

**STRATEGIES EMPLOYED BY SMALL AND MEDIUM
ENTERPRISES TO DEVELOP COMPETITIVE ADVANTAGE IN
NAIROBI COUNTY**

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DECLARATION

This research project is my original work and has never been presented before for the award of a degree or for any other purpose in a university or any other institution.

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

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DEDICATION

This research work is dedicated to my dad, mum and siblings.

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First praise is to Allah, the Almighty, on whom ultimately we depend for sustenance and guidance. Second, my sincere appreciation goes to my supervisor Prof Evans Aosa, whose guidance, careful reading and constructive comments was valuable. His timely and efficient contribution helped me shape this into its final form and I express my sincerest appreciation for his assistance in any way that I may have asked.

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ABBREVIATIONS AND ACRONYMS

SME	Small and Medium Enterprises
IMF	International Monetary Fund
GDP	Gross Domestic Product
KNBS	Kenya National Bureau of Statistics
SMB	Small to Medium Business
KAM	Kenya Association of Manufacturers
CDF	Constituency Development Fund
RBV	Resource-Based View

ABSTRACT

For a business to survive in the market that has a lot of players, it has to adopt pure strategic management that will enable it to compete with other competitors in the market. Firms formulate strategies to pursue competitive advantages when they seek to improve or maintain their performance through independent actions in a specific market or industry. By using an effective competitive strategy, an organization finds its industry niche and learns about its customers. In Kenya, three out of five small businesses fail within the first few months of operation. Failure of the entrepreneurs to come up with effective strategies that can enhance SMEs performance is a major reason behind their failure and poor performance. This study sought to investigate strategies employed by small and medium enterprises to develop competitive advantage in Nairobi County. The study was guided by the following objectives, that is, to determine the nature of strategies employed by small and medium business enterprises to develop competitive advantage in Nairobi County and to establish the challenges faced when employing strategies by small and medium business enterprises in Nairobi County. This study employed descriptive cross-sectional survey design. The study targeted 400 manufacturing SMEs operating within Nairobi County. The study employed simple random sampling technique in coming up with the sample of 40 respondents. The study used questionnaires to collect primary data. The study generated both qualitative and quantitative data where quantitative data was coded and entered into Statistical Packages for Social Scientists (SPSS Version 17.0) and analyzed using descriptive statistics. Presentations were done in form of tables and figures where interpretations were done in prose. The study findings revealed that SMES have developed competitive advantage strategies while marketing strategies is one of the competitive advantage strategies adopted where relationship marketing and aggressive promotion are mostly adopted. The study recommends that SMEs should come-up with a way of rebranding or repacking products to give them the taste of the consumers by so doing they increase the customer base as well as catering the potential of consumer in buying quantity and quality of the commodity. The study also recommends that entrepreneurs' should relook on their competitive advantage strategies in terms of business branches and assets in order to reach the consumer to their door step while they increase customer base as well as creating awareness of the service or product they deal with. The main limitation of study was its inability to include more SMEs. The study could cover more SMEs in Nairobi that could have provided a more broad based analysis. The researcher also experienced other challenges such as non-cooperation from some owner managers and it was not easy to convince them to fill questionnaires hence not reaching the targeted sample size. The study suggests that further research to be done on the strategies employed by small and medium enterprises to develop competitive advantage within organization in order to give both negative and positive sides that can be reliable.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

As competition intensifies, many businesses continue to seek profitable ways in which to differentiate themselves from competitors (Porter, 1980). Every organization needs to adopt strategies which will enable it to have a competitive edge over the other players in the market. Strategies concern the purpose and objectives of the organization. Strategies are the things that organizations do, the paths they follow and the decisions they take in order to reach certain points or level of success. Increased competition threatens the attractiveness of an industry and impacts on profitability. It exerts pressure on firms to be proactive and to formulate successful strategies that facilitate proactive response to anticipated and actual changes in the competitive environment (Rainbird, 2004).

The ability of firms to survive in the business environment is dependent upon their selection and implementation of a competitive strategy that differentiates the firm from competitors. It is accepted that a company's ability to be competitive and profitable depends not only on the type of strategy it formulates and implements, but also on the way in which it is formulated (Rogers, Miller and Judge, 2009). According to Kotler (2002), positioning is the act of designing the company's offering and image so that it occupies a distinct and valued place in the target customer's mind. Competitive strategies are ways for a firm to increase its competitiveness within an industry.

The informal sector is expanding at an increasing rate and is becoming intensely competitive, particularly in the Small and Medium Enterprises (SMEs) sector. This is due

to its contributions to economic and social development of any economy. SMEs constitute the vast majority of business establishments and they are usually responsible for the majority of employment opportunities created which account for one third to two thirds of the turnover of the private sector (Ntsika, 2002). In Kenya, a micro-enterprise is defined as having no more than 10 employees; a small enterprise with 11-50 employees; and a medium enterprise with more than 50-100 employees (National Micro and Small Enterprise Baseline Survey, 1999).

1.1.1 Concept of Strategy

According to Porter (2006), strategy is the process of creating unique and valuable position with the means of a set of activities in a way that creates synergistic pursuits of the objectives of a firm. Strategy is the direction and scope of an organization over a long term; which gives advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets to fulfill owners' expectation (Biggadike, 1976). Johnson, Scholes & Whittington (2008) define strategy as “the direction and scope of an organization over long term, which achieves advantage for the organization through its configuration of resources within a changing environment and to fulfill stakeholder expectations”. They argue that strategy can be seen as the matching of the resources and activities of an organization to the environment in which it operates.

Effective strategy is formulated from four factors. These are, the goals and objectives are simple, consistent and relate to the long term, there is profound understanding of the competitive environment, there is an objective appraisal of the resources available and

that there is effective implementation (Thompson et al, 2007). Warugu (2001) noted that these strategies provide opportunities for the business enterprise to respond to the various challenges within its operating environment. Business enterprises also develop strategies to enable them seize strategic initiative edge in the market (Porter, 2006).

The success of every business is determined by its responsiveness to the customer needs. The competitive aim is to do a significantly better job of providing what customers are looking for, thereby enabling the company to earn a competitive advantage and outsmart rivals in the market place. Different firms make strategies in different ways, and do not only employ the rational process that is taught in most business schools. A competitive business strategy outlines how a business unit competes within its industry (Parnell, 2008). Although each business employs its own unique competitive strategy, strategic group assessments identify clusters of businesses that seek to execute similar competitive strategies. The strategic group level of analysis has contributed much to what is currently known about business strategies and performance (Phelan et al, 2002).

1.1.2 Competitive Advantage

A competitive strategy, from a business level perspective, is the achievement of competitive advantage by a business unit in its particular market. Ansoff and McDonnell (1990) define competitive strategy as the distinctive approach which a firm uses or intends to use to succeed in the market. Sidorowicz (2007) views competitive strategies as more skill-based and involving strategic thinking, innovation, execution, critical thinking, positioning and the art of warfare. Competitive strategy specifies the distinctive approach which the firm intends to use in order to succeed in each of the strategic

business units. Competitive strategy gives a company an advantage over its rivals in attracting customers and defending against competitive forces. Competitive strategy consequently aims to establish a profitable and sustainable position against the forces that determine industry competition (Porter, 1998).

Competitive advantage is measured by a company's comparative performance relative to its primary competitors in key competitive capability areas. According to Porter (1985), competitive advantage is an advantage over competitors gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and services that justifies a higher price. Competitive advantage is considered the basis for superior company performance. To perform at such a level consistently, a firm often has to nurture an evolving system of competitive advantages to carry it through competition and over time. Competitive strategy must grow out of a sophisticated understanding of the rules of competition that determine an industry's attractiveness (Porter, 1995).

Competitive advantage for a company means not just matching or surpassing what competitors can do, but discovering what customers want and then profitably satisfying, and even exceeding, their expectations. As barriers to interregional and international trade have diminished and as access to goods and services has grown, customers can locate and acquire the best of what they want, at an acceptable price, wherever it is in the world (Cacciatori and Jacobides, 2005). Under growing competition and, hence, rising customer expectations, a company's penalty for complacency becomes even greater.

1.1.3 Small and Medium Enterprises in Nairobi

According to Hatten (2008), the term SME (Small and Medium Enterprises) is used in the European Union and other international organizations to designate companies that have a limited, specified number of employees, while the United States typically uses the term "SMB" (Small to Medium Business) instead. In Kenya, a micro-enterprise is defined as having no more than 10 employees; a small enterprise with 11-50 employees; and a medium/large enterprise with more than 50 employees, as indicated by National Micro and Small Enterprise Baseline Survey (1999).

