

**STRATEGIES ADOPTED BY EAST AFRICAN BREWERIES  
LIMITED IN ENHANCING SUSTAINABLE COMPETITIVENESS  
IN KENYA**

**BY:**

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## DECLARATION

I declare that this is my original work and to the best of my knowledge it has not been submitted for a degree award in any other university.

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D61/67817/2013

The research project has been submitted for examination with my approval as the University Supervisor

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May God shine His favors on all of you.

## **DEDICATION**

This project is dedicated to my family for their unending love, support and care.

## **ABBREVIATIONS AND ACRONYMS**

**CSR-** Corporate Social Responsibility

**EABL-** East African Breweries Limited

**RBV-** Resource Based View

**UVP-** Unique Value Proposition

## **ABSTRACT**

The objective of the study was to establish the strategies adopted by EABL in enhancing sustainable competitiveness in Kenya. The research design for the study was a case study of East African Breweries Limited. The data collection tool that was used for the study was an interview guide to collect primary data. The data was analyzed through content analysis. The study established that East African Breweries Limited had adopted competitive strategies that have enabled the company to have continued sustained competitiveness. The strategies include effective corporate social responsibility, continuous innovation, cost leadership strategy, product differentiation strategy, human resources management strategies, diversification strategy and marketing strategies such as television, radio, print and billboard advertisements, consumer promotion and sponsorship of various events. The study recommends that the company should continue formulating and implementing more strategies to enhance sustainable competitiveness and should target to progress not only locally but also globally. The study further recommends that other firms in the beer sector should ensure they adopt competitive strategies that would enable them to grow successful amidst the competition and turbulent environment.

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# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background**

Organizations are faced with significant difficulties with regards to the challenges that affect them on a day to day basis that result to declining performance, productivity or growth. Intense competition in global and local markets requires firms to constantly improve in their competitiveness. In today's turbulent business environment, dynamic capabilities, flexibility, agility, speed, and adaptability are becoming more important sources of competitiveness (Barney, 2001; Sushil, 2000).

Research in the field of strategic management suggests that firms obtain sustainable competitive advantages by implementing strategies that exploit their internal strengths, while neutralizing external threats and avoiding internal weaknesses. (Rosenberg, 2006) Competition really matters .Companies are often driven to outperform rivals and capture greater shares of exiting market space. Strategy is a method or plan chosen to bring about a desired future, such as achievement of a goal or solution to a problem. Strategy can also be defined as the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations (Johnson Scholes & Whittington, 2008)

Sources of competitive advantage include high quality products, superior customer service and achieving lower costs than its rivals (Barney, 2009). Understanding both the external and internal environment enables firms to withstand the challenges and maximize on the opportunities thereby promoting growth and sustainability. Competitive Strategy (Porter, 1980) focuses on industry structure in the external environment of the firm. The remedy to find an attractive industry assumes the firm possesses the resources or capabilities needed to compete in that industry, or the financial resources to acquire a firm with the requisite capabilities.

The resource-based view of a firm explains its ability to deliver sustainable competitive advantage when resources are managed such that their outcomes cannot be imitated by competitors, which ultimately creates a competitive barrier. The theory suggests that a firm with unique resources and capabilities provide the basis of strategy. It emphasizes that a firm utilizes its resources and capabilities to create a competitive advantage that ultimately results in superior value creation.

The market in which the East African Breweries Limited (EABL) operates is a highly competitive environment and thus there are many challenges affecting its level of competitiveness. However it has managed to stay successful and competitive by implementing various strategies such as, strategic planning, aligning its corporate strategy with the correct organizational model, development of IT in its process and positive reputation and thus making it top in the market locally. In a process that sometimes takes decades to reach fruition, EABL has established itself in a leading market position in a number of countries on in the beer industry.

### **1.1.1 Concept of Sustainable Competitiveness**

A competitive strategy consists of all the moves and approaches a firm has taken and is taking to attract buyers, with stand competitive pressures and improve its market position (Thompson and Strickland, 1993). Porter's (2004) concept of competitiveness focuses on prosperity created from economic activity that creates value by providing products and services at prices above their cost of production. He uses productivity as the key factor in defining competitiveness.

D'Cruz and Rugman (1992) defined competitiveness as the ability of firm to design, produce and/or market products superior to those offered by its competitors, considering the price and non-price qualities. (Saji,2002) modified this definition by defining the term 'international competitiveness' as the ability of companies, industries, and nations to continuously generate while remaining exposed to international competition, technological capabilities, relatively high factor income, and factor employment levels on a sustainable basis.

