COMPETITIVE STRATEGIES ADOPTED BY FISH PROCESSING FIRMS IN KENYA

BY

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DECLARATION

I declare that this management research project is my original work and has not been submitted in another University or any other institution.

SIGNED DATE

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D61/76143/2009

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

SIGNED……………………………………..
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DEDICATION

This research project is dedicated to my late father Janja snr.., you should have lived to see me achieve this. I will forever be indebted to you.

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ABBREVIATIONS

AFIPEK – Association of Fish Processors and Exporters of Kenya

EEZ – Exclusive Economic Zone

AFP – Artisanal Fish Processors

IFP – Industrial Fish Processors

FPF – Fish Processing Firms

EPZA – Export Processing Zone Authority

FFF – Frozen Fish Fillets

EPC – Export Promotion Council

GOK – Government of Kenya

SWIO – South West Indian Ocean

DC – Developing Countries

EU – European Union

ABSTRACT

Over the past 20 years, the fisheries sub-sector has gradually evolved from a domestic consumption oriented industry to an export oriented industry with value added processing being applied. According to a report by the Fisheries department of the GOK of 2003, the fisheries sub-sector provides employment and income to over 500,000 Kenyans engaged in fish production and related enterprises. In terms of contribution to the gross domestic product (GDP), Kenya's fishing industry has accounted for 0.3% of GDP for the period 1999-2003. Kenya’s annual average production for the period 1999-2003 was 171,000 metric tonnes with a value of approximately Kshs 8 billion in 2003. Another report by the Export processing Zone Authority of 2005 indicates that about 30% of the fish is exported to countries in Europe and other non-European countries. Some fish is sold fresh while a significant proportion is processed for later consumption. In Kenya, there are the Artisanal Fish Processors (AFPs) consisting of artisanal fishermen operating small fishing boats in inland lakes and marine waters who prepare dried and smoked fish mostly for local market and the Industrial Fish Processors (IFPs) who have state of the art fish processing machinery, storage facilities and fish harvesting vessels. The IFPs process, package and then freeze or chill their fish for export and to a lesser extent for consumption in Kenya’s urban areas. They equally have well established middlemen and distribution channels to ensure that their products reach the intended consumers. IFPs’ have become the industry’s driving force and are the main focus of this study. The firms in this industry like in any other industry face global competitive challenges which need to be addressed to assure them of continued survival and profitability. To achieve this, they have to adopt strategies to enable them compete effectively. The study sought to establish these competitive strategies adopted by these firms. The study targeted all the 13 Fish Processing Firms (FPFs) in Kenya with 12 of them responding representing 92% response rate. These companies deal in different fish species including Nile Perch, prawns, lobsters, octopus, tuna, cuttlefish and squids and mainly produce chilled or frozen fish for both the domestic and foreign markets with only one firm targeting the foreign market exclusively as revealed by the study. The study established that resource based strategies like state of the art machinery and equipment, proprietary knowledge in fish processing and efficient distribution channels are used to a greater extent in this industry. Differentiation strategy by offering unique product attributes to customers also ranked highly. Based on the findings of this study, it is recommended that a hybrid strategy that combines both the resource based as well as the differentiation strategies be adopted to maintain competitiveness. Further research that links the competitive advantages associated with each strategy is also highly recommended.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Organizations both public and private in Kenya and the world over have realized the importance of strategic management towards their survival. There have been tremendous efforts in strategy formulation and implementation in line with the changing economy and competitive demands. The main objective of any strategy in an organization is to improve its financial position, strengthen its competitive position and to outdo its rivals. A strategy is therefore mandatory for any firm that intends to succeed in its endeavors and must be distinct enough to set the firm apart from the rest of the competition.

All organizations depend on the external environment to receive their input, process the inputs through their internal processes and then deliver their final output to the external environment for consumption. Besides these resources that serve as input to the organizations, the external environment also offers opportunities which can be exploited as well as threats which have to be handled by the same organizations (Ansoff 1990). The current business environment is turbulent. Environmental turbulence means that the environment changes rapidly, unpredictably, surprise fully and discontinuously. The ever-changing political, economic, social, technological, ecological and legal factors in the environment require that organizations align their internal capabilities with the external environmental demands so as to achieve their objectives. A mismatch between the internal and external business environments is a sure recipe for failure (Aosa 1992). A strategy is therefore crucial for achieving competitive advantage. It is not only about the direction adopted by the firm, scope of its products and services or even its geographical outreach but also about how it deals with uncertainties arising in the business environment and its endeavors to achieve competitive advantage.

From a resource base perspective, organizations are viewed as bundles of resources which are both tangible (e.g. financial assets and technology) and intangible (e.g. reputation and managerial skills). A resource based approach of strategic management examines the resources and capabilities of firms that enable them to generate high rates of return on their investments and a sustainable competitive advantage. According to this view, it is the rational identification and use of resources that are valuable, rare, difficult to copy and that are not substitutable which lead to enduring firm variation and supernormal profits (Barney 1992). This tends to explain why some firms form co-operative relationships like strategic alliances so that they can combine their resources and have an opportunity to create new competencies.