In the study carried in Nairobi on the characteristics of small scale manufacturing enterprises, Nyambura (1992) observes that the emergence of local entrepreneurs in food processing has been hampered by attitude and lack of accessibility to key factors of production. Locally produced goods by small enterprises were perceived as inferior hence low demand, which contributed to their performance. According to a World Bank (2005) report on the current situation of the micro, small and medium enterprise competitiveness project, there has been decline in the efficiency of capital and factor productivity in the sector. Some of the constraints noted by Nancy Kirui (2005) include unfavourable regulations, poor work sites, poor infrastructure, and inadequate access to finance, access to markets, technology and poor coordination.

KAM (2009) notes that one of the major challenges that SMEs face in the course of doing business in Kenya is inadequate business information. Others include: lack of and/or inadequate managerial training and education and skills, lack of access to credit both for start up and expansion of the business, unfavourable national policy and regulatory

environment. According to Wanjohi (2009), many SMEs continue to struggle with the challenge of lack of access to capital for their expansion which contributes to their failures.

1.2 Research Problem

According to Porter (1985), competitive advantage is an advantage over competitors gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and services that justifies a higher price. For the business to survive in the market that has a lot of players, it has to adopt pure strategic management that will enable it to compete with other competitors in the market. Firms formulate strategy to pursue competitive strategies when they seek to improve or maintain their performance through independent actions in a specific market or industry. By using an effective competitive strategy, an organization finds its industry niche and learns about its customers.

Longenecker (2006) pointed out that most of the SMEs failures to prosper are due to lack of planning, improper financing and poor management. According to a survey carried out by the Starehe Constituency Development Fund and contained in a document titled Starehe Constituency Development Fund (CDF) strategic plan 2013-2015 (2013), three out of five small businesses fail within the first few months of operation in the area. The report further explained that the failure of the entrepreneurs to come with effective strategy that can enhance SMEs performance is the major reason behind their failure and poor performance in the area.

Studies have been done on strategies and strategy implementation in organizations both internally and in Kenya. Internationally, Mohamed (2012) did study on competitive strategy of Malaysian small and medium enterprises to cope with global competition, Sultan (2007) did a study on competitive advantage adopted by small and medium sized enterprises, Emilia and Zuzana (2006) did a study on competitive strategy and competitive advantages of small and midsized manufacturing enterprises in Slovakia while Ciochin and Decusear (2008) did a study on the competitive advantages of small and medium enterprises. In Kenya, Dubai (2003) studied competitive strategies applied by retail sector of the pharmaceutical companies in Nairobi, Khalid (2004) studied competitive strategies adopted by supermarket retail chains, Kipyegon (2009) did a survey on positioning strategies adopted by firms that offer courier services in Kenya while Mutuma (2010) did a survey on expansion strategies on the business model at Equity Bank Limited. Despite numerous contribution of SMEs in the economy, findings on the strategy adopted in creating competitive advantage is not yet exhaustive given the turbulent business environment that the sector operate in.

The study, therefore, seeks to fulfill the research gap by investigating the strategies employed by small and medium enterprises to develop competitive advantage in Nairobi County. What are the strategies employed by small business enterprises to develop competitive advantage in Nairobi County?

1.3 Research Objectives

The study was guided by the following objectives:

- i. To determine the nature of strategies employed by small and medium business enterprises to develop competitive advantage in Nairobi County.
- ii. To establish the challenges faced when employing strategies by small and medium business enterprises in Nairobi County.

1.4 Value of the Study

First and foremost, the findings of this study are useful to the upcoming entrepreneurs as they are in a better position to understand the importance of adopting the right strategies and be conversant with best ways in regards to developing competitive advantage and profit sustainability. It is hoped that the study findings will help unsuccessful small business enterprises to take off and also new SMEs to succeed while existing ones to even grow bigger.

Secondly, the findings of this study are expected to be of great importance to various researchers and scholars. The documented report of this study will be easily acquired in the library and it will equip the learners with more knowledge and skills on competitive advantage strategies adopted by SMEs with particular focus to Nairobi County. The study will further make a myriad contribution to the literature on SMEs which will be part of articles that will be useful to researchers who want to further in this study and to other wider stakeholders in academic circles.

Thirdly, the government can use the study information to develop support programs and competitive advantage strategies for small business enterprises and also for the county of Nairobi in the face of devolution. Such finding is crucial in the evolution of appropriate policies for promoting SME business enterprises, development and increasing the County's resources for poverty eradication and empowerment. The government may use the finding as a policy framework within which this sector can be enhanced to create more employment opportunities.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter looks at the past studies on strategies adopted by organizations and particularly within SMEs to develop competitive advantage. The chapter also presents literature and previous studies that have been conducted on the link between strategies and SMEs competitive advantage.

2.2 Theoretical Foundations of the Study

This section will review the theoretical underpinnings for the link between strategy and sustainable competitive advantage. This study is grounded on two theories: resource-based theory of competitive advantage and Schumpeter's theory of economic development.

2.2.1 Resource-Based Theory of Competitive Advantage

Firm resources include all assets, capabilities, organizational processes, firm attributes, information and knowledge controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness (Barney, 1991). Resource-Based view (RBV) is the perspective of looking at a company's resources to define and develop market strategies from preset criteria such as scarcity, value, substitutability and inimitability. The Resource based view argues that firms possess resources, a subset of which enables them to achieve competitive advantage, and a subset of those that lead to greater long-term performance. Resources that are valuable and rare can lead to the creation of competitive advantage.

According to Barney (1991), analysis of the impact of a firm's environment on its competitive position is based on two assumptions. First, firms within an industry or a strategic group are identical in terms of strategic relevant sources they control and the strategies they pursue and second, these models assume that should resources heterogeneity develop in an industry or group will be very short lived because the resources that firms use to implement their strategies are highly mobile, that is, they can be bought or sold in factor markets (Barney, 1991). Resource based view assumes that companies within an industry or group may be heterogeneous with respect to the strategic resources they control and these are not perfectly mobile, thus heterogeneity can be long lasting (Barney, 1991). Simply, it is suggested that firm resources may be heterogeneous and immobile.

2.2.2 Schumpeter's Theory of Economic Development

In Schumpeter's theory of economic development, the companies seize competitive advantage to create or adopt innovations that make the competitors' position obsolete, which is called creative destruction (Elliot, 1985). This type of competition is considered much more effective and beneficial than price competition or creating monopoly power. However, investing in radical innovations is inherently risky and requires larger companies to invest and develop revolutionary innovations through competitive advantage (Passemar, 2000).

At the center of Schumpeter's theory of competitive behavior is the assertion that competitive advantage will become increasingly more difficult to sustain in a wide range of industries. Drucker (2003) noted that the pursuit of sustainable advantage has long been the focus of strategy. The key predictions of Schumpeterian theory for strategy

researchers are that firms are increasingly less able to sustain a strategic advantage over their competition, that such behavior is characteristic of a wide range of industries; and that sustained competitive advantage has become less a matter of finding and sustaining a single competitive advantage and more a case of finding a series of competitive advantages over time and concatenating them into a sustained competitive advantage. Thus all of the three key Schumpeterian outcomes cited relate to sustained competitive advantage.

2.3 Strategy in Organizations

Strategy is a fundamental management tool in any organization and a multi dimensional concept that various authors have defined in different ways. It is the match between an organization's resources and skills and the environmental opportunities as well as the risks it faces and the purposes it wishes to accomplish (David, 2003). Porter (2006) has defined strategy as a creation of a unique and vulnerable position of tradeoffs in competing, involving a set of activities that neatly fit together, that are simply consistent, reinforce each other and ensure optimization of effort. Pearce and Robinson (2007) defines strategy as the company's "game plan" which results in future oriented plans interacting with the competitive environment to achieve the company's objectives.

Johnson, Scholes & Whittington (2008) view strategy as the direction and scope of an organization over the long-term, which achieves advantage for the organization through its configuration of resources within a changing environment, and fulfill stakeholder's expectations. Ansoff (2008) views strategy in terms of market and product choices. According to his view, strategy is the "common thread" among an organization's

activities and the market. The purpose of strategy is to provide directional cues to the organization that permit it to achieve its objectives while responding to the opportunities and threats in the environment (Pearce and Robinson, 2007).