A firm can be said to have sustained competitiveness when it is implementing a value creating strategy not simultaneous being implemented by any current or potential competitors. Porter (1985) stated that a firm's relative position within its industry determines whether a firm's profitability is above or below the industry average. The fundamental basis of above average profitability in the long run is sustainable competitive advantage. He identified the generic competitive strategies of cost leadership, product differentiation or focus. Cost leadership can be achieved through increasing

profits by reducing costs while still making a reasonable profit. In a differentiation strategy a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. The generic strategy of focus rests on the choice of a narrow competitive scope within an industry. The focuser selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others.

Sustained competitiveness involves a combination of processes and assets, where processes transform assets to achieve economic returns from sales to customers while assets are inherited as natural resources or created infrastructure. East African Breweries Limited (EABL) has continued to carry out outstandingly profitable operations in the region.

In general terms, the beer industry throughout the world is marked by fairly high barriers to entry. The amount of expertise and equipment required for the manufacture of beer products presents formidable initial barriers to entry into the industry because of the high cost of establishing a manufacturing plant which is emphasized by (Porter, 1979) in the Porter's Five Forces of Competitive Position framework for assessing and evaluating the competitive strength and position of a business organization. East African Breweries Limited (EABL) has continued to carry out outstandingly profitable operations in the region.

### **1.1.2 East African Breweries Limited**

East African Breweries Limited, commonly referred to as EABL, is a Kenya-based holding company, which manufactures branded alcoholic and non-alcoholic beverages. It was founded as a private company – Kenya Breweries Limited, in 1922 by two white settlers George and Charles Hurst. It was registered as a public company in 1934 and acquired Tanganyika Breweries in 1935 necessitating the name change to East African Breweries Limited in 1936. It acquired financial holding in Ugandan Breweries in 1959 giving it a controlling hand in the brewing hand in the East Africa market. EABL is East Africa's leading branded alcohol beverage business with an outstanding collection of brands that range from beer, spirits and adult non alcoholic drinks. (EABL, 2015)

While still the dominant producer in Kenya, East African Breweries Limited (EABL, a subsidiary of Diageo) has seen competition intensify in recent years from small local brewers and imports of international brands such as Heineken and SABMiller. That said, East African Breweries Limited still controls around 90% of the Kenyan beer market, and continues to expand into the rest of East Africa. With breweries, distilleries, support industries and a distribution network across the region, the group's diversity is an important factor in delivering the highest quality brands to East African consumers and long-term value to East African investors. Proficiency and excellent customer service is proof of their commitment to be the market leader. These attributes have placed them at the forefront in the beer industry, and positioned them to continue increasing the scope of their customer solutions and services.

## **1.2 Research Problem**

Enhancing a sustainable competitive advantage is not automatic especially in this very unpredictable and dynamic environment. Challenges from both the external and internal environment need to be managed effectively so as to keep the organization growing. Sustained competitive advantage exists when competitors are unable to duplicate the benefits of the strategy over time (Barney, 1991)

The firms are at a constant watch at what their competitors are doing and thereby making it very difficult to shoot up in such an industry. A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost or deliver benefits that exceed those of competing products .Thus, a competitive advantage enables the firm to create superior value for its customers and superior profits for itself. Although EABL clearly dominates in the local market, competition in Kenya's beer industry has increased in recent years, as both microbrewers and macro brewers attempt to take advantage of naturally expanding markets. At the end of 2012, Keroche Breweries (Kenya's only local brewery) stated that it plans to raise its share of the beer market in Kenya to 20% (from around 3% currently) in two years, and is increasing capacity to meet that target (KPMG Africa, 2014)

A number of studies have been conducted on the strategies adopted by various organizations to enhance its sustainable competitiveness. Kaburu (2012) carried out a study to establish the competitive strategies adopted by Zetech College to cope with competition affecting middle level colleges in Kenya. Muganda (2007) also carried out a

study on Nation Media Group to establish the competitive strategies adopted by the company to cope with competition in the media industry in Kenya. Ongori (2010) did a survey to investigate the strategies employed by commercial banks in Kenya to build competitive advantage. Musia (2013) did a study to determine the factors influencing competitive advantage by East African Breweries Limited within the beer manufacturing sector in Kenya.

Among the studies reviewed, there is no known study that has dealt with the strategies that the East Africa Breweries limited has adopted to enhance sustainable competitiveness. This study seeks to fill the existing research gap by conducting a study to determine , what are the strategies adopted by the East African breweries in enhancing sustained competitiveness?

### **1.3 Research Objective**

The research objective of this study is to establish those strategies adopted by East Africa Breweries Limited in enhancing sustainable competitiveness.