Like all other organizations, Fish processing firms are in business which requires that they earn superior returns on their investments. They equally face challenges in the environment that threaten their continued survival in the food processing industry. Appropriate strategies are therefore crucial for achieving competitive advantage. Merely understanding the firms' strategic position and strategic choices available to them are of little value unless the preferred strategies are turned into organizational action (Johnson, Scholes & Whittinton 2008). The success and sustainability of any firm is highly dependent on the competitive advantage resulting from the strategies it adopts. Fish processing firms are no exception to this reality.

1.1.1 The Concept of Strategy

The uncertainty in the business environment has made the concept of strategy an important tool that can spell the success or failure of many businesses. According to Hax and Majluf (1991), a strategy is a coherent, unifying and integrated pattern of decisions that determine and reveals the firm's purpose in terms of its long-term objectives, actions, programs and resource allocation priorities. It therefore serves as an avenue of providing a focused plan for positive change by facilitating a linkage between the firm's own goals and objective with the resources available.

A strategy is a framework through which an organization can assert its vital continuity whilst managing to adapt to the changing environment to gain competitive advantage. It is a mediating force between the organization and its environment (Mintzberg 1994). It defines the business of the firm and attempts to achieve long-term sustainable competitive advantage in its business by responding accordingly to environmental opportunities and threats considering its own strengths and weaknesses. It is thus relevant to firms of all sizes whether formal or informal and regardless of the industry they are operating in. Through competitive strategy, firms develop strategic initiatives and maintain competitive edge in the market (Grant 1998). Competitive strategy aims at establishing favorable, profitable and sustainable position against the forces that determine industry competition (Porter 1985).

According to Ansoff (2002), strategic management is a systematic approach to the major and increasingly important responsibility of organizations to position and relate themselves to the environment in a way that would ensure their continued success. Consequently, strategic planning is that decision making process that attempts to align the organization’s internal capabilities with the opportunities and threats they face from the environment. Understanding strategy has been hurt by the tendency by firms to view strategy as a standalone phenomenon rather than as a linked element in the management of institutions (Ansoff 2002)

Strategic intent is a conscious organizational process that is intended to help any organization achieve its objectives. While strategies are useful for earning competitive advantage, they come with varied challenges. It is worthy noting that firms must carefully select the strategies that work best for them under specific circumstances and be ready to adjust the strategy accordingly should the circumstances change by any chance.

1.1.2 Competitive Advantage.

According to Mintzberg et al (9199), the essence of strategy formulation is coping with competition and the resultant benefit of any strategy is mainly in form of competitive advantage. As defined by Thompson and Strickland (2002), a company has competitive advantage if it has an edge over its rivals in securing customers and defending itself against competitive forces. They further argue that a firm competing in the marketplace with a competitive advantage tends to be more profitable and is more likely to earn better returns than that competing without advantage. Competition for the future is not just between products or businesses but between the firms that produce similar or substitutable products. A firm’s core competence is that thing that it can do better than its competitors. If a core competency yields long term advantage, it is said to be a sustainable competitive advantage. Core competencies are normally built on intangible assets that cannot be easily imitated by competitors and are the main source of a firm's ability to deliver unique value to its customers and allow it to be flexible in terms of markets and products. Organizations have moved from just attaining competitive advantage to sustaining competitive advantage.

Andrews (1999) argues that organizations have to also take advantage of new technologies and ideas to give them benefits over their competitors. This means the firms efforts should not end at just achieving competitive advantage but should employ measures to ensure that the competitive advantage obtained is not eroded over time. Changes in the business environment and moves by competitors erode the competitive position of an organization who in turn responds with counter moves, these moves are therefore temporary and organizations have to keep re-engineering themselves (Johnson and Scholes 2002). Increased competition has made the market a global village where goods and services are readily available regardless of their geographic origin. Firms that wish to remain afloat should therefore move with speed to catch up and form relationships that give them an edge over the competition and struggle to maintain their position at the marketplace.

According to Lynch (1997) sustainable competitive advantage involves every aspect of the way the organization competes in the market place; prices, product range, quality, service levels and so on. He further argues that it is important to examine the degree of concentration of firms and the range of aggressive strategies they employ. A good competitive strategy will strongly position the firm against its competitors and give it the strongest possible strategic advantage. As competition intensifies, changes in competitive strategy may be required to enable the firm remain in operation and under some circumstances it may require the firm to exit an industry.

1.1.3 Fish Processing Firms in Kenya

Food is a very basic need for every human being. According to Abraham Maslow, the need for food is at the very base of the human hierarchy of needs which has to be addressed along with the provision of shelter and clothing before any other need can be met. Fish processing being a sector in the food processing industry make a significant contribution in addressing the national challenge of meeting the demand for food in Kenya. Kenya in pursuing its vision 2030 seeks to attain food security for its citizens (GOK Vision 2030). Food insecurity is therefore a national challenge in Kenya and players in the Fish processing sector make a significant contribution towards addressing this challenge. This is because a significant amount of about 95% of the processed fish is consumed locally.

FPF (Fish processing firms) are also a source of foreign exchange since the remaining 5% of the processed fish is exported to foreign markets. Firms in the fish processing sector are therefore not an exception in strategy formulation and implementation so as to gain competitive advantage. They have to consistently improve to effectively access and compete in both the domestic and international markets. They need to be assured of a constant supply of input in line with government regulations, manage their value chain processes to produce a high quality output for consumption and market its products well to be assured of a niche in the market enough to make the firms profitable.