Today's organizations have to deal with dynamic and uncertain environments. In order to be successful, organizations must be strategically aware. For organizations to succeed in their long term goal, must compete effectively and out-perform their rivals in a dynamic environment. To accomplish this they must find suitable ways for creating and adding value for their customers. Strategic management is a highly important element of organizational success. The need to know what the business is about, what it is trying to achieve and which way it is headed, is a very basic requirement determining the effectiveness of every member's contribution. Every successful entrepreneur has this business self-awareness and every successful business seems to have this clarity of vision, even though it does not arise from a formal planning process.

2.4 Competitive Advantage

Porter (1983) posits that every company has a competitive strategy. The four key factors that the companies can formulate into a competitive strategy include analysis of a company's strengths, weaknesses, describing a firm's assets and skills in comparison to its competitors. Financial resources and technical skills are also included in this key factor. The firm decides the inner boundaries for which strategy the company can successfully adapt. To be successful the company needs to take these four factors into consideration.

Porter (1990) writes that the competition reduces the demand of profit in the investment minimum. The five forces of competition together settle the insensitivity in competition to a branch, the profitability, and that force which is the strongest decides which strategy it is going to be. According to Davidson (2001), a company's competitive strategy is choosing a favorable industry. There are two main questions the first one is the profitability in the long term and which factors determine that, while the other one is which components are affecting the company's position in the market. This question is important to ask no matter if it is a local or a global company. To be able to see if the industry is profitable, the company has to do some research in the into the industry competitors, suppliers, buyers, potential entrants and substitutes for the product or service. These are factors that determine the company's required revenue in the end because they are all factors that affect the prices, costs and the demanded investments.

Competitive strategy is concerned with how a company competes in a particular business and gains a competitive advantage through a distinctive way of competing (Kim et al, 2004). Business firms need to consider the overall strategy if a company diversifies. It is concerned with the mix of businesses the company should compete in, and the ways in which strategies of individual units should be coordinated and integrated. Competitive strategy helps to search for a favorable competitive position in an industry, aims to establish a profitable and sustainable position against the forces that determine industry competition. The ability of a company to capture the opportunity that an industry gives depends on its core competency.

2.5 Strategies for Competitive Advantage

SMEs have received considerable attention in the literature as a result of their importance in the generation and creation of economic wealth. The ability of SMEs to create, access and commercialize new knowledge on global markets is fundamental to their sustained competitiveness. Ansoff's (1965) model proposes different corporate-level strategies that aim towards the growth of the firm. This typology is concerned with the strategic decisions that a firm faces, when considering widening of the range of products or entering new markets. Based on two dimensions, product and market, competitive advantage strategies can be categorised into four major forms that is, intense competitive advantage strategies, diversification, modernization and external competitive advantage strategies. The following are among the competitive advantage strategies that can be adopted by SMEs:-

Product development strategy, in this, the firm tries to grow by developing improved products for the present market. According to Watts et al (2008), the most suitable competitive advantage strategies for a small firm are those concerning product development and market development. Smallbone *et al* (2005) share the same view suggesting that high growth can best be achieved by identifying new markets for existing products or by developing new products or services for existing customers. In this way SMEs can evolve from having an established core activity into more complex businesses. Nooteboom (2004) suggests that SMEs pursue product innovation strategies in emerging markets and marketing innovation strategies in mature niche markets. Moore (2004) also suggests that business model innovation is a very effective strategy in mature markets with products in late life cycle stages.

Market penetration is a growth strategy based on increasing the firm's existing share of products and markets. This strategy aims at increasing the sale of present product in the present market through aggressive promotion. The firm penetrates deeper into the market to capture a larger share of the market. Mascarenas et al (2006) claim that growth requires expanding what a firm is doing currently to a more potential customer. A business enterprise cannot serve the entire market with a particular product or service as customer needs and wants are diverse. It must identify segments of a market that it can serve most effectively. A market segment consists of a large identifiable group within a market with similar wants, purchasing power, among other attributes (Kotler, 1999). Service Positioning is also employed as a growth strategy. Once a business enterprise has identified a specific market segment to serve, the next phase is to position the service in the market place. How the service is designed (service blueprinting and physical evidence) will impact the image of the service in the consumers mind explains Zeithmal (1996). A service offering's position is the way it is perceived by consumers, particularly in relation to competing offerings.

Quality customer service is the comparison made between the customers' expectation about a service and their perception of the way the service has been performed (Parasuraman et al, 1994). Customer satisfaction and loyalty is secured through high quality products and services. Providing value for money for consumer is essential for long term success (Zeithaml et al, 1990). Relationship marketing is the philosophy of doing business that focuses on keeping and improving current customers rather than on acquiring new ones. Businesses must see customers as their long term partners and need to make a commitment in maintaining the relationship through quality service and

innovation, this is a good growth strategy notes Lovelock (1996). Excellent service businesses realize the crucial role that the setting and review of service standards can play in driving quality performance which includes the pay-off in terms of customer loyalty as well as reduction in the cost of correcting errors and handling complaints. The setting of quality service standards is the beginning of a cycle of continuous improvements (Lovelock, 1996).

Finally, human resource strategy, people are vital for organizational performance, no service business can afford to divorce its customer contact, employees, from the firm's marketing strategy (Lovelock, 1996). The ability of an organization to succeed often rests with relatively junior staff in such customer contact positions such as clerks and security guard. Ziethaml (1996) notes that contact employees represent the organization and can directly influence customer satisfaction; they perform the role of marketers. Therefore, careful recruitment, training and ongoing mentoring of employees can contribute to improvements in both productivity and service quality.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is a general approach to studying a research topic. This chapter, therefore, explores how the research was carried out. It involves a blueprint for the collection, measurement and analysis of data. Specifically the following subsections are included; research design, population, sample, data collection and data analysis.

3.2 Research Design

This study used descriptive cross-sectional survey research design. A descriptive research design attempts to describe or define a subject, often by creating a profile of a group of problems, people, or events, through the collection of data and tabulation of the frequencies on research variables or their interaction (Cooper and Schindler, 2006). It is concerned with describing the characteristics of a particular individual, or of a group.

In this case, the research problem was to investigate strategies employed by small medium enterprises on developing competitive advantage in Nairobi, County. A descriptive research defines questions, people surveyed and the method of analysis prior to beginning data collection. Thus, this approach was appropriate for this study, since the researcher intended to collect detailed information through descriptions and was useful for identifying variables and hypothetical constructs.

3.3 Population of the Study

Target population as described by Borg and Crall (2009) is a universal set of study of all members of real or hypothetical set of people, events or objects to which an investigator generalized the result. Mugenda and Mugenda (2003) stated that the target population should have some observable characteristics, to which the researcher intends to generalize the results of the study.

The target population of this study was SMEs operating within Nairobi County. According to KAM (2013), there were 745 active manufacturing SMEs in Kenya. Out of this figure, 400 were in Nairobi Metropolis.

3.4 Sample Design

The study used simple random sampling technique in coming up with the sample of the study. Simple random sampling technique was used as it minimizes sampling error as each element in the target population is accorded equal (unbiased) probability of being selected. Statistically, in order for generalization to take place, a sample of at least 30 must exist (Cooper and Schindler, 2003). Moreover, larger sample minimize errors.

Kothari (2004) argues that if well chosen, samples of about 10% of a population can often give good reliability. Other literatures have shown that sample size selection to a great extent is judgmentally decided. The study selected a sample of 40 SMEs in Nairobi Metropolis.

3.5 Data Collection

The study collected primary data to investigate strategies employed by small medium enterprises on developing competitive advantage in Nairobi, County. The questionnaire had both open and close-ended questions. The close-ended questions provided more structured responses to facilitate tangible recommendations. The closed ended questions were used to test the rating of various attributes and this helped in reducing the number of related responses in order to obtain more varied responses. The open-ended questions provided additional information that might not have been captured in the close-ended questions. The questionnaire were carefully designed and tested with a few members of the population for further improvements. This was done in order to enhance its validity and accuracy of data to be collected for the study.

The researcher administered the questionnaire individually to all respondents of the study. The researcher exercised care and control to ensure all questionnaires issued to the respondents were received. To achieve this, the researcher maintained a register of questionnaires, which were sent, and which were received. The questionnaire were administered using a drop and pick later method.

3.6 Data Analysis

Before processing the responses, the completed questionnaires were edited for completeness and consistency. The data was then coded to enable the responses to be grouped into various categories. The data collected was mainly quantitative; however some qualitative data were collected from the open ended questions to enhance and uncover any convergent and divergent views. As such, descriptive statistics was employed and used to summarize the data.

