perceiving or discovering new and better ways to compete in an industry and bringing them to market, which is ultimately an act of innovation. Innovations shift competitive advantage when rivals either fail to perceive the new way of competing or are unwilling or unable to respond. There can be significant advantages to early movers responding to innovations, particularly in industries with significant economies of scale or when customers are more concerned about switching suppliers (Porter, 1985). Affordable homes should be linked to comprehensive revitalization strategies designed to build stronger mixed-income neighborhoods, rather than simply adding more housing units that may undermine already weak private markets.

High standards for design, planning and long-term maintenance of affordable homes should be established, to ensure that all housing that is built enhances the quality of life and property values in the surrounding neighborhood. Important as these principles have always been, they have become even more critical in today’s national and local economic crisis and housing market downturn. Prahalad and Hamel (1990) speak of core competencies as the collective learning in
the organization, especially how to coordinate diverse production skills and integrate multiple streams of technology. These skills underlie a company's various product lines, and explain the ease with which successful competitors are able to enter new and seemingly unrelated businesses. Three tests can be applied to identify core competencies: provides potential access to wide variety of markets, makes significant contribution to end user value, and difficult for competitors to imitate.

Another strategy will be the cost leadership and focus strategy. This is the strategy for managing costs so that the organization can have lower costs than his competitor. So, in this strategy with great importance is the work efficiency. In fact the level economy and the experience curve. The company should try to give the product some essential characteristics so that it is suitable to a higher number of potential consumers. For this strategy to be successful the company has to have a nonstop research for a way to lower costs in every aspect of its function. This strategy is successful when the business company has a bigger participation in the market and in the cases when it has easy and secure access in the respective sources. This strategy is very attractive for companies, which is obvious if they take into consideration the fact that the low costs offer the company better opportunities to make profit and to be very resistant in case it enters in a war of prices with a competitor. The companies that usually practice this strategy produce products with a low level of diversification knowing that low prices will attract potential consumers. Finding the way of how to produce with lower costs may be the most important question for the company managers. Some of the ways to lower producing costs are the investments, actually the implementation of new producing technologies, product design in the way that it enables producing with lower costs, reducing costs for distributing products, finding cheaper inputs (Kotler, 2000).

A rational approach to affordable homes should start with an analysis of the external and internal environment. However these analyses may prove difficult for companies because of the current economic uncertainty that exists at national and global levels. An analysis of the external environment might involve the use of industry analysis, PEST or an equivalent, which would help to identify the opportunities and threats that may exist for a company in the real estate industry (Porter, 1985).
For the internal analysis a company would carry out a resource audit, examining physical, human, and financial resources together with intangibles such as brands, patents, etc and would then look at its value chain as a means of assessing the efficiency and effectiveness of all aspects of its operation. Any element of the value chain is capable of adding or destroying value. The aim of the internal analysis is to identify the company’s strengths and weaknesses and as a result the company should be able to identify what it is or is not capable of doing and what it needs to address before pursuing certain strategic options. The analyses should feed into the mission and vision statements and also the aims and objectives that the company set for the forthcoming strategic period; these should encompass both strategic and financial objectives. It will also help to identify a series of strategic options that the company can consider and will inform the ultimate choices made (Johnson et al., 2011).

2.4 Empirical Studies

In respect to the macro-economy, high debt burdens of purchasing households and high house prices can contribute to destabilizing market pressures which act to increase market volatility. High house price may also contribute to inflationary pressures. In relation to the labour market, a lack of affordable housing may affect the efficiency with which labour markets operate at both a national and regional level, and particularly in the large metropolitan areas (Berry, 2006). In respect to distribution, the equitable distribution of housing is important as an amenity in its own right and as ‘a complex good’: housing is a critical component mediating the location and intergenerational distribution of opportunity in our society.

Milligan et al’s (2007) method is modeled through the example of an affordable housing supply. That example considers four categories of activity associated with the development of an affordable housing supply development activity, tenant/occupant selection, tenancy management and asset management and identifies key risks, performance indicators and evaluation methods appropriate to these categories. Included in the supporting objectives identified for this case are several objectives which are strongly orientation to sustainability values: efficiency, equity, participation and appropriate housing (Milligan et al., 2007). Particular priority is given to the importance of a process evaluation of a project’s risk management strategy. The method
recommends that evaluations conclude with the assessment of the efficacy of the project rationale, a weighing of contextual factors and consideration of potential for applications in other settings.

Sweeney, (1974), states that the housing market is separated into distinct quality levels. Households differ in terms of income and other characteristics, and in equilibrium they are matched to housing of different qualities according to their income levels and willingnesses to pay. The durability of housing is a central part of the model and depreciation causes higher quality units to filter down to lower income households until eventually demolition becomes more economical than maintenance. The model predicts the long run equilibrium distributions of the quality of housing units and prices. Public policies can be evaluated using this model by finding the impact on new construction, the price and quality distributions, and household welfare. After a shock, equilibrium is reestablished when supply equals demand at each quality level and households have no incentive to move to some other quality of housing.

Rosenthal (1997) starts a chain by assuming that a household permanently exits from the housing market or a new housing unit is created. She makes the very strong assumption that an existing homeowner who wishes to move into this unit cannot complete the transaction until his or her household’s current home is sold. Potential first-time homeowners enter the market each period, searching for a dwelling. Next, space is introduced into the model with the further assumption that households search for housing only in their own and nearby submarkets. The result is a housing chain. This model predicts that existing owner-occupiers’ duration of marketing time is longer than the search time of either first-time buyers or the time-on-market of the houses owned by sellers who are exiting the housing market.