### **1.4 Value of The Study**

The results of this study would be valuable to scholars and other researchers as it would be form a basis for further research. It would help academicians to undertake the same topic in their studies. Students would use this study as a basis for discussion on competitive strategies. The study will also be a source of reference material for future researchers on related topics



This study is very significant to all the companies in Kenya that are struggling to triumph and penetrate the very competitive industry in Kenya. Investors that are willing to join this industry can also gain on the various tips they will consider in gaining that competitive edge. However, this is not limited to only those that are already in the industry but also reaches out to those that are perhaps planning to offload some shares from a player in this industry or expand their existing portfolio. This study will be of value as a reference and mention to future researchers in the field.

The government and other major policy makers will use the findings from this study to set guidelines as far as strategic competitiveness in concern and how to manage challenges to attain an effective competitive environment.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This Chapter discusses the theoretical foundation related to the strategies that are adopted to enhance sustainable competitiveness and what other researchers have done. The areas covered here are theoretical foundations and the adopted strategies used by East African Breweries to enhance its sustainable competitiveness.

#### **2.2 Theoretical Foundation**

In this study, the theories that explain the concept of sustainable competitiveness are the Resource Based View, Dynamic Capability theory and knowledge based theory of a firm.

##### **2.2.1 Resource Based Theory**

The resource based view of the firm (RBV) draws attention to the firm's internal environment as a driver for competitive advantage and emphasizes that a firm utilizes its resources and capabilities to create a competitive advantage that ultimately results creating a superior value chain. According to Barney (1991), a firm resource must be valuable, rare, and imperfectly imitable and non-substitutable in order to be source of a sustained competitive advantage. He argued that only strategically important and useful resources and competencies should be viewed as sources of competitive advantage.

The resource-based view (RBV) states that, the basis for the competitive advantage of a firm lies primarily in the application of valuable tangible or intangible resources at the firm's disposal. Resources that are diverse in nature are the ones required to transform a short run competitive advantage to a sustainable competitive advantage. Resources need to be rare to be able to function as a possible source of a sustained competitive advantage (Hoopes, Madsen and Walker 2003).

Hitt et al (1997) argues that companies create sustainable competitive advantage whenever customers consistently perceive positive differences such as in quality, uniqueness value or cost competitiveness, between the products or services offered by the company and those of its competitors. It has been argued that the RBV ignores the nature of market demand and only focuses on internal resources (Hooley et al. 1996). A firms ability to earn profit and success depends on the attractiveness of the industry in which it is located and having competitive advantage over it competitors. Sustaining competitive advantage in the face of competition and dynamic changes in the environment requires that firms constantly develop their resources basis.

Sustainable competitive advantage has a reasonable lasting effect and helps the company to achieve its strategic goals. To be sustainable, competitive advantage needs to be embedded in the organization resources, skills, culture, and investment over time (Porter, 1998). Managers have to make an overall assessment of the organization resource base and make the relevant strategic decisions that will enable the company to survive the stiff competition from its rivals.

### **2.2.2 Knowledge Based View**

The knowledge-based theory of the firm considers knowledge as the most strategically significant resource of a firm. The relationship between organizational knowledge and the firm's competitive advantage is influenced by its capacity to integrate and apply knowledge (Matusik and Hill, 1998). This knowledge is carried through various aspects such as systems, employees, organizational culture and beliefs, documents and policies.

The sustainability of the knowledge-based competitive advantage depends on knowing better certain aspects than the competitors, along with the time limitations competitors have to acquire similar knowledge despite the amount of money they are willing to invest to achieve it (Zack, 2002). Organizational learning also plays an important role in the sustainability of the competitive advantage knowledge based view of the firm. In the global knowledge-based competition, the role of human capital has become tremendously important. Individuals are no longer mere elements of a production system, but owners and controllers of the most important factor of production – knowledge. Although the resource based view of a firm recognizes the important role of knowledge in firms that achieve sustainable competitiveness, it treats knowledge as a generic resource rather than one with special characteristics.

### **2.2.3 Dynamic Capability Theory**

In organizational theory, dynamic capability is the capability of an organization to adapt adequately to changes that can have an impact on its functioning. Teece et al. (1997) defines dynamic capability as the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. He added that the term dynamic refers to the capacity to renew competences so as to achieve congruence with the changing business environment.

Capabilities and capacities lead to superior sustained performances because they are specific to each organization, valuable to the clients, non substitutable and hard to imitate. The basis of gaining a sustainable competitive edge is on competencies and capabilities critical to market success and satisfying customers (Porter 1985). Dynamic Capability Theory provides top management with options on how they can change their existing models to adapt to dynamic changes in the environment. The term capability emphasizes the key role of strategic management in appropriately adapting and integrating both the internal and external organizational skills.