Marine fisheries in Kenya are categorized into two sub sectors; the CAF (Coastal Artisanal Fishery) and an EEZ (Exclusive Economic Zone) fishery (AFIPEK magazine, September 2011 issue). The Coastal fish production is characterized by artisanal fishers, with small vessels propelled by wind sails and manual peddles targeting mainly Molluscs, Crustaceans, Rock cod, Bech-der-mer, Dry Shark fins, Marine shells, Livers and Roes, Live Fish and other sea products while the EEZ is characterized by Distant Water Fishing vessels (purse seining, long-lining) targeting the Tuna and tuna-likes. Fortunately, Kenya's EEZ lies within the richest tuna belt of the South West Indian Ocean (SWIO), owing to its geographical location and proximity within the upwelling region of this part of the Indian Ocean. Firms in the fish processing sector engage in a series of activities concerned with fish harvesting, culturing, processing, preserving, storing, transporting, marketing and delivering fish or fish products for human consumption or as input factors in other industrial processes.

However exploitation of this rich resource by the Kenyan FPF has been hampered by infrastructural limitations and lack of appropriate fishing equipment and vessels. It is also true that these limitations and even their magnitude vary from one firm to another. The limitations and the different strategies adopted by different firms tend to explain why some firms in this sector may have a competitive edge over others. According to EPC (Export Promotion Council), the sector contributes only 5% to the export markets as large quantities of the fishes are consumed locally. This means that most of the fish consumed locally is unprocessed while that meant for the export market is processed for value addition. Fish is a standard commodity, but it is the value added during the value chain processes that firms differentiate their products and make them unique and this calls for strategic responses by firms.

1.2 Research Problem

Organizations regardless of their size or the business they are in must be flexible in responding to environmental turbulence to attain sustainable competitive advantage. The possible causes of failure in strategic implementation of organizational strategic plans are due to inadequate resources, unfavorable organizational culture and a hostile external environment.

The success of firms in the fish processing sector can have a valuable contribution as a source of food, foreign exchange and even employment to the Kenyan people. However, like all other organizations, they operate in a business environment that is competitive and dynamic. They encounter challenges as they pursue their objectives and have no option but adopt strategies for survival and sustainability. Lack of appropriate strategies and non conformity to industry norms are mainly to blame for this situation. The premise of this study was that the resource base of a firm affects its potential to earn economic returns. Based on this premise therefore, the researcher considered sustainable competitive advantage from strategic choices that may result from the resource base at the individual firm level for analysis.

Several studies have been conducted on the concept of strategy. Kandie (2001) found out that despite liberalization being the driving force for competitive response in Telkom Kenya, other challenges like financial constraints and lack of managerial capacity limited the firm's capacity to respond. Kiptugen (2003) established that KCB responded to the changing competitive environment through cultural change, restructuring, marketing and information technology. Mokaya (2007) investigated the strategic responses by the ministry of roads. However, none of these studies has been done exclusively targeting the fish processing sub sector. This therefore leaves a knowledge gap which needs to be filled. This research seeks to fill this gap by investigating the strategies employed by fish processing firms to enable them have superior performance. It will analyze the firms in the context and process of their resource capabilities and whether they have an influence on the strategies to be adopted by the firms. The study therefore seeks to provide answers to the following research question: What competitive strategies have the fish processing firms in Kenya put in place to the challenges they face?

1.4 Research Objectives

This study seeks to determine the competitive strategies adopted by Fish processing firms in Kenya to the challenges of competition in the industry.

1.5 Value of the study

The study offers valuable contributions from both a theoretical and practical points of view. From the theoretical standpoint, it contributes to the general understanding of how the resources a firm owns relates to the strategies it can adopt, more specifically, it provides one of the few detailed examinations on how strategy formulation and implementation is determined by the resources owned by the firm.

From a practical point of view, the variables in this study will enlighten managers on how the resource base of their firms affects their strategic management decisions. Managers will therefore use the findings of this study to make informed decisions on what strategies to adopt and how to overcome the challenges that would come with the implementation of such strategies considering their resource capabilities. The research findings of this study will be of great value to all the players in the fish processing sector in establishing the strategies that can drive them towards superior performance. Careful attention to the identified strategies and formulation of ways to deal with the associated challenges will propel the firms to greater heights.

This study will also benefit scholars in that it will make a contribution to the body of existing knowledge on the subject under investigation and help fill the gap of knowledge that currently exists in the area of creating competitive advantage through strategy formulation and implementation. The study will also add to the existing knowledge on the concept of strategy formulation and implementation to serve as point of reference for further studies. Its findings will be an invaluable resource to researchers and scholars who would wish to conduct further research on the concept.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Most studies in strategic management have focused on the earlier stages of the strategic management process i.e. situation analysis and strategy formulation (Johnson & Scholes 2008). Research to date does not recognize the fact that it is at the strategy implementation phase where the entire strategic management process often fails. Organizations need to know what is supposed to be done, assign the required resources to do it and also allocate a specific time frame to achieve the desired objectives. This chapter will seek to highlight what other researchers have already done on the concept of strategy. It will also highlight the various response strategies upon which this study is founded and how such strategies influence the competitive advantages enjoyed by firms that adopt the strategies.