Shiller (2001) regards the poor definition of sustainability as both a weakness and a potential source of strength. While unable to underlie broad-scale policies and programs, the generality of sustainability may help widen the response to the risk of environmental degradation, appealing to different circumstances at the appropriate level. This focus on the context of programs and policies can be seen as strengthening their sustainability and relevance.
Stein’s (1995) in his model indicated that equity effects are incorporated into the housing market. Stein’s goal was to explain both the large price swings observed in some housing markets and the positive correlation of transactions volume with house price changes. He notes that households who wish to own must make a down-payment and pay closing costs. If house prices are rising, current owners’ home equity rises, increasing their wealth, allowing them to make a larger down-payment on another, more expensive, home. Thus, increasing house prices facilitate trading-up and should increase transaction volume. Stein showed that this effect is enhanced if mortgage lender imposed minimum down-payment requirements constrain a large percentage of current owners’ choice of dwelling. Similarly, if house prices fall, a household’s equity falls, and this household’s ability to purchase another house is reduced, perhaps greatly. Transaction volume should fall at the same time that house prices are falling.
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction
This chapter contains the research design, target population of the study, sample design and size, data collection methods and data analysis techniques.

3.2 Research Design
This study adopted a qualitative research design. This design was appropriate for the study as it enabled higher level analysis. It also assisted in determining the practices that prevail, paradigms and point of view of the respondents in so far as management of strategic change in their organizations is concerned. According to Cooper and Schindler (2009) explanatory research design is structured with clear investigative questions and can be used to discover associations where necessary. This corresponds to the aim of the study of establishing the strategic approaches to affordable homes in Kenya with specific reference to Nairobi County.

3.3 Population of the Study
The population for this study consisted of the top management from stakeholder organizations in the housing sector. These include two top managers at the Nairobi City County, three top managers from the Ministry of lands and Urban Development, and three top managers in Housing Finance Institutions.

3.4 Data Collection
Both primary and secondary data was used in this research. Primary data was derived from interview guides formulated to target top management of several stakeholder organizations. The interview guide covered the strategic approaches to affordable homes in Kenya with specific reference to Nairobi County. The researcher personally administered the interview guide to the managers of Nairobi City County, top managers from the Ministry of lands and Urban Development, and top managers in Housing Finance Institutions who were handy in providing
the relevant information sought by the researcher. An appointment was booked in the respective institutions three days earlier before the researcher was granted permission to interview the targeted managers. The researcher went through the various questions of interest and noting down the responses received from the managers. Secondary data was gathered from library material, land and housing journals and reports, media publications and various search engines strategic approaches to affordable homes. An interview guide was useful so as to investigate issues in an in depth way, discover how individuals think and feel about a topic and why they hold certain opinions and ambiguities can be clarified and incomplete answers followed up.

3.5 Data Analysis

The data analysis included qualitative techniques. The qualitative data was summarized and categorized according to common themes and was presented using frequency distribution tables. The data was also presented using content analysis and descriptive statistics. The data that was obtained was also compared with existing literature in order to establish areas of agreement and disagreement in order to ascertain the facts.
CHAPTER FOUR
DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents findings and discussions of the study. It covers the strategic approaches to affordable homes in Kenya with specific reference to Nairobi County.

4.2 Strategic Approaches to Affordable Homes

The objective of this study was to establish the strategic approaches to affordable homes in Kenya with specific reference to Nairobi County. First and foremost the interviewees were asked whether there are any strategic approaches to affordable home in the county they were aware of. Responses from managers at the Nairobi City County housing department indicate that some of the strategic approaches adopted by their department include “efficient and effective resource allocation mechanism among responsible departments in the housing department, formulation, implementation and review of the county housing sector policy, improving the living environment in slums and informal settlements through slum upgrading as this is where most people do not have affordable homes. In addition managers at the Nairobi City County housing department stated the following as their strategic approaches to affordable homes in the county: promotion of low cost housing development through housing sector incentives, promotion of research and utilization of appropriate building materials and technologies and coordination of stakeholders on housing and human settlement matters in the county.

In particular the director city planning stated the following as the strategic approaches to affordable homes that they want to fully implement “closer alignment of the National Spatial Strategy with Regional Planning Guidelines, Development Plans and Local Area Plans, while also clarifying the key obligations required of Planning Authorities in the county, improving the throughput and performance of the county in relation to affordable housing and strengthening the enforcement controls of Planning Authorities at the county level. The county has also imposed restrictions on the ability of property owners to develop their own land. The department makes provision, in the interests of the common good, for the proper planning and development of the
county at large, with respect to land acquisition, to repeal the previous County and national planning Acts, and certain other enactments”.

Responses from top managers in the Ministry of Lands, Housing and Urban Development in relation to the strategic approaches to affordable homes were that “the development of affordable housing through National Housing Corporation, facilitation of affordable housing finance through Housing Finance, providing a common platform for sharing and exchanging ideas and best practices; and providing reference materials and benchmarks for continued review of the affordable housing and human settlement sector. In addition the managers indicated that their department was responsible the provision of an integrated spatial framework for sustainable socio-economic development through research, policy and land use planning and ensuring that they provided advice to the national and county government on spatial planning matters so as to ensure there is affordable homes in the county and the country at large.