Descriptive statistics has been used to measure the quantitative data which were analyzed using the statistical analysis. Tables and other graphical presentations as appropriate were used to present the data collected for ease of understanding and analysis. The generated quantitative reports were presented through tabulations, percentages and measures of central tendency while qualitative data were presented in prose.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents analysis of the data on competitive advantage strategies adopted by small and medium business enterprises in Nairobi County, Kenya. This chapter presents the findings of the study and discussions on the findings. The finding was intended on answering the study's research questions. Data collected was collated and reports were produced in form of tables and figures and qualitative analysis done in prose.

4.2 Response Rate

Table 4.1 illustrates the response rate of the respondents that participated in the survey. The study targeted 40 respondents running enterprise at Nairobi in collecting data on competitive advantage strategies adopted by small and medium business enterprises. However, out of 40 questionnaires distributed 33 respondents completely filled in and returned the questionnaires contributing to 79%.

Table 4.1: Response Rate

Response	Frequency	Percentage (%)
Filled in questionnaires	33	79
Unreturned questionnaires	7	21
Total	40	100

Source: Author (2014)

This response rate was reached due to the data collection procedure, where the researcher personally administered questionnaires and waited for respondents to fill in, kept reminding the respondents to fill in the questionnaires through frequent phone call and picked the questionnaires once fully filled. The 21% questionnaires that were not returned were due to reasons like, the respondent were not available to fill them in at that time and with persistence follow-ups there were no positive responses from them. The response rate demonstrates a willingness of the respondents' to participate in the survey that the study sought.

4.3 Demographic Characterization of the Respondents

The study found it crucial to ascertain the broad information of the respondents since it structures the charity under which the study can fairly entrance the pertinent information. The analysis relied on this information of the respondents so as to classify the different results according to their knowledge and responses.

4.3.1 Highest Education Level of the Respondents

The researcher was inquisitive to determine academic qualification that the respondent had attained. Table 4.3 summarizes the findings of the result, most (42%) of the respondents had acquired certificate in various courses as their highest academic qualification, 24% had acquired diploma, 21% had acquired degree, 6% had post graduate as their highest academic qualification while 6% had lower than certificate such as primary school certificate. This depicts that most of the entrepreneurs' had acquired some knowledge that could be important in management and running of the business.

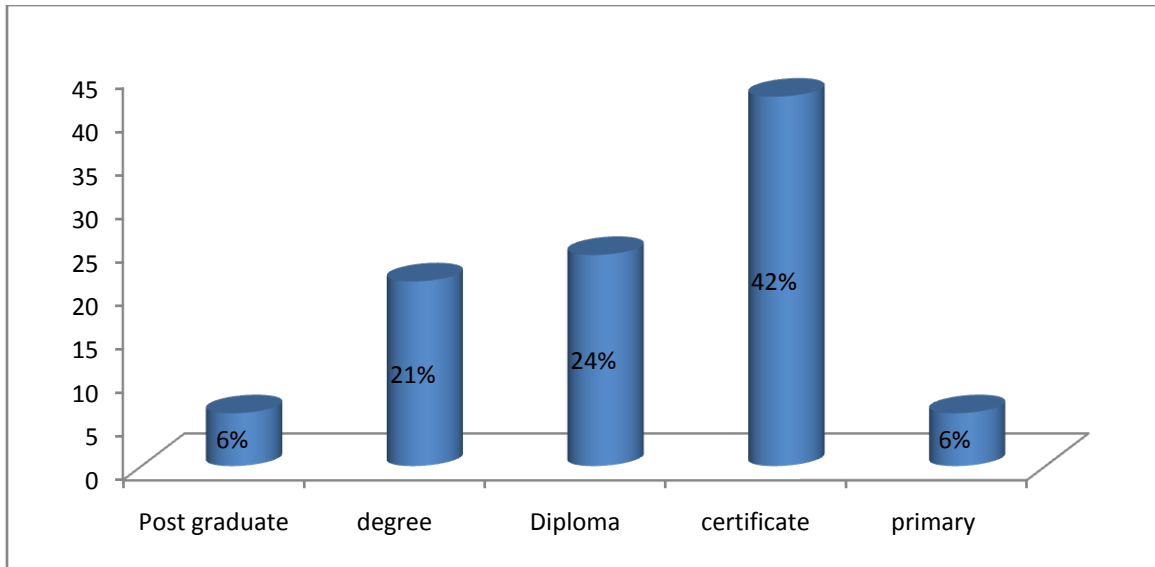


Figure 4.1: Highest Education Level of the Respondents

Source: Author (2014)

4.3.2 Duration of Running Business Enterprises

The researcher requested the respondents' to indicate the length of time that their business enterprises had been in existence. The results are shown in Table 4.2. From the study, 33.3% of the respondents indicated that their enterprises had been in existence for a period of 1 to 5 years, 30.3% of the business enterprises that were surveyed had been in existence for 6- 10 years, 18.2% of them had been in existence for 11- 15 years, 15.2% of them indicated that they had been operating in the country for 16 – 20 years, while only 3.0% of the respondents indicated that their enterprises had been in existence for a period of more than 20 years.

Table 4.2: Duration of Running Business Enterprise

Duration of Existence	Frequency	Percentage
1 – 5 years	11	33.3
6- 10 years	10	30.3
11- 15 years	6	18.2
16 – 20 years	5	15.2
More than 20 years	1	3.0
Total	33	100.0

Source: Author (2014)

4.3.3 Business Ownership

The study required the respondents to indicate the type of ownership of the business enterprises they work with. The results are as depicted in Figure 4.2. According to the results, majority (51.5%) of the respondents indicated that their enterprises were private limited companies, 27.3% of the enterprises were partnerships while 21.2% of the respondents worked in sole trader owned enterprises.

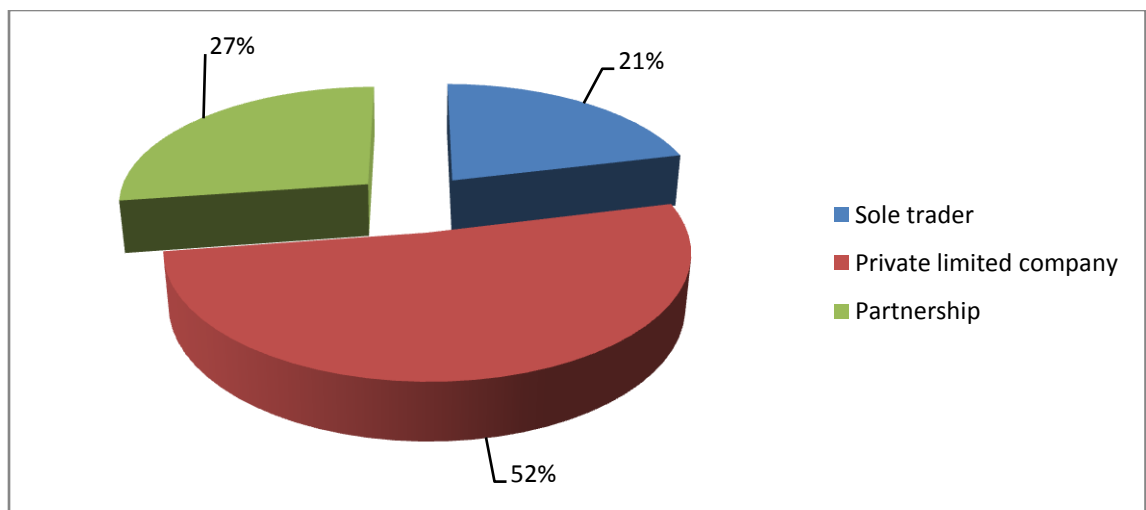


Figure 4.2: Legal Business Ownership of Business Enterprises

Source: Author (2014)

4.3.4 Number of Employees

Further the study also sought to establish the size of the companies in terms of number of employees. The results in of the findings are as shown in Table 4.3, 45.5% of the business enterprises had between 11 and 20 employees, 24.2% of them had less than 10 working employees, 15.2% of the enterprises had between 20- 30 employees, 9.1% of the respondents worked in enterprises which had between 30-40 employees while 6.1% of the respondents indicated that their enterprises had between 40–50 employees.

