STRATEGIC GROUPS ANALYSIS IN THE FREIGHT FORWARDING INDUSTRY IN MOMBASA, KENYA

LEONARD MURIITHI NJIRU

A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTERS OF BUSINESS ADMINISTRATION DEGREE, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

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DECLARATION

This project is my original work and has not been presented for degree in this or any other university.

Signed: .... Date: ..22/11/11..........

Leonard Muriithi Njiru Reg. No: D61/70257/2008

This management research project has been submitted for examination with my approval as the University Supervisor.

Signed: .... Date: 23-11-2011..

FOR Dr. Jackson Maalu

School of Business

University of Nairobi

DEDICATION

I dedicate this project to my parents for the effort they put to lay a firm foundation of my education and teaching me to be a resilient individual in order to achieve life goals.

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First and foremost I thank the almighty God for the gift of life and good health that has enabled me to study and reach this far. All honour and glory is unto you; you are an awesome God.

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To the respondents, I salute you for finding time out of your busy schedules to complete the questionnaires that formed the basis of the findings of this project that brought forth new knowledge in the world of strategic management.

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ABSTRACT

Strategic groups represent collections of firms that are similar on key strategic dimensions. Since opportunities are varied across an industry, some industry sectors are bound to have greater profit potential than others and thus firms seek to move from low profit potential segments to higher profit potential segments of the industry. The freight forwarding industry in Mombasa Kenya is wide and complex in size and scope of operations. The study aimed at conducting a strategic group analysis of the freight forwarding industry and further determines the factors that explain the existence of strategic groups in the industry.

This research targeted 70firms for the study using disproportionate stratified random sampling. Firms were selected at random from each strata using disproportional allocation approach. These were then combined to finally get a common sample of 70 firms from the whole industry. Out of this sample, 38firms responded representing a 54.4% response rate. The semi-structured questionnaire was the main instrument of data collection administered to the general managers of the target firms through a 'drop and pick later' method coupled with telephone calls follow up. A 5-point likert scale was used to assess a number of factors that the research was investigating. Data analysis was conducted using the statistical package for social sciences (SPSS) software and then interpreted in form of tables and graphs.

The freight forwarding industry was found to comprise five strategic groups separated by mobility barriers that are getting stronger with time due to environmental factors that are legal, economic and competitive in nature. The nature of these barriers was found to be 'resource-based' and reinforced by the legal regulatory framework. The research concludes that managers of freight forwarding companies need to beware of the group to which they belong as well as the environment turbulence that drives change in the industry. The way a firm responds to this dynamism in order to overcome the mobility barriers, determines whether it will stagnate, collapse or move to the desired strategic group in pursuance of growth and achievement of the set business objectives.

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LIST OF ABBREVIATIONS

CFS	Container Freight Station
C/F	Clearing and Forwarding
DWT	Dead Weight Tonnage
EACFFPC	East African Customs Freight Forwarding Practicing Certificate
ECTS	Electronic Cargo Tracking System
ETR	Electronic Tax Register
IO	Industrial Organization
KEBS	Kenya Bureau of Standards
KPA	Kenya Ports Authority
KRA	Kenya Revenue Authority
KIFWA	Kenya International Freight and Warehousing Association
KSAA	Kenya Ships Agents Association
KTA	Kenya Transporters Association
KWATOS	Kilindini Waterfront Operating System
LCL	Less than Container Load
PIMS	Profit Impact in Marketing Study
SPSS	Statistical Package for Social Sciences
SSSTP	Second Stable Strategic Time Periods
VAT	Value Added Tax

CHAPTER ONE: INTRODUCTION

1.1 Background

This chapter explores the basic concept of strategic groups and how strategic group analysis is conducted in strategic management. This is then put in the context of the freight forwarding industry. It is worth to note that the industry comprises various players including the shipping lines and/ or agents, consolidators and de-consolidators, customs clearing agents, CFS operators, bonded warehousing firms and transit godowns and transporters of local and transit goods.

Hunt (1972) observed that there exists performance differences between groups of firms within the same industry as well as across industries, contrary to theories existing at the time of industrial organization which assumed an industry was homogenous safe for the firm size. It emerged that firms in an industry are heterogeneous in terms of the resources they own and strategies pursued. These differences lead to different performances and the various groups within the industry we called strategic groups.

Earlier studies raised the importance of incorporating mix of variables in strategic group formation (McGee and Thomas, 1986) while later studies gave greater emphasis to resource heterogeneity to define a strategic group as a set of firms that attempt to modify or exploit similar structural characteristics of a given industry, Barney (1986).