According to the undersecretary department of housing the ministry is in the process of ensuring the adoption of the following strategic approaches if the country or Nairobi County in particular is to achieve affordable homes. These strategies according to him include but not limited to the following: promoting sustainable development of houses, achieving integrated planning in the housing department, integrating plans with budgets, planning with partners and stakeholders in the housing sector and meeting the subsidiary principles in the sector. In addition he stated that the ministry needed to promote housing market responsiveness, ensure access to land, develop appropriate planning tools relating to affordable housing and being pro-poor and inclusive.

On the other hand director urban development said that to achieve affordable housing in Kenya “the focus is on ensuring sustainable urbanization, reduction of urban poverty and increased inclusion through: improved urban governance, planning and management, delivery of affordable housing and land and provision of sustainable urban services and infrastructure”. He candidly stated that “planning systems and processes in the country and the county of Nairobi in particular are still largely based on colonial laws, designed to support spatial segregation and population control. They fail to reflect the need and priorities of urban residents. The urban model they has been promoted has proved both unaffordable and inadequate for catering to the
diversity of ways of life and needs of developing world cities like Nairobi. In addition to this he stated that the county planning systems and decisions often protect the interests of the rich, or are limited to beautification and decoration of urban spaces”.

The responses from housing finance institutions’ managers indicate that among the strategic approaches adopted by their institutions include a reduction of competitive rivalry in the housing sector among various stakeholders, and use of economies of scale among the stakeholders involved. They indicated that the institutions are also responsible for the promotion of a savings culture and home ownership among the all classes of Kenyan citizens, providing integrated solutions for the acquisition, development and improvement of affordable homes and operating across the home’s value-chain as suppliers and financiers by offering unique solutions. Apart from the above the managers stated that as strategic response to affordable homes their institutions provided easy access to mortgage finance and focusing on availing new housing opportunities to homeowners, and meeting the growing housing challenges of today.

The interview guide sought to find out from the interviewees whether there were any strategic approaches to affordable home in the county. In agreement the managers who participated from the three different institutions thus Nairobi City County housing department, the Ministry of Lands, Housing and Urban Development and the housing finance institutions discussed the following strategic approaches to affordable homes that are currently being adopted: that stakeholders in the housing industry have adopted strategic approaches which involve producing bigger amounts of standardized housing products to use the advantages of the level economy and the experience curve. Companies have tried to give the housing products essential characteristics so that it is suitable to a higher number of potential consumers’ in this case home owners. Another strategic approach that the interviewees claimed to use was market penetration strategy in which the business corporations involved in the housing sector tried to increase the product sales or service sales in the existing market with the aim to increase the sales of the business corporations housing products and services without becoming part of a new market.

These interviewees stated that government intervention was one of the strategic approaches in the housing industry. This was in the form of financial assistance which has been crucial to
producing affordable housing in the county. The interviewees indicated that there have been strategic institutional approaches that their organizations have adopted whereby there is information sharing by institutions and within institutions with connections involving good relationships and structures. In addition there are processes supporting these changes including flexibility in implementation to account for housing industry conditions and good information. Consistent enforcement and necessary disciplinary action have been essential to a functional housing industry compliance programs initiated among all the stakeholders.

Other strategic approaches that the interviewees from the three classes of respondents stated include encouragement of cost-saving measures on building on cheaper lands and building smaller and simpler units. The study findings indicate that various organizations that participated in this study worked on evaluation of programs and resources systematically occurring in the housing industry. Leadership, communications and stakeholder engagement, enterprise organizational alignment, education and training, and site-level workforce transition were some of the other key strategic approaches utilized stated by interviewees.

The study findings indicate strategic change management planning occurring in regard to other various housing projects, integrated resource utilization and decision making were seen as strategic approaches to affordable housing. On the other hand the interviewees stated integration of processes, systems and services within organizations, evaluation and establishment of various training program and assessment of performance and resources against organizational needs in the housing sector. Diversification strategy was also used by the housing industry stakeholders` need for affordable home. Various stakeholders engaged in producing new housing products in new markets a case in point being the upgrading of Kibera slums.

Interviewees from the housing finance institutions stated that another strategic approach they utilized was that of strategy as a compilation of simple rules. In this strategic approach stakeholders were required to grasp and use the opportunities given at the moment to them while moving in a flexible way from one opportunity to another and always focusing on the basis of the actual movements and potential future changes of the external market factors of the housing
industry. Managers in the housing sector concentrated on some simple rules which they follow very carefully while they are managing the company.

The interviewees from the housing finance institution and those in Nairobi City County housing department indicated that some stakeholders used the blue ocean strategy as their strategic approach. One of the main aspects of this approach was overcoming the competition in the housing industry. According to these managers firms in the housing sector did pursue their development path without any importance on the steps the competitors take. This was based on six main principles divided in two groups, where in the first group formulating strategies took place like: reconstruction of market confines, looking at the big picture and not focusing too much in numbers, looking beyond the existing demand and looking after the functioning of strategic process. Whereas in the second group principles took place which was related with the implementation of strategies like: exceeding the main organization problems and converting self implementation in a strategy.