Table 4.3: Enterprise Sizes by Number of Employees

Number of Employees	Frequency	Percent
Less than 10	8	24.2
11-20	15	45.5
20- 30	5	15.2
30- 40	3	9.1
40 – 50	2	6.1
Total	33	100.0

Source: Author (2014)

4.3.5 Business Activities of the Manufacturing Enterprises

The study further sought to establish the various business activities that the participating enterprises involved in. The respondents indicated that their enterprises involved in various activities such as animal feeds manufacturing, biscuits/foods, color/packaging, cake baking and event catering, car parts, bolts and screws, steel items, food mincing and packing, fresh fruit juice manufacturing, furniture making and interior decoration.

Some enterprises were involved in garment manufacturing such as shoes, jacket, bags; machines and hardware, making of doors, chairs and tables, manufacturing of paints, metal melting, paints and chemicals and plastic manufacturers. Others provided printing services such as printing of posters, brochures, magazines, spare parts, tiles manufacturing, posho mills, laundry and welding of chairs and tables.

4.3.6 Value of the Total Assets

The study was concerned in establishing competitive advantage strategies adopted by small and medium enterprises in Nairobi County. As such the study was interested in finding out the estimated value of the total assets in the business enterprises. The surveyed business enterprises had total assets ranging between Kshs. 150,000 and Kshs. 32 million. It was however noted that majority of them had total assets worth between Kshs. 2 million and Kshs. 10 million.

4.3.7 Number of Branches

Figure 4.3 summarizes the study findings on number of branches that enterprise have. According to the study findings most (45%) of the entrepreneurs' had 2 to 5 business enterprises, 33% had only one enterprises while the rest 21% had more than 5 enterprises. This implies that most of entrepreneurs' have been expanding their business to the door step of the targeted customer for them to grow both in customer base and market share.

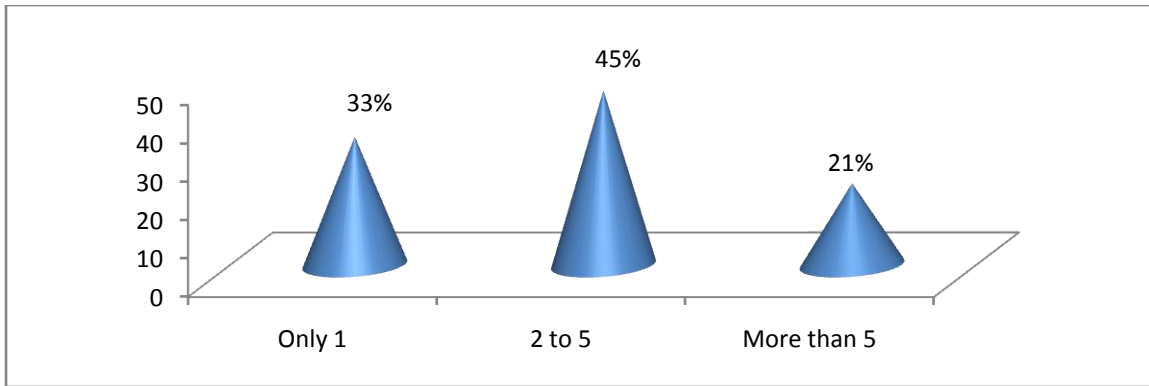


Figure 4.3: Number of Branches

Source: Author (2014)

4.4 Competitive Advantage Strategies Employed by SMEs

The researcher requested the respondent whether their business had employed any strategy on growth. From the findings, majority (73%) of the respondents' indicated that their enterprises have employed competitive advantage strategy while 27% indicated that they had not employed any competitive advantage strategy.

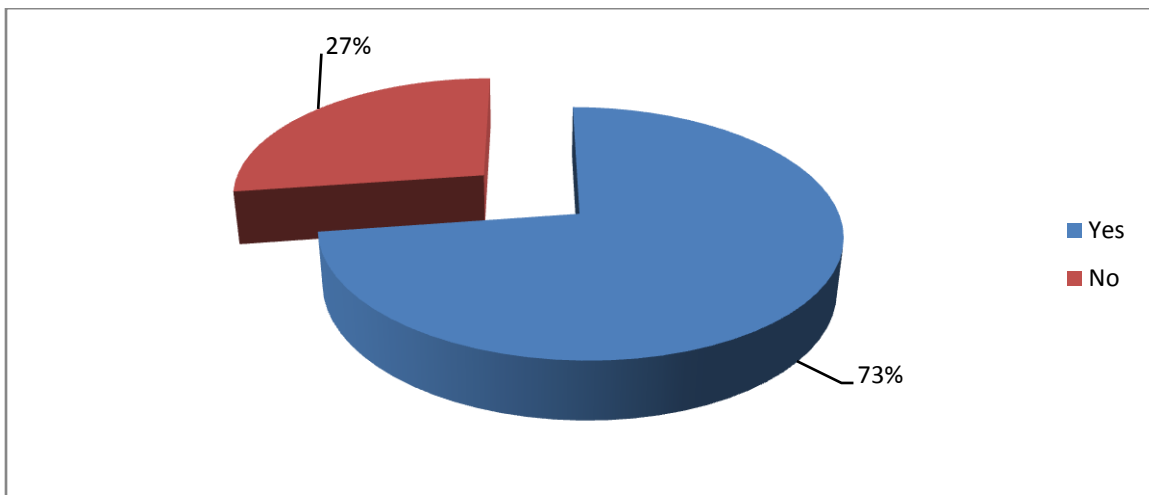


Figure 4.4: Competitive Advantage Strategies Employed

Source: Author (2014)

4.4.1 Market Penetration Strategy

Table 4.4 shows the summary of the study findings on whether market penetration is among the strategies adopted. From the findings, (67%) were of the opinion that marketing strategies is one of the competitive advantage strategies adopted while 33% differed with the majority opinion.

Table 4.4: Market Penetration Strategies Adopted

	Frequency	Percentage
Yes	22	67
No	11	33
Total	33	100

Source: Author (2014)

Figure 4.5 shows the findings of the study on the methods used in market penetration. Most (37%) of the respondents indicated that they have adopted relationship marketing, 27% had adopted aggressive promotion, 23% had applied service positioning while 13% pointed out that they were applying market segmentation. However, the study established that some enterprises were offering transport services after buying bulky goods, low pricing and discounts as a way to attract customers.

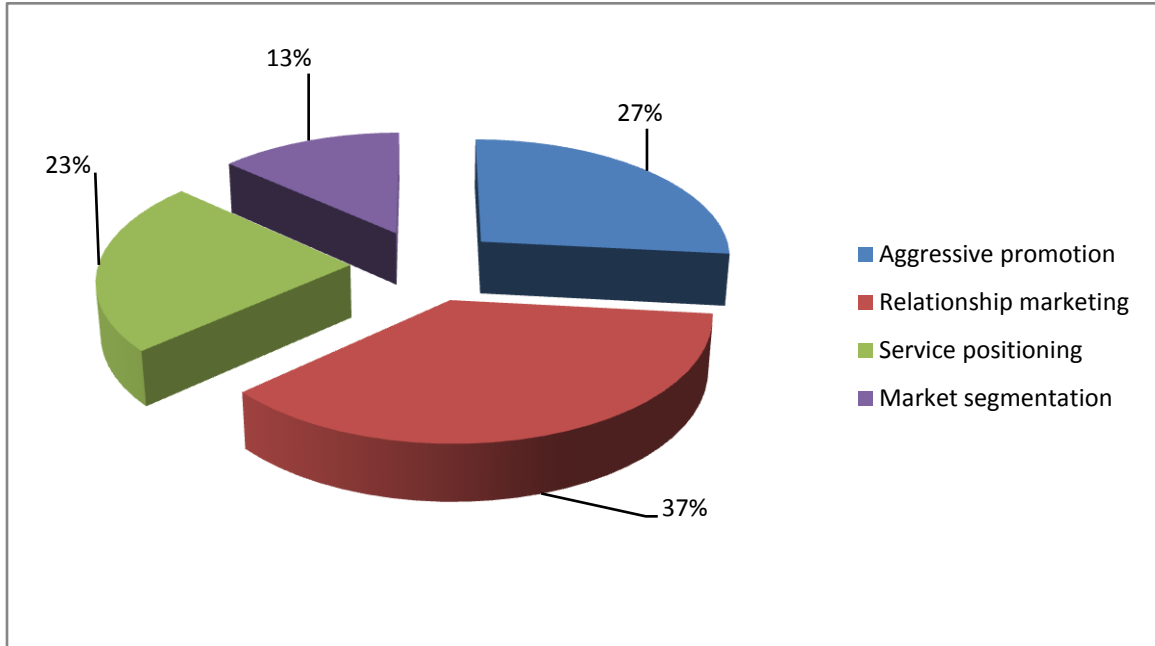


Figure 4.5: Methods used in Market Penetration

Source: Author (2014)

Further the study requested respondents to indicate the extent to which their organizations emphasize some aspects of market penetration. From the finding, respondents indicated that customers services was emphasized to a very great extent as illustrated by mean score of 3.76, distributors is emphasized more to a very great extent as shown by mean score of 4.54, suppliers were involved in marketing penetration to a great extent as illustrated by mean score of 3.88 while employees was done to a great extent as depicted by mean score of 3.83.