### **2.3 Strategies Adopted to Enhance Sustainable Competitiveness**

Strategic competitiveness is a tactical achievement that takes a lot of planning to pull through. Companies are spending a lot of money in this turbulent and dynamic environment in which almost all the players are aware of the underlying danger of this form of competitiveness. Sustainable strategic competitiveness for a firm can be achieved

by the creation of a Unique Value Proposition which is a clear statement that describes the benefit a firm has to offer, how they solve customer's needs and what distinguishes the organization from the competition (Porter, 1996). With a strong developed UVP the company and its services are likely to win all ways round, the sales revenues are higher, lower costs, higher profits and increased equity value of the firm.

Companies face a major task in finding that unique factor that separates them from the other pool of market players in the same industry they are in. Identification of a unique value proposition or strategic market position that will last the market instability forces takes three major steps; knowing the exact customers, separation of users from customers of their product and defining the business concept in a brief precise and straight forward sentence.

Strategic planning is commonly practiced in order to enhance the organizations performance. It is the cornerstone of every organization without which the organization will never know where it is going or when to achieve its objectives (Wahome, 2009). Strategic planning takes place both at corporate and business levels. The strategies at both levels are interrelated. All the parts of the business work to accomplish the corporate mission. However, this does not mean that companies have to come up with an entirely new concept but means that they have to establish that one aspect that differentiates them from the competition. In general, this form of sustainability is consistent with the notion of sustainable competitive advantage inherent in the resource based theory of the firm (Barney, 1991)

Among the factors cited as crucial to successful implementation of strategic planning , the following dominate: Leadership, Organizational culture, structure, processes; coordination and control systems, management systems, human resource systems, communication, systems approach to strategic management, resource allocation, Change management, and creative thinking and creative problem solving.

Porter (1980) suggests five competitive forces strategies that are used to determine the profitability of an industry such as: threat of entry, threat of substitution, bargaining power of buyers, bargaining power of suppliers, and rivalry among current competitors. The impact of these five forces and the structure of an industry, determines the intensity of industry competition and the ability of firms in the industry to make profits. Porter describes competitive strategy as taking defensive and offensive actions to cope successfully with the five competitive forces.

Hamel and Prahalad (1994) focus on core competencies and argue that a firm's sustained competitive advantage is to be found in its core competencies. A core competence is a business activity that an organization does particularly well in comparison to competitors (Daft, 2006). In order for a competence to be a core competence, three criteria have to be met. These include the competence has to provide access to more than one market, the competence must give a significant contribution to the end product and lastly, the competence must be difficult for competitors to imitate

Generic competitive strategies are implemented in organizations to enhance sustainable competitiveness. They include low product cost, broad differentiation strategies and best cost and focus strategies. Low product cost strategy aims to be the lowest cost producer within the industry, while under differentiation strategy, the firm seeks to differentiate its product by offering distinct products from that of its rivals.

In adopting a narrow focus, the company ideally focuses on a few target markets. These should be distinct groups with specialized needs. Cost leadership can be achieved by taking control over the value chain and encompassing all functional groups; finance, supply/procurement, marketing, inventory, information technology to ensure low costs. Firms can also take advantage of the economies of scale to minimize on costs

Differentiation strategy is an attractive competitive approach whenever a buyers need and preference are too diverse to be fully satisfied by a standardized product or service or by sellers with identical abilities. A company can implement the differentiation strategy through superior services, quality service, market innovation, value addition techniques, and technological leadership among others.

The focus strategy involves the firm focusing on a narrow portion of the market expectations and is also built on serving a particular target i.e. customer, product, or location very well (Porter, 1987). A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost or deliver benefits that exceed



those of competing products (differentiation advantage). Thus, a competitive advantage enables the firm to create superior value for its customers and superior profits for itself.

## **2.4 Empirical Studies and Research Gap**

Sinee (2001) did a study is to analyze the Marketing Strategy Competition among companies dealing with domestic and imported beers before Liquor Liberalization in Thailand. It adopted a case study analysis of companies. The results of the study showed that Thai Beer Company used the price and channel strategy, brand building strategy, SWOT analysis strategy, heavy advertising strategy, selling point building strategy, and proactive strategy. Imported beer companies conducted trade promotion strategy, advertising strategy and brand strategies.

Aguko (2014) examined the value chain analysis and organizational performance of beer manufacturing companies in Kenya. The study adopted a cross sectional descriptive survey. From the study findings it was established that the main factors that influence the value chain in the beer manufacturing industry in Kenya were timely delivery times of products and services, waste reduction, well managed procurement costs, use of modern information technology, effective human resources management, efficient firm infrastructure and continuous improvement.