In addition to the above the interviewees stated the following as the strategic approaches to affordable housing; improved access to mortgage credit by various financial institutions; efforts to further expand homeownership to everybody with more focus on the poor population, policymakers have been able to critically assess the implementing organizations’ operational capacity and ability to build effective partnerships in the housing industry. All stakeholders are being held accountable for performance of the housing industry.

The researcher was interested in finding out from the interviewees whether they are in any way satisfied with the strategic approaches to affordable homes in the county. The results indicate that majority at 76% indicated that they were satisfied with the strategic approaches to affordable homes in the county whereas 24% of the interviewees were of the opinion that much more needs to be done with the present strategic approaches to affordable homes if benefits are to realized soon than later. Those who not satisfied were mainly from the housing finance institutions.

Director housing department in Nairobi City County indicated that the county and national planning processes may have a role to play in addressing affordability housing concerns. A
number of lessons can be drawn from the operation of affordable housing schemes, programs and policies in operation across the country, although these need to be assessed in the light of substantial differences in the policy, governance and economic contexts in which they are enacted. The strategic approaches need to stimulate housing improvements that meet the needs of all classes of people, facilitate the optimum use of local, readily available building materials, construction techniques and technical skills; and maintain and strengthen the status of classes of people in the county in house building and management.

Interviewees from Nairobi City County housing department and those from the Ministry of Lands, Housing and Urban Development indicated that they were satisfied with the strategic approaches to affordable home in their departments. When was asked how important the strategic approaches have been in ensuring there are affordable homes in the county. The interviewees stated that with the strategic approaches most industry players have been able to achieve sustainable profits that exceed the average for its industry year in year out through various legislation and support to industry players. On the other hand the industry has been able to gain competitive advantages and it has been able to create value for its buyers even though some challenges could be witnessed in the industry. The interviewees indicated that industry players have also been able to gain cost advantage as a result of the strategic approaches adopted in there industry players enjoy economics of scale, proprietary technology and cheap raw material. In addition industry stakeholders were able to offer different affordable housing products, a different delivery system, or using different marketing approaches to reach the masses that are poor and cannot access affordable homes.

Responses from those who stated that they were not satisfied with the strategic approaches to affordable homes in the county in this case those from the housing finance institutions stated that they were not impressed by what the county and national government were doing in terms of strategic approaches to affordable homes. They said that were the strategic approaches effective then people informal areas such as Kibera and other slum areas citizens will be able to affordable both decent and affordable homes. Other reasons given were that the responsible government departments have not been able to leverage on the resources available in the private sector in relation to affordable homes while at the same time they have failed to encourage foreign investment in the provision of affordable housing. The departments have failed to focus on
providing a favourable investment climate, infrastructure, and mortgage insurance to first time home buyers and low-to middle income families in Nairobi and the country at large.

The interviewees from Nairobi City County housing department, the Ministry of Lands, Housing and Urban Development and in the housing finance institutions stated that the strategic approaches were important in ensuring there are affordable home in that the industry players would carry out a resource audit, examining physical, human, and financial resources together with intangibles such as brands, patents, and would then look at its value chain as a means of assessing the efficiency and effectiveness of all aspects of its operation in relation to affordable housing. These approaches helped the stakeholders to identify the strengths and weaknesses and as a result the company was able to identify what it is or is not capable of doing and what it needs to address before pursuing certain strategic options related to affordable housing.

The interviewees were also asked about their opinion on whether the strategic approaches were effective. Responses the managers at the Nairobi City County housing department, the Ministry of Lands, Housing and Urban Development and in those in the housing finance institutions were that they were effective to some extent in that there has been a reduction in the people with needs of affordable houses, information and communication on affordable housing has been shared by all and is available and accessible to all stakeholders. In addition stakeholders in the housing sector have been able to align their strategy to the central values they operate under, such as ethical beliefs, through these strategies stakeholder have been able to understand the value customers want in relation to affordable housing and have positioned their strategies to meet this need. With these strategies interviewees indicate that organizations in the industry are able exploit the underlying economic factors within the industry and maintain this over time to achieve sustainable results.

The interviewees were asked how the various strategic approaches have improved on the concept of affordability perspective. Those from Nairobi City County housing department and the Ministry of Lands, Housing and Urban Development Managers stated that as a result of these approaches there have been high levels of productivity in the housing sector, high capacity utilization, the use of bargaining power to negotiate the lowest prices for production inputs as
well as lean production methods. Other improvements witnessed include effective use of technology in the production process and access to the most effective distribution channels.

In relation to housing provision the interviewees from the housing finance institutions stated that there were improvements on housing in that there were superior product quality in form of features, benefits, durability and reliability. There was a strong customer recognition and desire, industry-wide distribution across all major channels and consistent promotional support.

The interviewees were asked how strategic approaches have improved on the deficiency of the housing loan system. Responses from those in the housing finance institutions indicated that as a result of various approaches the loan system has been improved to the extent that now consumers can forget the push-pull dynamic in the lending market which has been a challenge all along. Because of advancements in technology, processing costs have been almost halved and improving access to credit has been the goal of all policymakers and this has been good for both the firms in the industry as well as the consumers.