Table 4.5: Aspects of Market Penetration

	Mean	STDev
Suppliers	3.88	0.338
Customers	3.76	1.062
Distributors	4.54	0.509
Employees	3.83	0.482

Source: Author (2014)

Table 4.6 shows result of the findings on respondent level of agreement on the aspects relating to market penetration strategy and their influence to the competitive advantage of enterprises. From the findings, most of the respondents strongly agreed that they have increased sales by selling present products in the new markets as depicted by mean score of 4.47, respondents also agreed that they have improved their products by branding, labelling and packaging so as to attract more customers and increase their sales as illustrated by mean score of 4.25, additionally respondents agreed that increased the firm's existing share of products and markets as a way of market penetration strategy as shown by mean score of 4.21. On the other hand, respondents' were neutral that they consider some general marketing principles and develop a marketing strategy, entrepreneurs' aspires to engage customers, prospects and the competition in the market place for success and that they have expanded their products and services to various market segments as illustrated by mean score of 3.18, 3.06 and 3.04 respectively.

Table 4.6: Aspects of Market Penetration Strategy

Market penetration strategy	Mean	STDev
Our firm has penetrated deeper into the markets to capture a larger share of the market	4.02	0.843
We have increased the firm's existing share of products and markets as a way of Market penetration strategy	4.21	0.631
We have expanded our products and services to various market segments	3.04	1.066
We have increased sales by selling present products in the new markets	4.47	0.868
Through market development we remain competitive and grow in the market	4.11	0.32
We have improved our products by branding, labelling and packaging so as to attract more customers and increase our sales	4.25	0.897
Marketing is as important as production, financing, distribution and other profit determining factors in small and medium enterprises	4.19	0.483
We aspire to engage customers, prospects and the competition in the market place for success	3.06	1.144
We consider some general marketing principles and develop a marketing strategy	3.18	0.846

Source: Author (2014)

4.4.2 Product Development Strategy

The respondents were requested to indicate whether their enterprises focus on product development strategy. From the findings, 70% of the respondents indicated that their enterprises focus on product development strategy, as compared to 30% of those who indicated that their enterprises do not emphasize on product development strategy.

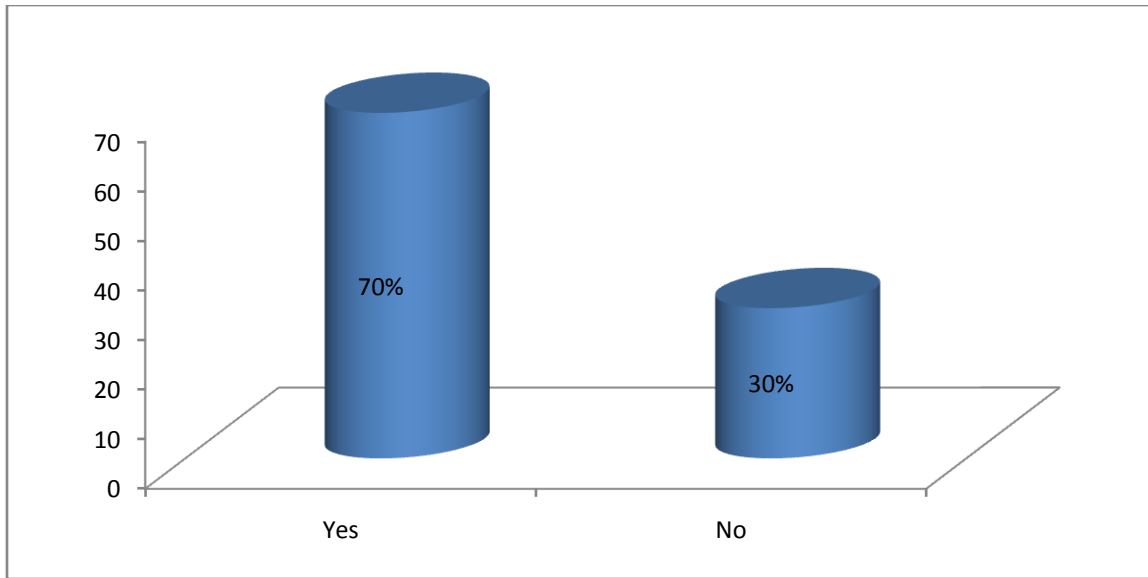


Figure 4.6: Emphasize on Product Development Strategy

Source: Author (2014)

The researcher requested the respondents to indicate their level of agreement on the statements relating to competitive advantage strategies adopted by your business. From the findings shown in Table 4.7, most of the respondents' agreed that their product development strategy targets a specific group of people as indicated by mean score of 4.04. Secondly, respondents agreed that they have evolved from main core activity into more complex businesses since they embarked on product development strategy as shown by mean of 3.92. Respondents also agreed that they have achieved high growth by identifying new markets for their new but related products as illustrated by mean score of 3.72.

Table 4.7: Aspects of Product Development Strategy

Product Development strategy	Mean	STDev
We have achieved high growth by identifying new markets for our new but related products	3.72	0.11
We have evolved from our main core activity into more complex businesses since we embarked on product development strategy	3.92	0.675
Our Product development strategy targets a specific group of people	4.04	0.808

Source: Author (2014)

4.4.3 Pricing strategy

Further the study requested respondents to indicate their level of agreement to the pricing strategies aspect adopted by their organization. From the findings, most of the respondent indicated that they closely monitor competitors' behaviors and consumer activity to ensure that the profit margin used in markup pricing is one that maximizes net gains and avoids arbitrary decision-making as shown by mean score of 3.88. Also respondents strongly agreed that they place favorable price to their customers as a way of retaining them as well as attracting other potential customers through networking basing on pricing as depicted by mean score of 3.83 while respondent were neutral that perceive that this is not a good strategy for growth since customers may have the perception that our product or service is of low standard as illustrated by mean score of 3.15.

Table 4.8: Pricing Strategy

Pricing Strategies	Mean	STDev
We place favorable price to our customers as a way of retaining them as well as attracting other potential customers through networking basing on pricing	3.83	0.781
We perceive that this is not a good strategy for growth since customers may have the perception that our product or service is of low standard	3.15	1.503
We closely monitor competitors behaviors and consumer activity to ensure that the profit margin used in markup pricing is one that maximizes net gains and avoids arbitrary decision-making	3.88	1.746

Source: Author (2014)

4.4.4 Quality Customer Service

Table 4.9 indicates respondents' level of agreement on the statements regarding to quality customer service as competitive advantage strategies. According to the findings, respondents agreed that to attract new customers and strengthen existing relationships they have introduced relationship management, setting and measuring of service standards and customer retention programs across the board as shown by mean score of 4.13, almost the same number of respondents agreed that they have become increasingly conscious of the need to improve the quality of their service provision as result of increasing customer expectations, growing competition and government legislation as depicted by mean score of 4.03. Likewise respondents agreed that they have secured customer satisfaction and loyalty through high quality products and service thereby providing value for their money as illustrated by mean score of 3.69.