Mugwe (2012) did a study on the competitive strategies adopted by beer brewing firms in Kenya. The study adopted a cross sectional survey research design. The results indicate that heavy distributional costs, increasing advertising cost, many brands in the market,

heavy costs of production, low market penetration, old machinery of production, low profits, fear of change, fact that their brands are unknown, lowering of prices by other firms, heavy legislation, low market share, low sales were challenges that beer companies were facing in marketing their products. The study also found that the beer firms were using cost leadership, offensive strategies, defensive strategies and collusive strategies as competitive strategies to a great extent.

Wangechi (2005) examined strategic planning at East African Breweries Limited. The objective of the study was to investigate and document the strategic planning system at East African Breweries Limited. This was done through an interview guide. The findings concluded that East African Breweries Limited has put in place a strategic planning system that is unique to its context and that the marketing tool plays a great role in Strategic Planning. Strategic planning at EABL is not without its complications and challenges. This is due to the complex nature, size, different environments and multiple businesses that pose problems during strategic formulation and implementation stages. To deal with these challenges effectively there needs to be strategies in place to enhance growth and sustainable competitiveness.

Although strategies adopted to enhance competitiveness affect all organizations especially the ones that seek sustainable competitiveness, previous studies don't bring out the East African Breweries context well. Sinee (2001), Aguko (2014) and Mugwe (2012) focused on market based strategies, value chain analysis and organizational performance and strategic planning respectively. More to Value Chain analysis and strategic planning,

there are other strategies that need to be adopted to enhance strategic competitiveness. Beer firm's market growth is slow due to economic hardships that have continued to affect beer industry, coupled with high taxes, stiff competition from other beverage sub sectors and low consumer spending (Evelyn & Margaret, 2005). In light of this there exists a knowledge gap to establish the strategies adopted by East African Breweries to enhance sustainable competitiveness.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter discusses the research methodology used in this study. It discusses aspects such as research design, data collection methods and data analysis. The main objective of this study was to investigate the Strategies adopted by East African Breweries Limited in enhancing sustainable competitiveness.

#### **3.2 Research Design**

According to Borg and Gall (1996) a research design is a logical and valuable way of looking at the world. This is a plan according to which research participants are chosen, the data collected and analyzed. The research design for this study was a descriptive case study. Korathi (1990) describes a case study as a form of qualitative analysis that involves a careful and complete observation unit. A case study method is popular for qualitative analysis as it entails taking a single situation within a single social unit and studying it comprehensively and intensively.

The study unit was East African Breweries Limited. The selected members from the top management were interviewed to establish the competitive strategies adopted by East African Breweries Limited in enhancing its sustainable competitiveness.

### **3.3 Data Collection**

Primary and secondary data was collected for this study. Primary data collection targeted eight senior managers from various departments at the headquarter offices in Nairobi. These respondents were better placed in providing required data because they play a great role in ensuring the best strategies are in place to enhance sustainable competitiveness. `

To gather primary data, an interview guide was used. The interview guide was administered through personal interviews which allowed further probing. It had a combination of both open and closed ended questions. Secondary data was also be used in the study. The sources of this data included: publications from the internet, newspapers and internal documents including company profile and reports.

### **3.4 Data Analysis**

Newton and Jeonghun (2010) defined data analysis as systematically looking for patterns in the data collected and formulating ideas that account for those patterns. Content analysis technique was used to analyze the data. Content analysis has been defined as a systematic, replicable technique for compressing many words of text into fewer content categories based on explicit rules of coding. Content analysis enables researchers to go through large volumes of data with relative ease in a systematic fashion (GAO, 1996).

According to Nachmias and Nachmias (1996), content analysis is the systematic and qualitative description of the composition of subject of study. This involves analyzing major concepts, contents, themes relevant to the research objective and interpreting them to draw conclusions and recommendations

## **CHAPTER FOUR**

### **DATA ANALYSIS, RESULTS AND DISCUSSION**

#### **4.1 Introduction**

The chapter presents an analysis of the data, results and discussion based on the research objectives and the research methodology. The main objective of the study was to establish the competitive strategies adopted by East African Breweries Limited to enhance sustainable competitiveness. Case study research design was used and data collected through interviews with the senior managers. An interview guide was used to assist in conducting the interviews. The data collected from the research was qualitative in nature and therefore analyzed through content analysis.