2.2 Theoretical Foundations of the study

There are various approaches to strategy which are informed by two basic frameworks: strategic fit and strategic stretch. Under strategic fit, the organization develops strategies by identifying opportunities in the business environment and adopting resources and competencies to take advantage of the opportunities in the environment. Under strategic stretch, the firm seeks to leverage the resources and competencies to provide competitive advantage and yield opportunities. The models under this category include strategic intent and the resource based approaches. Strategic intent means taking on the market leader head-on and requires fundamental changes in the game in a way that disadvantages the leader.

When identifying the competition challenges in relation to a firm's competitors, certain resource gaps may create an even bigger challenge. Newman et al (1989) identifies three types of challenges that may hamper a firm's ability to grasp new opportunities; the fact that these strategies require massive amounts of resources, the regulatory issues that may be imposed by governments and the ability of the management team.

2.2.1 Resource Based Theory

Porter's strategic development process starts by looking at the relative position of a firm in a specific industry. According to Grant (1991), a firm starts by considering its environment and then selects the best strategy that may maximize its performance. The resource based theory argues that the strategy of a firm is a function of the complement of the resources held by the firm. It is actually an economic tool used to determine the strategic resources available to a firm and its fundamental principle is that the basis for competitive advantage of a firm lies primarily on the application of the bundle of valuable resources at its disposal (Wernerfelt 1984, p172; Rumelt 1984, p557-558). Jay Barney (1991, p101) referring to Draft (1983) says; "…firm resources include all assets, capabilities, organizational processes, firm attributes, information, knowledge .., controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness.

A firm can have a sustainable competitive advantage when it has a unique bundle of resources. These resources must be valuable, rare, imperfectly imitable and imperfectly substitutable. The resultant competitive advantage will be sustainable due to lack of substitution and imitation by the firm's competitors (Wernefelt 1984). Notwithstanding its important insights, the resource based view does not look beyond the properties of resources and resource markets to explain enduring firm heterogeneity. In particular, it does not examine the social context within which resource selection decisions are embedded and how this context might affect sustainable firm differences e.g. firm traditions, network ties and regulatory pressures (Ginsberg 1994).

2.2.2 Institutional Theory

A strategy must permeate the every day-to-day life of the firm to be effectively implemented (Pearce & Robinson 1997). Such institutionalization requires a fit between the processes like structures, resources, systems, leadership and culture. Institutional theory examines the role of social influence and pressures for social conformity in shaping organizations' actions. Drawing from an institutional perspective, the researcher recognizes the fact that sustainable competitive advantage is profoundly influenced by the institutional context of the firm. Adoption of legitimated elements, leading to isomorphism with the institutional environment, increases the probability of a firm's survival.

The institutional context refers here to rules, norms, and beliefs surrounding economic activity that define or enforce socially acceptable economic behavior. At the individual level, the institutional context includes decision-makers' norms and values; at the firm level, organizational culture and politics; and at the inter-firm level, public and regulatory pressures and industry-wide strategically proactive in their adaptation to environmental and institutional influences. As discussed by DiMaggio (1988), the role of institutional influence is particularly powerful in explaining organizational phenomena in regulated industries where well laid-out rules, structures, external regulation and practices govern organizational forms and operations.

Thus, according to institutional theory, the major impetus towards homogeneity of such organizations is the process of institutional influences arising from external constituents such as key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products (DiMaggio and Powell 1983).

2.2.3 Porter's Theory of Competitive Advantage

Porter (1980) provides a framework that models an industry as being influenced by five forces. The framework uses concepts developing industrial organization economics to derive five forces that determine the competitive intensity and therefore the attractiveness of the market. Attractiveness in this context refers to the overall industry profitability. An unattractive industry is one where the combination of the forces acts to drive down the overall profitability. Porter's five force model helps strategic managers seeking to have an edge above their rivals better understand the industry context within which their firms operate.

The five forces determine the intensity of competition in an industry and its profitability and are very influential forces in determining the industry strategy. Porter identified the five forces that drive competition within an industry as; the threat of entry by new competitors, the intensity of rivalry among existing competitors, pressure from substitute products, the bargaining power of buyers and the bargaining power of suppliers.

2.3 Generic Competitive Strategies

According to Porter (1990), a firm positions itself by leveraging its strengths. He classifies the strengths into two; cost advantage and differentiation and by applying these strengths, three generic strategies result. They are cost leadership strategies, differentiation strategies and focus strategies.

Cost leadership strategy calls for being the low cost producer in an industry for a given level of quality. The firm either sells its products at the average industry price to earn higher profits than its rivals or sells its products at a price lower than the average market price in the industry to gain a larger market share. In the event of a price war, the firm employing this strategy will still maintain some profitability levels while its competitors incur losses. Even without a price war, as the industry matures and prices decline, firms employing the cost leadership strategy will remain profitable for a relatively longer period of time. However, the application of the cost leadership strategy will usually require a broad market.

Differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by the consumers and which the consumers perceive to be better than or different from those offered by a competing product. The value added by the uniqueness of the product may allow the firm to charge a higher price for it. A firm employing the differentiation strategy hopes to recover the extra cost incurred if producing the unique features of the product by charging a premium above the normal price. It is expected that the consumers will be willing to pay the premium price and that puts the firm at an advantage should its suppliers choose to increase their prices since the firm will simply pass the extra costs to its consumers.