While managers from Nairobi City County housing department and the Ministry of Lands, Housing and Urban Development stated that as a result of the various strategic approaches there has been an improvement in enabling environment for investment. This has been witnessed through enhanced value added to domestic production of building and construction materials, the government and various stakeholders have been able to facilitate the development of a broader base indigenous entrepreneurial culture, and improvement of jobs creation in the housing sector. In addition to these there has been a facilitation of industrial dispersion in rural areas thus enhancing regional economic balance, enhanced effective domestic resource utilization as well as facilitation of the development of management of both skilled and unskilled labour in this industry. In terms of the improvements in the rising costs of houses, the strategic approaches utilized have been able to reduce costs associated with construction materials, the availability of materials, land and other building necessities could easily be accessed, occupancy rates have increased with the lowering of costs associated with owning a house, rental costs and mortgage costs.
From the study the interviewees were asked some of the shortcomings of the strategic approaches used by various stakeholders. The findings indicate that the interviewees from the three sections felt that stakeholders had not been successful in achieving operational excellence or cost leadership advantage in the industry. There is the failure by the stakeholders to achieve a product differentiation and leadership advantage in that firms in the industry have not been able to compete by emphasizing creativity and continuous innovation and upgrading of products that provides greater value to customers. They stated that stakeholders had not been able to achieve a customer intimacy advantage, whereby firms in the sector use marketing capabilities and expenditures to create unique positions in the marketplace and establish customer relationships and loyalty in housing products.

The director housing department Nairobi City County stated that the shortcoming witnessed in the strategic approached used include: the governments has not been able to successfully promote a facilitating legislative and institutional framework in the housing sector; both the county and national government have been able to support the establishment of fair and transparent municipal finance systems based on equitable land taxation; the governments and local authorities have not been in a position to design, adopt and implement pro-poor country and county development strategies, ensuring sufficient availability of public and private land for housing development.

According to the undersecretary department of housing the shortcoming seen in the ministry relating to strategic approaches to affordable housing include: not being able to build partnerships with the private sector for the management of basic services and utilities, such as water supply, and with private investors and developers for the delivery of both owner-occupied and rental housing; not strongly encouraging and supporting the efforts and initiatives of slum-dwellers in the incremental upgrading of their living environment, through technical and financial assistance; finally, in terms of process and method, the national governments has not adopt decentralization policies, strengthening local authorities and involving all stakeholders in the elaboration, monitoring and evaluation of the housing policy, through consultative and participatory approaches.

The secretary administration in the department of housing stated that security of tenure was another fundamental challenge in urban housing strategic approaches adopted. He argued that
promoting security of tenure is a prerequisite for sustainable improvement of housing and environmental conditions. Squatter upgrading projects for example need to be carried out and these projects should prevent unlawful evictions. Governments has failed to focus on regularization schemes in order to provide incentives to families to invest in their affordable homes and communities. There is no doubt that every effort should be made to ensure optimal use of the housing stock and improve the quality of life in existing settlements thus he concluded that there was no effort from the relevant stakeholders.

The strategic projects director from the housing finance institution stated that the shortcoming of strategic approaches to affordable housing include: planning has not been able to contribute a positive role in the organization of infrastructure and basic services due to the proliferation of informality and the fragmented public-private sector interventions in the form of mega housing projects and concentrated investments in the housing industry. Strategic approaches and processes have failed to take into account economic development concerns linking the future economic prospects in the housing sector to the urban form being defined. There is a failure by housing stakeholders to link housing investment planning and city development strategies, and providing urban planning frameworks to guide infrastructure development, which in turn leads to poverty reduction and the end result, could be affordable housing for all.

The interview guide wanted to establish whether the interviewees were adequately involved in deciding strategic approaches to affordable homes in their organization. The responses from the all the interviewees indicate that they were adequately involved in deciding strategic approaches to affordable homes. Since they responded that they were adequately involved in deciding strategic approaches to affordable homes they were asked the areas they were involved in decision making. The interviewees stated that they were involved overarching strategy at the corporate level and functional strategic areas. They indicated that they were adequately involved in strategy formulation, strategy planning and strategy implementation.

The interviewees were asked to propose some of the strategic approaches in addressing affordable housing in Nairobi. All the interviewees who responded proposed that all stakeholders must work in unison to focus on offering the best and affordable housing units to all consumer groups, organizations in this sector to focus on maximizing the value of the housing products
provided for in the industry as well as carrying out an analysis of other complementary housing products. Firms in the industry need to compete by cutting costs of production to create higher margins than their competitors or extract similar margins at lower prices this will not only benefit the consumers but the sector at large. Stakeholders and more especially firms in the sector need to be encouraged to compete by emphasizing creativity and continuous innovation and upgrading of housing products that provides greater value to customers and more relevantly those in formal settlements or the majority poor. Another strategic approach proposed by the interviewees is that firms in the sector should use marketing capabilities and expenditures to create unique positions in the marketplace and establish customer relationships and loyalty in offering housing products.

The interviewees from the housing finance institutions further proposed new technologies and greater transparency as strategic approaches to addressing affordable housing. In addition they proposed stakeholders building an enduring and implicitly static competitive advantage by establishing clever market positioning or assembling the right capabilities and competencies for making or delivering an offering and what the company does well. Stakeholders to undertake periodic strategy reviews, set direction and organizational structure on the basis of an analysis of their industry and some forecast of how it will evolve. The government should source for cheap funds for housing human settlements and infrastructure finance if the goal of affordable housing is to be achieved.