#### **4.2 Respondents Profiles**

The study collected data through personal interviews with five managers of East African Breweries Limited Kenya. A response rate of 75% was achieved as only five managers were available for the interview. The respondents were key persons responsible for formulation and implementation of strategies in the organization. The respondents had worked in the organization for a period of five years and above and thus were better placed to respond on the strategies they adopted and how the company had managed to implement them thereby gaining sustainable competitive advantage.

## **4.3 Strategies Adopted by East African Breweries**

According to the respondents, East African Breweries Limited adopted a number of key competitive strategies to achieve sustainable competitiveness.

### **4.3.1 Product Differentiation Strategy**

From the findings it was noted that EABL had put in great emphasis on product differentiation and uniqueness as a strategy for competitiveness which other beer manufacturing industries have not been able to replicate over a long period of time. Product differentiation has paved way for brand loyalty which has been a successful product differentiation strategy among customers. According to the Marketing Manager the market share has risen over the years through perceived quality, value, and cost savings by the company. The company must continue to deliver quality or value to consumers to maintain customer loyalty. Porter (1980) suggested differentiation as one of the three generic strategies that a firm can adopt. Porter further suggested that strategic differentiation involves differentiating an organization from its competitors in ways that are sustainable in the future. Respondents emphasized that the products offered by EABL are differentiated to suit their customers such that the customers are able fulfill all their personal expectations. Differentiation looks to make a product more attractive by contrasting its unique qualities with other competing products. Successful product differentiation creates a competitive advantage for the seller, as customers view these products as unique or superior.



### **4.3.2 Cost Leadership Strategy**

According to the respondents, EABL enhanced cost leadership to a quite a large extent through supply chain optimization which ensured perfect product supply even during the peak seasons. Economies of scale arise when firms that produce at larger volumes enjoy lower costs per unit because they can spread fixed costs over more units, employ more efficient technology, or command better terms from suppliers. The respondents stated that the cost was controlled through efficient production, brewing automation and outsourcing of services, business performance management and substitution of raw materials. This provided the quality and value necessary to continue exceeding the expectations of the consumers.

The respondents' further explained that low costs of production for valuable products enabled the company to enjoy high degree of customer loyalty and lock out the competitors in the market. Porter (2001) argues that the low-cost leader gains competitive advantage by getting its costs of production or distribution lower than those of the other firms in its market. A company can reduce cost of production by improving processes efficiency, getting lower cost materials, vertical integration, optimal outsourcing, efficient distribution channels, expertise in manufacturing and engineering

### **4.3.3 Diversification Strategy**

Diversification Strategy is a form of growth marketing strategy that has been used to increase profitability through greater sales volume obtained from new products and new markets. The managers pointed out that this particular strategy had been targeted to venture into new markets through new products.

EABL has continued to engage in the development of new products aimed at creating different new brands and engaging in traditional liquor segment. According to the respondents EABL launched the new herbal-flavoured ready-to-drink spirit known as Orijin and it is expected to grow and acquire more market share and popularity. Diversification growth strategy makes sense when good opportunities can be found outside the present business. Kotler (2003) states that a good opportunity is one in which the industry is highly attractive and the company has a mix of business strengths to be successful.

### **4.3.4 Marketing Strategies**

The respondents indicated that EABL was operating in an increasingly competitive market and intense marketing strategies were a condition for survival. EABL managed to consistently market itself locally and globally through the use of the local media, an up to date company website, road shows, bill board advertisement, promotions, sponsorship of various events such as the Safaricom 7s rugby competitions, Tusker Twende Kazi Campaign and more intensive distribution. The respondents however noted that the constant changes in customer's choice and preference to products offered by competitors

was a major challenge. The company was therefore forced to come up with more up to date marketing strategies to mitigate this such as the use of social media as a tool to target both existing and future customers. This way the company was able to communicate, have continuous interactions with consumers and was able to follow on the feedback and preferences easily.

#### **4.3.5 Continuous Innovation Strategy**

According to the respondents EABL invested a great deal in technological innovation and product innovation that aims at improving the processes of production, manufacturing and distribution in order to increase efficiency to keep up with the changing trends. The business environment today is highly competitive and companies must innovate in order to stay ahead of their competitors. Innovation implies something that is essentially new. However to create business value does not necessarily have to be new to the world. Product innovation can be described the creation and subsequent introduction of a good or service that is either new, or an improved version of previous goods or services.

According to Mulgan and Albury (2003), successful innovation is the creation and implementation of new processes, products, services and methods of delivery which result in significant improvements in outcomes efficiency, effectiveness and quality. EABL has successfully developed products and services that provide to its diverse customer base.