The focus strategy concentrates on a small market segment and within that segment attempts to apply either the cost advantage or differentiation strategies. The strategy concentrates attention on a narrow piece of the total market. The target segment or niche can be defined by geographic uniqueness, specialized requirements in using the product and special product attributes that appeal only to the members of that particular segment. The guiding principle here is that the needs of that particular market segment can be best serviced by focusing entirely on it. A firm employing the focus strategy oftenly enjoys a high degree of customer loyalty and this entrenched loyalty is normally what discourages other competing firms from targeting that market segment directly. Because of their narrow market focus, firms pursuing a focus strategy have lower volumes and therefore less bargaining power with their suppliers. However, it is possible to combine both the differentiation and focus strategies and in that case the firm may be able to pass on to its consumers any extra costs of production incurred due to lack of available close substitute products.

These strategies are not necessarily compatible with one another. If a firm attempts to achieve a competitive advantage on all fronts, in this attempt it may achieve no advantage at all. For this reason, Porter (1980) argued that to be successful in the long-run, a firm must select only one of these generic strategies. Otherwise with a combination of these generic strategies, a firm will be “stuck in the middle” and will not achieve competitive advantage.

2.4 Competitive Strategy and Competitive Advantage

A firm enjoys competitive advantage when its strategy gives it an edge in attracting customers and defending itself from competitive forces. Pearce and Robinson (1997) argue that there are many routes to competitive advantage but all of them revolve around offering the buyers what they perceive to be of superior value than that offered by the competitors. Delivering superior value always requires that a firm performs the value chain activities differently from its rivals and building competencies and resource capabilities that are not readily matched.

Through the years, firms have become more aggressive in their quest to invest in and conquer their respective markets. Today's business world is driven by hyper-competition where too many businesses are competing for too few business opportunities. There is not enough demand for each goods or service provider. Consequently, the conventional sources of competitive advantage such as economies of scale and elaborate budgetary allocations for advertising are not so effective today as they were in the past. Colley, Doyle & Hardy (2004) emphasizes the importance of competitive analysis in formulating strategies since the levels and trends of the performances of competitors determines the best strategy that would result into a competitive advantage over the firm's rivals.

According to Mugo A (2009), the conditions of the competitive landscape result in a perilous business world, one where the investments required to compete on a global scale are enormous, the strategic stakes are high and the consequences of failure are severe. The main challenge a firm faces in gaining competitive advantage to avoid dwindling returns and low sales is identifying the right strategy that works. Box & Watts (2000) argue that the real challenge firms face before adopting any strategy is in recognizing all support activities and discharging them correctly in comparison to their competitors. It is important to have a fit between the strategy and organizational capabilities, strategy and reward structures, strategy and internal support systems and strategy and organizational culture. Identifying and fitting the organizational internal practices to what is needed for strategic success helps the firm in accomplishing a strategy. Each of the three fundamental competitive strategies as identified by Porter requires skills and organizational resources and have some risks associated with each of them.

According to Johnson and Scholes (2002) Firms that adopt the cost leadership strategy have to compare themselves with their competitors on several key areas including how their competitors employ process re-engineering skills, low cost distribution system and cost controls. They may encounter the challenge of low-cost learning by industry newcomers or followers through imitation or through their ability to invest in high-tech facilities.

When employing the differentiation strategy, various skills, resources and organizational elements will be required vis-à-vis the competition. As Meister (1994) puts it, intense competition in the market place has compelled firms to compete by differentiating themselves by the quality of human systems and processes. Firms employing this strategy require very strong marketing abilities and have to invest strongly in basic research. They must build a strong reputation for quality and enjoy good cooperation from its members in the distribution channel. However, there are some risks that can be associated with this strategy such as the cost differential between the low cost competitors and the differentiated firm may be too significant for differentiation to hold brand loyalty and buyers may thus opt to sacrifice some of the features, services or image possessed by the differentiated firm to save on costs. As an industry matures, imitations by competitors may narrow the perceived differentiation (Porter 1980). Similarly, as buyers become more sophisticated, their need for the differentiating features may fall and all these puts the firm employing this strategy at the risk of not achieving a competitive advantage.

The other response strategy is the focus strategy and firms that adopt it have to deal with the risks that are associated with it. The cost difference between the broad range competitors and the focused firm may become so wide to eliminate the cost advantages of serving a narrow segment of the market or to offset the differentiation achieved by focus. The differences in the desired products or services between the strategic target market and the whole market may narrow. Competitors may also create sub segments within the strategic market segment targeted by the focused firm and outdo the focused firm. When firms attempt to adopt certain strategies to gain competitive advantage, such competitive advantage may prove to be elusive due to certain resource gaps (Grant 1991). This is because the strategies require massive resources, are affected by regulatory issues imposed by various authorities and even the industry itself may impose both structural and economic barriers.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The study is a survey of the fish processing firms in Kenya. It is a descriptive study that describes phenomena. To address these processes, the study relied on a variety of qualitative data by conducting interviews, participant observation and content analysis. This study also relied on the firms' promotional materials including brochures, magazines and fliers. The researcher also relied on a multitude of website material, major business magazines and any other material available on the internet e.g. businessweekly.com. These sources provided the researcher with unobtrusive source of data about the firms' mission statements, product lines, business expansion and general industry information in the fish processing sub sector which is the subject of this study.