The director urban development from the ministry of housing proposed the following as some of the strategic approaches that the ministry should adopt in order to achieve affordable housing in Nairobi City County: to have in place plans that are more process oriented and contains broader ideas relating to affordable housing in Nairobi; prioritize plans according to participation and consensus building among stakeholders in the housing industry, aim to provide a affordable housing dimension to sectoral interventions as a means of integrating them to the main objective, plans should be implemented through the empowerment of different actors, as opposed to regulation and enforcement.

The strategic projects director in the housing finance institutions equally had this to say in relation to proposed strategic approaches to affordable homes “all the industry players need to develop a strategic vision through a participatory process with local and national stakeholders
identifying priority issues and actions that do with affordable housing, these identified actions should aim to improve housing conditions, urban services and the local economy. The vision must provide a road map for developing the county of Nairobi over the next two decades. Enhancing urban and land management through training of local authorities in information management, strategic urban planning, land regularization and urban administration will be necessary. He further said that fast-tracking land delivery system for housing, including a ‘sites without services model’ based on guided grid development, provision of infrastructure to existing residential areas, with water a top priority and revision of spatial planning standards to prevent urban sprawl was a necessity of affordable housing are to be achieved.

The director business operations who participated in this study proposed the following as the strategic approaches to affordable homes in the country and more particularly to Nairobi City County; organization of broad-based consultative forums, defining a common vision and agreeing on priorities, redefining the relationship between the authorities and other stakeholders in the housing industry. The relevant stakeholders to roll out a programme that can be used efficiently for formulating national affordable housing policies to enable counties to replicate participatory local assessments at the national level to address the needs of the urban poor in relation to affordable housing, all the stakeholders in the industry to work as team so as to overcome the often strong sector-divisions of national and local decision-making bodies as well as stakeholders’ divisions. The relevant bodies should be required to strengthen decentralization efforts by applying bottom-up planning and decision-making processes and establish a culture for participatory decision-making, prioritization and budgeting for agreed and tailored slum upgrading and prevention practices as an example.

4.3 Discussions of Findings

The findings indicate that there are various strategic approaches to affordable homes Nairobi County. The housing sector in Nairobi County has adopted strategic approaches such as producing bigger amounts of standardized housing products to use the advantages of the level economy and the experience curve. Other strategic approaches sued are giving the housing products essential characteristics so that it is suitable to a higher number of potential consumers’
in this case home owners, the use of market penetration strategy and the intervention of financial assistance which has been crucial to producing affordable housing in the county.

In addition to the above the findings indicate other approaches such as encouragement of cost-saving measures on building on cheaper lands and building smaller and simpler units, diversification strategy, strategy as a compilation of simple rules and the blue ocean strategy. Equally there was improved access to mortgage credit by various financial institutions; efforts to further expand homeownership to everybody with more focus on the poor population, policymakers have been able to critically assess the implementing organizations’ operational capacity and ability to build effective partnerships in the housing industry.

These findings are consistent with the findings by McCall & Kaplan, (1990) who looked at what appeals to customers at the lower economic class in the United States of America. In adopting both qualitative and quantitative research methods to look at what appeals to customers at the lower economic class they found out that a company should appeal to a broad cross-section of the market by providing products or services at the lowest price. The findings are also in agreement to Bonyo (2010) who sought to establish the challenges of housing development for the low income population in Kenya using data collected from the field using questionnaires, interviews and observation and analyzed using descriptive tools. He pointed out that affordability was another main challenge for low income earners. He also found out that other factors affecting affordability and the supply of housing from private sector housing developers prominent of which were the cost of production and the opportunity cost to the developer’s finite funds in either providing middle income housing or low income segment housing.

Implementation of strategic approach is important for any meaningful result to be achieved. Henderson, (1981) in his concept on what results are achieved as a result of implementing strategic approach indicates that strategic approaches help the organization to meet its uncertain situations with due diligence. Without a strategic approach, the organization is like a ship without a rudder. It is like a tramp, which has no particular destination to go to. Without an appropriate strategy effectively implemented, the future is always dark and hence, more are the chances of business failure. The study findings agree this concept. The findings shows strategic approaches were important in ensuring there are affordable home in that the industry players would carry out a resource audit, examining physical, human, and financial resources together
with intangibles such as brands, patents, and would then look at its value chain as a means of assessing the efficiency and effectiveness of all aspects of its operation in relation to affordable housing. These approaches helped the stakeholders to identify the strengths and weaknesses and as a result the company was able to identify what it is or is not capable of doing and what it needs to address before pursuing certain strategic options related to affordable housing.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter covers the summary of the findings of the study. It also captures the conclusions of the study as well as recommendation for policy and practice. This is addition to limitations of the study and suggestions for further research.

5.2 Summary of Findings

The main objective of this study was to establish the strategic approaches to affordable homes in Kenya with specific reference to Nairobi County. The findings of the study as stated by managers from Nairobi City County housing department, the Ministry of Lands, Housing and Urban Development and the housing finance institutions indicate that “stakeholders in the housing industry have adopted strategic approaches which involve producing bigger amounts of standardized housing products to use the advantages of the level economy and the experience curve”. Equally, companies have tried to give the housing products essential characteristics so that it is suitable to a higher number of potential consumers’ in this case home owners. Stakeholders use market penetration strategy in which the business corporations involved in the housing sector tried to increase the product sales or service sales in the existing market with the aim to increase the sales of the business corporations housing products and services without becoming part of a new market.