The rate at which organizations are turning to the internet and other information technology options is increasing by the day. According to the respondents constant improvement of technological innovations to keep up with the trends has boosted its growth and success over the years. It has helped them analyse data and make informed decisions in day-to-day management and operation of the business. The company uses technology to respond faster to customer demands, enhance product quality management and overcome physical geographical boundaries to operate its business seamlessly, with hopes of facilitating cross-country bench-marking.

#### **4.3.6 Human Resources Management Strategies**

Respondents stated that human resource management had become a key strategy in enhancing competitiveness since human resource strategies look into the sustenance of the human capital. As the global economy becomes increasingly knowledge based, the acquisition and development of superior human capital becomes essential to EABL's success and growth. The company enhanced human management strategies to ensure that it has qualified staff to implement its goals. The respondents noted that the continuous training and development given to the employees to keep them up to date with the changing consumer consumption patterns, has not only improved their morale but also helped them to work better. They further noted that the company had put up measures to attract, retain and develop talents and knowledge of its employees and to motivate them to achieve the vision and mission. The company believes in good corporate governance in order for it to achieve its business objectives. All employees are provided with an

opportunity to fully understand the work ethics and the regulatory expectations. Corporate values are communicated and shared widely in the organization. According to the respondents, the employee productivity and loyalty was high as particular targets are set and there is a business performance management process in place to monitor measure and cause correction perform

#### **4.3.7 Corporate Social Responsibility**

According to the respondents, Corporate Social Responsibility is another strategy that EABL has adopted. CSR relates to the relationship between a company and the government, shareholders and individual citizens. It is a self-regulatory mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards and national or international norms. Respondents noted that the company incorporates CSR in its overall organization plan, in its code of conduct, internal governance and ethics and the company's culture. EABL contributed to community sustainability by providing local jobs, through the EABL foundation water for life projects, scholarships to needy bright students, building local talent and leadership, fostering an enterprise culture throughout their value chain, sourcing from local businesses where feasible and addressing local concerns (EABL, 2015) .According to the respondents, EABL had supported this notion of CSR for a long time as part modeling its image and giving back to the society. It has been done through awareness campaigns on responsible drink, broadcasted adverts with slogans of 'Don't Let Friends drink and drive', thereby supporting safety first.

#### **4.4 Discussion**

The environment has become very competitive and firms have become so concerned with maintaining their competitive drive and growth through various strategies. Findings from study indicate that East African Breweries Limited has adopted various strategies that have been seen to have a very big impact on its success.

EABL has distinctive capabilities that separate it from its competitors. The management leads from a global perspective with all section heads liaising with each other to form and implement strategies that go hand in hand with its strategic goals and vision. The core capabilities include provision of quality products, differentiated products and value added products. The capabilities are supported by competitive strategies like attracting and retaining competence, experienced staff and efficiency in product delivery demonstrated by effective implementation. This is consistent with the Dynamic capability theory and Resource Based Theory where (Porter 1985) argues that the basis of gaining a sustainable competitive edge is on competencies and capabilities critical to market success and satisfying customers. According to Barney (2007) in order to realize its full potential, a firm must be organized to exploit its resources and capabilities.

EABL has the knowledge of the basic competitive strategies and has put up measures to attract, retain and develop talents and knowledge of its employees and to motivate them to achieve the vision and mission. The employees are given continuous training and development to keep them up to date with the changing consumer consumption patterns thus improving their knowledge which is a great asset in achieving sustainable

competitiveness. The company has enhanced human management strategies and policies to ensure that it has qualified staff to implement its goals. This is conforms to the Knowledge based view theory which argues that knowledge is becoming the most valuable strategic resource a company.

Findings from study indicate that EABL has adopted differentiation strategy which has had a big impact on its competitive success. EABL's products are differentiated to make them more attractive by contrasting its unique qualities with other competing products such that the customers are able fulfill all their personal expectations. This successful product differentiation has created a competitive advantage for EABL as customers view these products as unique or superior. In addition, cost leadership strategy has been an effective strategy for EABLs as supply chain team has been tasked with the responsibility of ensuring that the output matches the demand. The low costs of production for valuable products enabled the company to enjoy high degree of customer loyalty and lock out the competitors in the market. Porter (2001) argues that the low-cost leader gains competitive advantage by getting its costs of production or distribution lower than those of the other firms in its market.

Sustainable competitive advantage cannot be achieved through operational effectiveness alone (Porter, 2001). Sustainable competitive advantage comes about by performing different activities from rivals or performing similar activities in different ways. All the respondents were agreed that the company needed to continuously scan the environment in order to respond appropriately to the changing environment.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter provides the summary, conclusion and recommendations of the study based on the objective of the study. The objective of this study which was to establish the strategies adopted by East African Breweries Limited, Kenya in enhancing sustainable competitiveness

#### **5.2 Summary of the findings**

The objective of the study was to determine the strategies adopted by East African Breweries in enhancing sustainable competitiveness in Kenya. The researcher interviewed five respondents of the eight that were targeted.