Table 4.9: Aspects of Quality Customer Service

Quality Customer Service	Mean	STDev
We have become increasingly conscious of the need to improve the quality of our service provision as result of increasing customer expectations, growing competition and government legislation	4.03	0.287
We secure customer satisfaction and loyalty through high quality products and service thereby providing value for our money.	3.69	1.046
To attract new customers and strengthen existing relationships we have introduced relationship management, setting and measuring of service Standards and customer retention programs across the board	4.13	0.336

Source: Author (2014)

4.5 Challenges Faced in Adoption of Competitive Advantage Strategies

Further the study requested respondents to indicate the extent to which some challenges affect competitive advantage strategies adopted by the enterprises. According to the findings, most of the respondent indicated that large companies offer stiff competition hence hindering the competitive advantage strategies that the entrepreneurs' have adopted to a very great extent as shown by mean score of 4.56. Changes in information technology affect their business to a great extent hence slow competitive advantage of their business to a great extent as shown by mean score of 3.92. Big Banks and financial institutions lack appropriate structures for dealing with SMEs in financial support while the customers still perceive that they offer low quality than big companies hence dwindling SMEs growth to a great extent as illustrated by mean score of 3.88 and 3.83 respectively. Financial institutions charge prohibitive interest rates on credit facilities hence hindering their commitment on strategy set on growth while the credit processing

costs and other charges are unrealistic to a great extent as illustrated by mean score of 3.68 and 3.54 respectively. On the other hand, respondent pointed that they lack competent personnel in coming up with realistic strategies that are in line with the objective of their business and that their firm has experienced problems in accessing credit which can boost their performance as well as aid in implementation of strategies as depicted by mean score of 3.54 and 3.38 respectively.

Table 4.10: Challenges Faced in Adoption of Competitive Advantage Strategies

	Mean	STDev
Our firm has experienced problems in accessing credit which can boost our performance as well as aid in implementation of strategies	3.38	1.345
Financial institutions charge prohibitive interest rates on credit facilities hence hindering our commitment on strategy set on growth	3.68	0.338
The credit processing costs and other charges are unrealistic	3.54	1.141
We lack competent personnel in coming up with realistic strategies that are in line with the objective of our business	3.44	1.062
Large companies offer stiff competition hence hindering the growth strategies that we have adopted	4.54	0.109
Customers still have the perception that we offer low quality than big companies hence our dwindling in growth	3.83	0.382
Big Banks and financial institutions lack appropriate structures for dealing with SMEs in financial support	3.88	0.241
Changes in information technology affects our business to a great extent hence slow growth of our business	3.92	0.217

Source: Author (2014)

4.6 Discussion of Findings

4.6.1 Comparison with Theory

From the study findings it was clear that most enterprises have developed competitive advantage strategies. Also the study found that marketing strategies is one of the competitive advantage strategies adopted where relationship marketing and aggressive promotion are mostly adopted. Marketing penetration strategy has been emphasized to a very great extent through customers services and distributors. This agrees with Ansoff's (1965) model which proposes different corporate-level strategies that aim towards the growth of the firm. This typology is concerned with the strategic decisions that a firm faces, when considering widening of the range of products or entering new markets. This position is supported by resource-based theory which argues that firms possess resources, a subset of which enables them to achieve competitive advantage, and a subset of those that lead to greater long-term performance. Based on two dimensions, product and market, competitive advantage strategies can be categorised into four major forms that is, intense competitive advantage strategies, diversification, modernization and external competitive advantage strategies. The following are among the competitive advantage strategies that can be adopted by SMEs.

To product development strategy, the study found that most of enterprises have focused on product development strategy. Likewise the study found that entrepreneurs' adopt product development strategy targeting specific group of people resulting to entrepreneurs' evolving from main core activity into more complex businesses since we embarked on product development strategy. Smallbone *et al* (2005) share the same view suggesting that high growth can best be achieved by identifying new markets for existing

products or by developing new products or services for existing customers. The product development strategies employed by the firms are supported by Schumpeter's theory of economic development as the firms do not endeavor to monopolise the market but rather beneficial competition. In this way SMEs can evolve from having an established core activity into more complex businesses. Nooteboom (2004) further suggests that SMEs pursue product innovation strategies in emerging markets and marketing innovation strategies in mature niche markets.

On market penetration strategy, the study found that enterprises have increased sales by selling present products in the new markets and that they have improved their products by branding, labelling and packaging so as to attract more customers and increase their sales. Likewise, the study found that enterprises they have increased the firm's existing share of products and markets as a way of market penetration strategy. To the pricing, the study found that they closely monitor competitors' behaviors and consumer activity to ensure that the profit margin used in markup pricing is one that maximizes net gains and avoids arbitrary decision-making. Inclusively, the study found that enterprises have place favorable price to their customers as a way of retaining them as well as attracting other potential customers through networking basing on pricing. Mascarenas et al (2006) claim that growth requires expanding what a firm is doing currently to a more potential customer. A business enterprise cannot serve the entire market with a particular product or service as customer needs and wants are diverse. It must identify segments of a market that it can serve most effectively. A market segment consists of a large identifiable group within a market with similar wants, purchasing power, among other attributes.

On quality customer service as competitive advantage strategies, the study found that they have attracted new customers and strengthen existing relationships we have introduced relationship management, setting and measuring of service standards and customer retention programs across the board. Furthermore, the study found that enterprises have become increasingly conscious of the need to improve the quality of their service provision as result of increasing customer expectations, growing competition and government legislation. Lovelock (1996) also observed that relationship marketing is the philosophy of doing business that focuses on keeping and improving current customers rather than on acquiring new ones. Businesses must see customers as their long term partners and need to make a commitment in maintaining the relationship through quality service and innovation; this is a good growth strategy.

To the challenges faced in adoption of competitive advantage strategies, the study found that large companies offer stiff competition hence hindering the competitive advantage strategies that the entrepreneurs' have adopted to a very great extent. Changes in information technology affects enterprises to a great extent hence slow growth of their business and that Big Banks and financial institutions lack appropriate structures for dealing with SMEs in financial support while the customers still perceive that they offer low quality than big companies hence dwindling SMEs growth to a great extent. Ziethaml (1996) notes that contact employees represent the organization and can directly influence customer satisfaction; they perform the role of marketers. Therefore, careful recruitment, training and ongoing mentoring of employees can contribute to improvements in both productivity and service quality.

4.6.2 Comparison with the other Studies

The study found out that most of the enterprises were private owned by individuals or by families and that most of the entrepreneurs had acquired some knowledge that was useful to the day to day running of the business. The survey showed that majority of the businesses had 10 – 15 employees and that only 36.4% of the enterprises had survived for more than 10 years. This finding defers from the survey conducted by Starehe CDF (2013) where they found out that three out of five small businesses fail within the first few months of operation in the area.

The study pointed out that the SMEs lacked competent personnel in coming up with realistic strategies that are in line with the objective of their business and that their firm has experienced problems in accessing credit which can boost their performance as well as aid in implementation of strategies. Longenecker (2006) pointed out that most of the SMEs failures to prosper are due to lack of planning, improper financing and poor management. According to Wanjohi (2009), many SMEs continue to struggle with the challenge of lack of access to capital for their expansion which contributes to their failures.

The study tells us that majority of the SMEs employed strategies and the strategies employed ranged from market penetration, product development, pricing and quality customer service. Most of the respondents said that they have secured customer satisfaction and loyalty through high quality products and service thereby providing value for their money. This study implies that the SMEs in Nairobi County are employing strategies to develop competitive advantage. The strategies employed depend on the environment and some two or more strategies are used at the same time.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the data findings on competitive advantage strategies adopted by SMEs with specific focus on Nairobi County, the conclusions and recommendations are drawn there to. The chapter is therefore structured into summary of findings, conclusions, recommendations and area for further research.

5.2 Summary of the Findings

The objectives of this study were to determine the nature of strategies employed by small and medium business enterprises to develop competitive advantage in Nairobi County and to establish the challenges involved in employing strategies by small and medium business enterprises in Nairobi County. From the study findings it was clear that most enterprises have developed competitive advantage strategies. Also the study found that marketing strategies is one of the competitive advantage strategies adopted where relationship marketing and aggressive promotion are mostly adopted. Market penetration strategy has been emphasized to a very great extent through customers services and distributors.

To product development strategy, the study found that most of enterprises have focused on product development strategy. Likewise the study found that entrepreneurs' adopt product development strategy targeting specific group of people resulting to entrepreneurs' evolving from main core activity into more complex businesses since we embarked on product development strategy.

On market penetration strategy, the study found that enterprises have increased sales by selling present products in the new markets and that they have improved their products by branding, labelling and packaging so as to attract more customers and increase their sales. Likewise, the study found that enterprises they have increased the firm's existing share of products and markets as a way of market penetration strategy. To the pricing, the study found that they closely monitor competitors' behaviors and consumer activity to ensure that the profit margin used in markup pricing is one that maximizes net gains and avoids arbitrary decision-making. Inclusively, the study found that enterprises have place favorable price to their customers as a way of retaining them as well as attracting other potential customers through networking basing on pricing.