The responses from the managers interviewed show that government intervention was one of the strategic approaches in the housing industry. This was in the form of financial assistance which has been crucial to producing affordable housing in the county. In addition there are processes supporting these changes including flexibility in implementation to account for housing industry conditions and good information. Consistent enforcement and necessary disciplinary action have been essential to a functional housing industry compliance programs initiated among all the stakeholders. Other strategic approaches were used include encouragement of cost-saving measures on building on cheaper lands and building smaller and simpler units.
The study findings indicate that leadership, communications and stakeholder engagement, enterprise organizational alignment, education and training, and site-level workforce transition were some of the other key strategic approaches utilized stated by interviewees. Diversification strategy was also used by the housing industry stakeholders’ need for affordable home. Various stakeholders engaged in producing new housing products in new markets a case in point being the upgrading of Kibera slums.

Interviewees from all the departments targeted by the study stated that another strategic approach they utilized was that of strategy as a compilation of simple rules. In this strategic approach stakeholders were required to grasp and use the opportunities given at the moment to them while moving in a flexible way from one opportunity to another and always focusing on the basis of the actual movements and potential future changes of the external market factors of the housing industry. Managers in the housing sector concentrated on some simple rules which they follow very carefully while they are managing the company. According to the findings firms in the housing sector did pursue their development path without any importance on the steps the competitors take. This was based on six main principles divided in two groups, where in the first group formulating strategies took place like: reconstruction of market confines, looking at the big picture and not focusing too much in numbers, looking beyond the existing demand and looking after the functioning of strategic process. Whereas in the second group principles took place which was related with the implementation of strategies like: exceeding the main organization problems and converting self implementation in a strategy.

The findings indicate that the strategic approaches were important in ensuring there are affordable home in that the industry players would carry out a resource audit, examining physical, human, and financial resources together with intangibles such as brands, patents, and would then look at its value chain as a means of assessing the efficiency and effectiveness of all aspects of its operation in relation to affordable housing. These approaches helped the stakeholders to identify the strengths and weaknesses and as a result the company was able to identify what it is or is not capable of doing and what it needs to address before pursuing certain strategic options related to affordable housing.
Research hypothesis proposed by this study was that “provision of affordable housing in Nairobi County could be achieved through strategic approaches”. In evaluating this hypothesis with the information provided by the interviewees the facts show that strategic approaches were important in ensuring there are affordable homes, stakeholders are able to identify the strengths and weaknesses in the housing industry so as to provide basic housing through effective strategic approaches. These facts could also be supported with the findings indicated in the summary above.

From the study findings it is clear that affordable housing difficulties is more serious for the low income groups and the problems have been complicated by inflated real estate values, speculative activity, unemployment, low earning capacity and lack of planning. The researcher can cite the increasingly significant shifts in the form and design of housing from the rooming form to flat and single family house forms as a factor responsible for acute shortage of housing for the low income groups.

5.3 Conclusions of the Study

In general the Nairobi County is facing the challenge of providing affordable housing to residents whose number is growing each and every passing day. The established facts from the interviewees at Nairobi City County and the Ministry of Lands and Urban Development indicate that Nairobi County is facing a challenge of providing affordable housing to residents. The quoted the following factors as those leading to the challenge of providing affordable housing in the county: increased population, hard economic times, increased poverty levels, lack of government interventions, rural urban migration and the ever technological changes among others.

The study sought to establish the strategic approaches to affordable homes in the county. The findings indicate that Nairobi County and other relevant departments and organizations in the housing sector have responded through strategic approaches which are seen to be effective in the long run. The interviewees especially those in the Ministry of Lands and Urban Development and Housing Finance Institutions candidly responded that by stating that “a reduction of competitive rivalry in the housing sector among various stakeholders, efficient and effective resource allocation mechanism among responsible departments and use of economies of scale
among the stakeholders involved” are some of the strategic approaches adopted. On the other hand interviewees from the Nairobi City County said that “by producing bigger amounts of standardized housing products to use the advantages of the level economy and the experience curve, market penetration strategy, government intervention and encouragement of cost-saving measures on building on cheaper lands and building smaller and simpler units” were the strategic approaches that were adopted in the provision of affordable housing in Nairobi County.

As established from the interviewees in the Ministry of Land and Urban Development who said that “public housing is presently confronted by a number of significant challenges which include administrative, institutional, management challenge, inadequacy of up-to-date and detailed records and those in the Housing and Finance Institutions who said that “there is growing massive demand on one hand and continuous shortage of housing on the other hand and that there currently exist a huge deficit of housing whose back log remains challenging to eradicate as the major industry players”. The researcher concludes that affordable housing can be achieved through effective strategic approaches and addressing issues ranging from functioning labour, capital, and input markets through to an efficient and effective administration process, with an emphasis on showing real progress, building on key successes in market where the private sector already has incentives to invest. The government should also look at rapid urban population growth, the misuse of dwelling funds, the adverse effects of increasing rents for low income groups, the deficiency of the housing loan system and the increase in luxury houses rather than social houses.