3.2 Population

The population of this study is all the fish processing firms in Kenya. This population includes those firms that add value to the harvested fish before it is delivered to the market. This means that they process, package and store the fish before it is delivered for consumption either locally or in the foreign markets. This study therefore excludes those fish firms that sell live marine fish. It also excludes those firms and even individuals who sell the unprocessed fish directly after harvesting from the sea, lakes, rivers or fish ponds. The study is a census since there are only 13 firms in the entire population according to AFIPEK.

3.3 Data Collection

Data was collected by conducting interviews using a questionnaire as the data collection tool with both structured and unstructured questions. The respondents were senior level managers or their representatives involved in the strategic management decision making process in the fish processing firms. Where the physical geographic distance was a hindrance for the researcher to reach the firms for personal interviews, the data collection tool was sent to the respective firms to be filled and then mailed back to the researcher for analysis.

3.4 Data Analysis

The questionnaire was administered to 12 out of all the 13 FPF. The data collected was evaluated to determine credibility, completeness, accuracy as well as its consistency with the study. The analysis was qualitative in its very nature since the variables being studied describe phenomena. Descriptive statistics like percentages, means standard deviation (SD) were therefore used to organize the data collected into meaningful form.

CHAPTER FOUR: DATA ANALYSIS AND DISCUSSION

4.1 Introduction

This chapter presents the findings of the study from the comprehensive analysis of the data collected. The data has been analyzed and the findings presented and interpreted in relation to the objectives and the research questions being investigated in the study. The study sought to establish the competitive strategies adopted by FPF in Kenya. The study achieved a 92% response rate with 12 out of the 13 FPF responding to data collection tool. This response rate was considered suitable for analysis.

Part 1 of the questionnaire sought to find out the basic demographic information about both the respondents and the firms they represent. The researcher interviewed top level managers involved in the strategic decision making process of their firms. The study established that out of all the firms being investigated in this study, the one with the least number of staff had slightly less than 200 employees while the one with the highest number of staff had slightly more than 700 employees as shown in table 4.1 below.

Table 4.1

NO. OF STAFF	FREQUENCY	PERCENTAGE
Less than 200	4	33%
200 – 700	7	59%
Over 700	1	8%

Source: Research Data

Part 2 of the questionnaire sought to establish to what extent the firms face various competitive challenges in the fish processing sector. Part 3 of the questionnaire investigated the various competitive strategies adopted by the fish processing firms in addressing the competitive challenges identified by part 2 of the questionnaire which was the main objective of this study.

4.2 Product Range

The questionnaire also sought to establish the nature of the products sold by the FPF; whether they sell Unprocessed Fish, Processed Fish or Other Fish Products. The findings are summarized in table 4.2 below:

Table 4.2

PRODUCT	**FREQUENCY**	**PERCENTAGE**
Unprocessed Fish	11	92%
Processed Fish	12	100%
Other Fish Products	12	100%

Source: Research Data

From the research findings, only 1 firm out of the 12 firms that responded does not sell Unprocessed Fish. However all the other FPF sale both processed and unprocessed fish as well as other Fish products. Under the other fish products category are the by-products that are left over after the slicing and cutting of the Fish. The product nature as informed by this research has a bearing on the market being targeted and consequently on the competitive strategy employed by the firms as will be demonstrated later in this report.

The questionnaire also sought to find out the market each of the firms was targeting with their products. The single firm that sells processed fish only also targets the foreign market only except for the by-products that are consumed locally.

4.3 Challenges of competition

The study also required the respondents to indicate the extent to which their firms face various challenges. The researcher established that FPF in Kenya do not only compete amongst themselves but face global competition especially for the processed fish products. This is true both at the domestic as well as the foreign market since foreign fish products are also available locally. The extent to which the firms face various competitive challenges was measured using a 5 point likert rating scale varying from “Not at all” with 1 point to “A very large extent” with 5 points. With this in mind, the researcher computed the means of all the variables under investigation and noted that the greater the mean score of every challenge face, the greater the extent to which the challenge is faced by the firms as demonstrated in table 4.3 below:

Table 4.3

CHALLENGE	**MEAN**	**SD**
Declining sales	2.0	1.414
Reduced Market share	3.5	0.707
High employee turnover to competing firms	1.5	0.707
Competing firms offering better pay to their staff	1.5	1.414
Competing firms offering better customer service	2.0	0.707

Competing firms offering superior quality products	3.0	0.000
Competing firms having better equipment	3.5	0.707
Competing firms having highly qualified staff	2.5	2.121
Competing firms having adequate staff	1.5	0.000
Competing firms having a stronger financial base	3.5	0.707
Loss of loyal clients to competitors	3.0	0.000
Competing firms having better storage facilities	2.5	2.121
Competing firms market their products better	2.0	1.414

Source: Research Data

Referring to Table 4.3, the challenges faced by FPF to a large extent are shrinking market share, Strong financial base of competing firms and competitors having better and more sophisticated fishing equipment with a mean of 3.5. To moderate extent, FPF face the challenge of losing their loyal clients to competing firms as indicated by a mean of 3. However, adequate staff, employee turnover and better pay to staff feature as the challenges that impact the firms just to a small extent with a mean of 1.5.

From content analysis of the questionnaires, the researcher identified prohibitive Government regulations, industry norms and traditions as having been cited as “other challenges” that impact on the competitiveness of FPF in Kenya.