The study established that in this very dynamic environment EABL, faces stiff competition from its various competitors and amidst this competition it had managed to stay successful. It was found that the company had managed to keep off the competition by applying various competitive strategies in its operations that have played a very big role in its success.



The study also established that EABL focused on both existing and future customers through product differentiation and innovation to meet new trends. It used various strategies, resource and capabilities to become the leading beer distributor in Kenya. In the next five years respondents emphasized that EABL would be the Number one drinks company in Africa as well as the most trusted and celebrated organization.

The researcher also established that the respondents observed that there was general satisfaction among employees. Employee productivity and loyalty is high as particular targets were set for each individual and there was a business performance management process in place to monitor measure and cause correction performance.

### **5.3 Conclusion**

The study concludes that the adoption of competitive strategies had played a great role in ensuring growth and continuous sustainable competitiveness at East African Breweries Limited. From the findings, it was concluded that differentiation and aggressive marketing are the most widely practiced strategies for competitiveness at the East African Breweries limited in Kenya. There is a good understanding of the theoretical foundation of the strategies that enabled company to implement the strategies and excel in its objectives.

The study also concludes that a firm's competitive advantage is not sourced from adoption of one strategy but a combination of many strategies. EABL adopted certain strategies to a greater extent than the others. Strategies such as innovation, customer

relations, differentiation, and diversification strategies were adopted with equal importance. EABL also collects views from all stakeholders, and embed the strategies to staff through departmental heads to ensure that these strategies are sustainable in the long run.

In the case of EABL, one way in which it had been able to achieve sustainable competitiveness is taking time to study the market and understand consumer needs and wants as well as how best to satisfy them before launching a product that will meet the identified demand

#### **5.4 Recommendations**

The economy is faced with current turbulent changes in the environment and even more environmental challenges ranging from the political environment to the social environment are constantly increasing. The public expectations are high for East African Breweries Limited and there is need to prove that it is still a market leader in the beer industry in Kenya .The study therefore recommends that the company can embrace the focus strategy to a larger extent in which a company concentrates on an identified target market and focuses on meeting that market needs. Focus strategy can be the key way to reaching the specific target markets.

It is recommended that the company should also continue formulating and implementing more strategies to enhance sustainable competitiveness and should target to progress not only locally but also globally. The study further recommends that other firms in the beer

sector should ensure they adopt competitive strategies that would enable them to grow successful amidst the competition and turbulent environment.

### **5.5 Limitations of the Study**

The main limitation was that only five respondents were interviewed because most of the respondents some senior managers were unavailable. Their observations might not be representative of all the views within the organization. The research design of this project was a case study. Other beer manufacturing firms in Kenya could have been consulted on the strategies they adopt to enhance sustainable competitiveness to get broader findings.

### **5.6 Suggestions For Further Research**

The researcher recommends that a similar study be done in other beer manufacturing industries for purpose of benchmarking since the business environment is also applicable to them. A study could also be done to identify the challenges faced by beer industries in adopting strategies for sustainable competitiveness.

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## APPENDICES

### Appendix 1: Interview Guide

#### INTERVIEW GUIDE ON STRATEGIES ADOPTED BY EAST AFRICAN BREWERIES IN ENHANCING SUSTAINABLE COMPETITIVENESS

1. Name (Optional)
2. What is your position in the EABL?
3. What is the name of your department?
4. How many employees does the company have?
5. How long have you worked in the organization?
6. Who is responsible for strategy formulation at East African Breweries Limited?
7. How are your current strategy (ies) formulated?
8. What strategies does the East African Breweries Limited adopt for Sustainable Competitiveness?
9. How have the adopted competitive strategies assisted the East African Breweries Limited in the achievement of its strategic goals?

10. Explain the extent to which East African Breweries Limited has implemented the following generic strategies to deal with its competitors?

i. Cost leadership

ii. Differentiation

iii. Focus

10. What measures does the organization put in place to ensure that these strategies are sustainable in the long run?

11. How does East African Breweries Limited focus on both existing and future customers?

12. Which major strategies have the East African Breweries Limited used to stay ahead of its competition in the last five years?

13. How has your organization been affected by changes in the market due to competition?

14. Which strategies has East African Breweries Limited adopted to improve its corporate image?

15. Where do you see the company in the next 5 years?