Nairobi county being the most populated city in Kenya and the economic nerve centre of the East Africa sub-region, housing demand continue to increase amidst situations where the housing stock is glossy inadequate in terms of quality and quantity. Generally large proportion of urban dwellers in Nairobi is underemployed while significant proportion are unemployed. This is the major problems in the mobilization of saving deposit with the financial institutions that are in place. Another major obstacle to efforts at increasing housing stock has been finance as well as lack strategic responses by various stakeholders, thus the need to constantly research into how this problem can be alleviated to reasonable extent. Therefore this research has unraveled the strategic responses militating against the hope and aspiration of Nairobians in relation to affordable housing. It is hoped that the findings and recommendations of this research will
contribute meaningfully to existing literature on affordable housing finance in Nairobi County in particular and Kenya at large.

The researcher concludes that given the rapid increase in urban populations in Kenya, the corresponding increasing demand for affordable urban housing, the persistently dire financial situation of the urban poor, persistently significant levels of bad governance in Kenya and the insufficient financial and material resources available to Counties to tackle this issue, it is not possible or pragmatic, at least for now, to envisage a situation where every urban dweller in Kenya will live in a decent and affordable house in the near future.

In conclusion the government has not been able to successfully promote a facilitating legislative and institutional framework in the housing sector; both the county and national government have been able to support the establishment of fair and transparent municipal finance systems based on equitable land taxation; the governments and local authorities have not been in a position to design, adopt and implement pro-poor country and county development strategies, ensuring sufficient availability of public and private land for housing development. Promoting security of tenure is a prerequisite for sustainable improvement of housing and environmental conditions. Squatter upgrading projects for example need to be carried out and these projects should prevent unlawful evictions. There is no doubt that every effort should be made to ensure optimal use of the housing stock and improve the quality of life in existing settlements thus he concluded that there was no effort from the relevant stakeholders.

5.4 Recommendations for Policy and Practice

All the relevant housing industry stakeholders and more specifically Nairobi County should put in place a research and development investments to assist it in studying affordable housing and how effectively they can deal with the same. This is necessary owing to the fact that affordable housing issues are real and need urgent and effective measures to counter the same being in a messy affair both in the short and long term.

It is also important that the stakeholders’ management but more relevantly the county of Nairobi explores the possibility of outsourcing additional functions such as land allocation, rates collection, and research on ways of making housing affordable as well as city planning. If this is
done, it is hoped; the competitive positioning of the county and other housing stakeholders will be taken a notch higher and is likely to create value and a sustainable affordable housing for each and every resident of Nairobi.

It is recommended from the study that for the right to adequate housing to become a sustainable reality for the urban poor across Nairobi County in particular and Kenya in general, a lot needs to be put in place. Kenya probably has had enough policy advice already but with minimal notable results in affordable housing. The fact that years of policy advice and pledges have not produced dramatic reductions in slums suggests that something very fundamental is lacking in the country: visionary, democratic and dedicated leadership. Substantially realizing the right to adequate housing demands, among other things, that Kenyan leaders develop and manifest the political will to live up to their commitments. It also demands that these leaders should be continuously pressurized through legal and peaceful strategies to fully implement their commitments to the poor.

5.5 Limitations of the Study

The study was faced with the limitation of the respondents being unwilling to give the researcher the total responses to answer the research objectives sufficiently. The interviewees were suspicious that the answers given could be used by competitors to beat them in their competitive edge especially respondents from the housing finance institutions. In addition some of the interviewees were against giving answers to some questions which were seen to touch on the ethical aspects of the office bearers. Equally, other interviewees were not cooperative because of the time factor owing to the fact that these categories of people are always busy with office duties and responsibilities. Since the research targeted the top managers, they were unwilling to respond effectively for fear of being victimized for giving out strategic approaches adopted. Time was also a limiting factor. The researcher is in full time employment and thus did not have enough time in the collection of data. The interviewees were also not willing to sufficiently answer the research questions. The research did not conclusively cover the research objective. Limited resources on the part of the researcher were another limitation. The research lacked adequate funding for conducting the research since the researcher was self-sponsored in the MBA course.
5.6 Suggestions for Further Research

The researcher recommends that further research should be undertaken on the following: to establish the strategic approaches to affordable homes in Kenya with specific reference to rural areas; to find out whether the strategic approaches adopted in Nairobi County are the same in other counties, to assess the extent to which relevant departments are adopting strategic responses to affordable housing in Nairobi county. In addition to the above the researcher recommends that a research should be carried out on the influence of the government regulations and policies on affordable homes in Nairobi County and a study to find who which department(s) is the most relevant in the provision of affordable homes in Kenya.
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APPENDIX I: INTERVIEW GUIDE

1. Are there any strategic approaches to affordable homes in the county?
3. If yes what are some of the strategic approaches adopted in the county of Nairobi?
4. Are you in any way satisfied with the strategic approaches to affordable homes in the county?
5. If your answer above is yes how important have the strategic approaches been in ensuring there are affordable homes in the county?
6. In your opinion are the strategic approaches effective?
7. If it is effective, how have they improved on the following concepts of affordable homes?
   i. Affordability perspective
   ii. Housing provision
   iii. Deficiency of the housing loan system
   iv. Enabling environment for investment
   v. Rising cost of houses
8. What are some of the shortcomings of these strategic approaches used by various relevant stakeholders?
9. Are you adequately involved in deciding strategic approaches to affordable homes in your organization?
10. If yes what are some of the areas you are involved in decision making?
11. What are some of the strategic approaches that you would propose in addressing affordable housing in Nairobi?