On quality customer service as competitive advantage strategies, the study found that they have attracted new customers and strengthen existing relationships we have introduced relationship management, setting and measuring of service standards and customer retention programs across the board. Furthermore, the study found that enterprises they have become increasingly conscious of the need to improve the quality of their service provision as result of increasing customer expectations, growing competition and government legislation. To the challenges faced in adoption of competitive advantage strategies, the study found that large companies offer stiff competition hence hindering the competitive advantage strategies that the entrepreneurs' have adopted to a very great extent. Changes in information technology affects enterprises to a great extent hence slow growth of their business while the customers still perceive that they offer low quality than big companies hence dwindling SMEs growth to a great extent.

5.3 Conclusion

The study sought to find out competitive advantage strategies adopted by small and medium business enterprises in Nairobi County. Based on the findings in relation to specific objective, the study concluded that enterprises have developed competitive advantage strategies while marketing strategies is one of the competitive advantage strategies adopted where relationship marketing and aggressive promotion are mostly adopted.

On product development strategy, the study concluded that most of enterprises have focused on product development strategy. Likewise the study concluded that entrepreneurs' adopt product development strategy targeting specific group of people resulting to entrepreneurs' evolving from main core activity into more complex businesses since we embarked on product development strategy. To market penetration strategy, the study concluded that enterprises have increased sales by selling present products in the new markets and that they have improved their products by branding, labelling and packaging so as to attract more customers and increase their sales.

To the pricing, the study concluded that enterprises have place favorable price to their customers as a way of retaining them as well as attracting other potential customers through networking basing on pricing. On quality customer service as competitive advantage strategies, the study concluded that they have attracted new customers and strengthen existing relationships we have introduced relationship management, setting and measuring of service standards and customer retention programs across the board.

To the challenges faced in adoption of competitive advantage strategies, the study found that large companies offer stiff competition hence hindering the competitive advantage strategies that the entrepreneurs' have adopted to a very great extent. Changes in information technology affects enterprises to a great extent hence slow growth of their business and that Big Banks and financial institutions lack appropriate structures for dealing with SMEs in financial support while the customers still perceive that they offer low quality than big companies hence dwindling SMEs growth to a great extent.

5.4 Limitation of the Study

The researcher encountered various limitations that hindered access to information that the study sought. The main limitation of study was its inability to include more SMEs. The study could cover more SMEs in Nairobi that could have provided a more broad based analysis.

However, time and resource placed this limitation. The researcher also experienced other challenges such as none-cooperation from some owner managers and it was not easy to convince them to fill questionnaires hence not reaching the targeted sample size.

5.5 Recommendations

The study recommended for the business to experience rapid growth, entrepreneurs', operators and the entire management should emphasize on strategies set to ensure they are focused to the organization objectives as well they are aligned to the market need while they are rigid to be applied by the competitors. Likewise the study recommended that enterprises should come-up with a way of rebranding or repacking products to give

them the taste of the consumers by so doing they increase the customer base as well as catering the potential of consumer in buying quantity and quality of the commodity.

Furthermore the study recommended that entrepreneurs' should relook on their competitive advantage strategies in terms of business branches and assets in order to reach the consumer to their door step while they increase customer base as well as creating awareness of the service or product they deal with. Finally, the survey recommended that for the business to realize the growth effectively, entrepreneurs' must identify potential supplier with quality products to ensure that large companied does not outdo small enterprises the market. This will ensure survival of small enterprise as they contribute to job creation, economic development as well as encouraging creativity hence competitive competition.

5.6 Suggestions for Further study

The study suggests that further research to be done on the strategies employed by small and medium enterprises to develop competitive advantage within organization in order to give both negative and positive sides that can be reliable. The study also suggested further research to be done on impact of competitive advantage strategies adopted by organization focusing on other sectors other than SMEs in order to depict reliable information that illustrates real situation in all sector.

The study also recommends further research on how organisational culture can give organisations competitive edge. Culture is important because the SME's culture is unique and is hard to be duplicated.

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APPENDICES

Appendix I: Introduction Letter

Dear Sir/Madam,

REF: Data Collection

I am a student at University of Nairobi pursuing a Master's degree in Business Administration. As a requirement in fulfillment of this degree, am carrying out a study on the '**STRATEGIES EMPLOYED BY SMALL AND MEDIUM ENTERPRISES TO DEVELOP COMPETITIVE ADVANTAGE IN NAIROBI COUNTY**'.

You have been chosen as you are well positioned to provide reliable information that will enable the study achieve its objectives. I intend to research on the above through the use of a questionnaire.

Any assistance accorded to me in my noble cause as well as the information given shall be treated as confidential and will be used purely for the purposes of this research. A final copy of the document shall be availed to you upon request. Your cooperation will be highly appreciated, thank you in anticipation.

Yours Faithfully,

Muhamed Abdow Ahmed

Appendix II: Questionnaire

Kindly answer all the questions by ticking or by providing the answers in the spaces provided.

Section I: Background Information

1. Indicate the name of your business (optional).....
2. What is your highest level of academic qualification?
Post graduate degree
Diploma certificate
Any other (specify).....
3. How long has your business been in existence?
1 – 5 years 11- 15 years More than 20 years
6- 10 years 16 – 20 years
4. What is the legal business ownership of this firm?
a) Sole trader c) Private limited company
b) Partnership
Any other (specify).....
5. How many employees work in this firm?
Less than 10 11-20 20- 30
30- 40 40 – 50
6. What does your business deal with?
.....
7. What are the estimated value/total assets in your business?
.....
8. How many branches does your business have?
Only 1 2-5
More than 5

Section II: Strategies Employed by SMEs

9. Has your business developed any strategy on developing competitive advantage?

Yes [] No []

10. To what extent do you agree with the following statements relating to various strategies employed by your business? Use a scale of 1-5, where 1- strongly disagree, 2- disagree, 3- neutral, 4- agree, 5- strongly agree.

	1	2	3	4	5
Product Development strategy					
We have achieved high growth by identifying new markets for our new but related products					
We have evolved from our main core activity into more complex businesses since we embarked on product development strategy					
Our Product development strategy targets a specific group of people					
Market penetration strategy					
Our firm has penetrated deeper into the markets to capture a larger share of the market					
We have increased the firm's existing share of products and markets as a way of Market penetration strategy					
We have expanded our products and services to various market segments					
Market development strategy					
We have increased sales by selling present products in the new markets					
Through market development we remain competitive and grow in the market					
We have improved our products by branding, labelling and packaging so as to attract more					

customers and increase our sales					
Marketing strategy					
Marketing is as important as production, financing, distribution and other profit determining factors in small and medium enterprises					
We aspire to engage customers, prospects and the competition in the market place for success					
We consider some general marketing principles and develop a marketing strategy					
Pricing strategies					
We place favorable price to our customers as a way of retaining them as well as attracting other potential customers through networking basing on pricing					
We perceive that this is not a good strategy for growth since customers may have the perception that our product or service is of low standard					
We closely monitor competitors behaviors and consumer activity to ensure that the profit margin used in markup pricing is one that maximizes net gains and avoids arbitrary decision-making					
Quality customer service					
We have become increasingly conscious of the need to improve the quality of our service provision as result of increasing customer expectations, growing competition and government legislation					
We secure customer satisfaction and loyalty through high quality products and service thereby					

providing value for our money.					
To attract new customers and strengthen existing relationships we have introduced Relationship Management, Setting and Measuring of service Standards and customer retention programs across the board					

Section III: Challenges faced by SMEs in Implementing Strategies Employed

	1	2	3	4	5
Our firm has experienced problems in accessing credit which can boost our performance as well as aid in implementation of strategies					
Financial institutions charge prohibitive interest rates on credit facilities hence hindering our commitment on strategy set on growth					
The credit processing costs and other charges are unrealistic					
We lack competent personnel in coming up with realistic strategies that are in line with the objective of our business					
Large companies offer stiff competition hence hindering the growth strategies that we have adopted					
Customers still have the perception that we offer low quality than big companies hence our dwindling in growth					
Big Banks and financial institutions lack appropriate structures for dealing with SMEs in financial support					

Changes in information technology affects our business to a great extent hence slow growth of our business					
--	--	--	--	--	--

11. How would you rate the strategy employed in your organization in relation to the performance of your business

Poor [] average [] good []

12. In your own opinion what would you suggest should be done for the strategies employed by your business to be effective?

.....

.....

.....

THANK YOU FOR YOUR PARTICIPATION