4.4 Competitive Strategies Adopted

Establishing the competitive strategies adopted by FPF in Kenya was the main objective of this study. The researcher therefore gives a summary of the respondents’ rating of the extent to which they use the various strategies in addressing the challenges they face in the industry. The results are presented as a mean of the rating by the firms for each strategy adopted. The higher the mean suggests the larger the extent the FPF have adopted such a strategy in addressing their competitive challenges. Table 4.3 below summarizes the findings:

Table 4.4

STRATEGY	**MEAN**	**SD**
Low Cost Strategies		
Offering products at a lower cost than the competition	2.5	0.000
Offering products at the same price as the competition	4.0	0.707
Differentiation Strategy		
Offering unique product features to customers	3.5	1.414
Focus Strategies		
Offering low cost products to a special market segment	2.0	0.000
Offering unique product features to a special market segment	2.0	0.707
Resource Based Strategies		
Large Asset Base	3.0	0.707
Efficient distribution channels	3.0	2.121
Highly skilled staff	2.5	0.000
State of the art facilities and machinery	4.5	1.414

Proprietary knowledge in fish processing	4.0	1.414
Conducive organizational culture	2.0	0.000
Huge marketing budget	2.5	0.707
Outstanding service delivery	3.0	2.121
Goodwill from clients	3.0	1.414

Source: Research Data

Referring to Table 4.4, firms prefer to offer their products at the prevailing market rates to a very great extent with a mean of 4.0 than offering cheaper prices than the prevailing rates which has a mean of 2.5. The differentiation strategy of providing unique product features is being used to a great extent with a mean of 3.5. The study established that the unique features that most firms provide to differentiate their products from those of their competitors are ready-to-eat processed fish and fish fillets as an additional feature to the traditional frozen fish and fish products offered. The firms have also introduced brand names to their products especially the products that are meant for the foreign market.

4.5 Discussion

The research established that FPF do not use focus strategies to any significant extent with a mean of 2. This means that most firms target their market as a whole and have not divided it into distinct segments with specific needs to be met. The resource based strategies are the mostly adopted strategies. This means operating a fish processing firm requires a significant resource base right from the onset. It was established that most firms invest in state of the art facilities, machines and equipment to a very great extent with a mean of 4.5. Another significant strategy for survival in fish processing is the proprietary knowledge in the field of fish processing with a mean of 4. Efficient distribution channels, Quality service delivery as well as goodwill from clients also featured as strategies that are adopted to a great extent having a mean of 3. Conducive organizational culture feature least significantly used strategy among the resource based strategies with a mean of 2.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the findings of the research and draws conclusions from of the study based on the respondents as well as any other valuable information from reliable sources of the respective firms. Other sources of information that informed this study are the Export Processing Zone Authority (EPZA) as well as the Export Promotion Council (EPC).

5.2 Summary

The study revealed that the best opportunities for exporters from Kenya and other developing countries (DC) in the Fish sector are found in the frozen and fillet segment. In addition to the domestic market, Fish processing Firms in Kenya which were the main target of this study also target the European Union (EU) market especially the established Southern and Western European countries due to their size and large trading capacity. These include Spain, France, Germany, The Netherlands, The United Kingdom, and Poland. The study was also informed that the EU market itself is one of the most diverse markets in the world in that it cultivates a large variety of fish species and therefore competition is strong within those markets. This was evident as the findings of the study suggested that declining market share is a competitive challenge to a great extent as the market for many fish species is getting saturated both locally and internationally.

Most FPF consider their financial base as a major prerequisite in defining their competitive strategies. This is because the financial base of the firm will define its infrastructural capability which determines the quantity and quality of the firm's products. The researcher established that the financial base, appropriate equipment and better products from competitors are encountered as competitive challenges to a great extent by the FPF in Kenya. FPF have relatively the same pay package and therefore staff turnover to competing firms, adequate number of employees and other firms offering better pay to their staff did not feature as competitive challenges to any significant extent and did not feature as major challenges.

5.3 Conclusion

The main objective of this study was to establish the competitive strategies adopted by FPF in Kenya in facing the challenges they face. The study established that the firms use the resource based strategies to a greater extent than all the other generic strategies. State of the art facilities and machinery is the mostly adopted strategy followed by proprietary knowledge of fish processing. Large asset base, efficient distribution channels and goodwill from clients are strategies that have been adopted to a moderate extent.

The research also established that the FPF prefer offering their products at the prevailing market rates as opposed to offering cheaper products than the competition. It was also established that FPF have started to realize the need to differentiate their products to a greater extent by offering unique product features that are more appealing to the market. The researcher identified such features as the ready-to-eat products that are ready for consumption in addition to the frozen fish and fish fillets. Fish firms also differentiate their products using the species of fish they process. The study established examples of the tuna for the EEZ fisheries and the frozen Nile perch for the fresh water fisheries.

Some even use brand names as a strategy to differentiate their products from those offered by the competitors. Firms were seen to use the focus strategy to a lesser extent. The conclusion that can be derived from the findings of this study therefore is that the FPFs generally adopt the resource based strategies along with the other generic strategies as a hybrid strategy.

5.4 Recommendations

The research could draw two basic recommendations from this study; for managerial policy and for managerial practice. It is recommended that the government of Kenya formulates policies that are not prohibitive to enter the industry. Having seen the contribution of the fish processing sector into the Kenyan economy, the GOK through its fisheries department, EPZA and the EPC should promote existing firms by formulating legislation that makes it easy to harvest fish, protect FPFs from foreign competitors as well as finance new entrants.

Having seen that firms face different challenges in varying magnitude, it is also recommended that managers of FPFs combine competitive strategies based on their specific challenges and circumstances in a way that would give them an edge.

5.5 Limitations of the Study

The study was constrained by resources which made it difficult for the researcher to reach the respondents for face-to-face interviews. The respondents were spread all over the country and therefore the geographic distance was prohibitive because it would require a lot of finances and time. Therefore the researcher had to rely on mailed data tools which made it difficult to confirm whether the questionnaires were filled by the right people. Face-to-face interviews would also have yielded more and better information since the researcher would have probed the respondents to give specific examples.

5.6 Suggestions for Further Research

This study was mainly concerned with the competitive strategies adopted by fish processing firms in Kenya. There is need to conduct a comparative study that would compare the competitive strategies adopted by the Kenyan firms with those of other firms abroad that are competing for the same market. Further studies would be conducted to determine the competitive advantages that are associated with certain competitive strategies.

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Appendix 1: Fish processing Firms in Kenya

Alpha Group Ltd

Capital Fish Ltd

Crustaceans Ltd

East African Sea Foods Ltd

East African Deep Fishing Ltd

Fish Processors (2000) Ltd

Pache Foods Ltd

Sea Harvest Ltd

Trans African Fisheries Ltd

Wananchi Marine Products Ltd

W E Tilley (M) Ltd

J Fish Ltd

Victoria Delight Ltd

Source: AFIPEK magazine, September 2011.

Appendix II: QUESTIONNAIRE

Please answer the following questions freely. The information you will provide will be used for the purposes of this research only and will be treated with utmost confidentiality.

Part 1: General information

1. Firm and the department you are based

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

2. The position/ tittle you are holding

   ………………………………………………………………………………

3. Total number of staff in the firm

   ………………………………………………………………………………

4. What products do you offer?

   (a) Unprocessed fish ( )

   (b) Processed fish ( )

   (c) Other fish products ( )

   (Please specify)………………………………………………………………..

5. What is your target market?

   (a) Foreign market ( )

   (b) Local market ( )

   (c) Both foreign and local ( )

Part II: Challenges of Competition

To what extent does your firm face the following challenges arising from competition in the fish processing sector? Please rate based on the following scale:

1 = Not at all 2 = Some extent 3 = Moderately 4 = A large extent 5 = A Very large extent.

		1	2	3	4	5
(a)	Declining sales	( )	( )	( )	( )	( )
(b)	Reduced market share	( )	( )	( )	( )	( )
(c)	Employee turnover to other firms	( )	( )	( )	( )	( )
(d)	Other firms offer better pay to their staff	( )	( )	( )	( )	( )
(e)	Other firms offer better customer service	( )	( )	( )	( )	( )
(f)	Other firms offer superior quality products	( )	( )	( )	( )	( )
(g)	Other firms have better equipment	( )	( )	( )	( )	( )
(h)	Other firms have highly qualified staff	( )	( )	( )	( )	( )
(i)	Other firms have adequate staff	( )	( )	( )	( )	( )
(j)	Other firms have a stronger financial base	( )	( )	( )	( )	( )
(k)	Loss of loyal clients to other firms	( )	( )	( )	( )	( )
(l)	Other firms have better storage facilities	( )	( )	( )	( )	( )
(m)	Other firms market their products better	( )	( )	( )	( )	( )

(n) Any other challenges (please explain in your own words)

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Part III: Competitive strategies

To what extent has your firm adopted the following competitive strategies to overcome the challenges you have stated above? Please rate based on the following scale:

1 = Not at all 2 = Some extent 3 = Moderately 4 = Large extent 5 = Very large extent

(a) Low cost strategies

	1	2	3	4	5
Offering products at a lower price than other firms	( )	( )	( )	( )	( )
Offering products at the same price as other firms	( )	( )	( )	( )	( )

(b) Differentiation strategies

Offering unique product features to your customers ( ) ( ) ( ) ( ) ( )

(Please indicate the unique features)

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(c) Focus strategies

Offering low cost products to a special market segment ( ) ( ) ( ) ( ) ( )

Offering unique product features to a special market segment ( ) ( ) ( ) ( ) ( )

(Please indicate your targeted special market segment)

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(d) Resource Based Strategies

We rely on our large asset base	( ) ( ) ( ) ( ) ( )
We have efficient distribution channels	( ) ( ) ( ) ( ) ( )
We have highly skilled and qualified staff	( ) ( ) ( ) ( ) ( )
We have state of the art facilities and machinery	( ) ( ) ( ) ( ) ( )
We have proprietary knowledge in fish processing	( ) ( ) ( ) ( ) ( )
We have a conducive organizational culture	( ) ( ) ( ) ( ) ( )
We have a reputation of quality products	( ) ( ) ( ) ( ) ( )
We have a huge budget to market our products	( ) ( ) ( ) ( ) ( )
Our service delivery stands out from the competition	( ) ( ) ( ) ( ) ( )
We possess general goodwill from our clients	( ) ( ) ( ) ( ) ( )

Any other strategies

(Please indicate in your own words if there are any other strategies adopted by your firm to make gain competitive advantage)

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