1.1.1 Concept of Strategic Groups

A strategic group is a concept in strategic management that groups companies within the industry that have similar business models or similar combinations of strategies. The term strategic group was coined by Hunt (1972) while conducting an analysis of the appliance industry after he discovered a higher degree of competitive rivalry than suggested by industry concentration ratios.

He attributed this to the existence of subgroups within the industry that competed along different dimensions making tacit collusion more difficult. These asymmetrical strategic groups caused the industry to have more rapid innovation, lower prices, higher quality and lower profitability that traditional economic models would predict.

Hunt (1972) observed that contrary to existing theory based on the structure – conduct - performance paradigm in the industrial organization (IO) literature, there appeared to exist performance differences between groups of firms within the same industry as well as across industries. He referred to these groups as 'strategic groups' which were amalgamation of firms within the industry that are highly symmetric with respect to cost structure, the degree of vertical integration, and the degree of product differentiation, formal organization, control systems, management rewards/punishments and the personal views and preferences for various possible outcomes.

This concept was later explained by Porter (1980) as the group of firms in an industry following the same or a similar strategy along strategic dimensions. He extended Hunt's original idea to include indirect effects leading to different strategies between firms, notably the existence of market entry barriers Porter (1979). Cool and Schedel, (1987) described strategic groups as a set of firms competing within an industry on the basis of similar combinations of scope and resource commitment. The implication is that firms in the same strategic group adopt similar competitive strategies, leading to intra-industry segmentation.

1.1.2 Strategic Group Analysis

Strategic group analysis (SGA) is a technique used to provide management with information in regards to the firm's position in the market and a tool to identify their direct competitors. The aim is to identify organizations with similar strategic characteristics, following similar strategies or competing on similar bases. The main competitive forces in the industry are identified and the major competitors in the industry based on competitive variables are outlined.

Competitors are then divided into strategic groups based on similarities in strategies and competitive positions. Thompson and Strickland (2003) suggested that one thing to look for is whether industry driving forces and competitive pressures favour some strategic groups and hurt others. Firms will most likely try to shift to a more favourably situated group, and how hard such a move proves to be, will depend on whether entry barriers for the target strategic group are high or low. It is important to note that although some companies operate in the same market, they are not necessarily direct competitors as this will be determined by the size or market position for example.

Strategic group analysis allows managers to identify direct competitors that are of a similar size and range and focus on remaining competitive areas in order to survive in the ever changing market. Such groups can usually be identified using two or perhaps three sets of characteristics as the bases of competition. Industrial competitive structure can be analyzed using strategic group analysis. This method of analysis classifies competitors into strategic groups or clusters to determine whether a proposed strategy is workable and probable. Strategic control is a vital part of strategic group analysis. The nature of strategic control is influenced strongly by the style of strategic relationships within diversified organizations. The selection of control systems for strategic implementation are based on factors such as portfolio diversity, disparity in time in the translation of financial results, risk, and the source of competitive advantage. It is vital that there is a proper match between the processes of control and the situational factors in the business environment. The nature and extent of control exerted will depend on these business circumstances.

1.1.3 Freight Forwarding Industry in Kenya

Freight forwarding services means services of any kind relating to the carriage, consolidation, storage, handling, packing or distribution of the goods as well as ancillary and advisory services in connection therewith, including but not limited to customs and fiscal matters, declaring the goods for official purposes, procuring insurance of the goods and collecting or procuring payment or documents relating to the goods. The freight forwarding industry is wide in scope and rich in diversity as can be seen in the definition above. It comprises huge multinational firms, medium sized firms, and small sized firms.

The multinationals and medium sized firms offer multiple services such as shipping and shipping agency services, consolidation, container freight station operations, bonded warehouses and transit godowns, transport logistics, airfreight, supply chain management, door to door delivery services among others. The small sized firms engage mainly in clearing and forwarding services of individual importers other than corporates and are known to specialize in clearance of second hand motor vehicles and consolidation/ deconsolidation of LCLs.

Handling of goods at the seaports, airports and border stations follows procedures set out by the revenue/ port authorities. KRA is the licensing authority of customs agents, transit gowdowns, bonded warehouses and CFSs. In order to make their operations more efficient and curb corruption, KRA has been tightening licensing rules, automated its operational links with customs agents, shipping lines, CFSs and Warehouses and introduced a number of programs in an effort to streamline and professionalize the industry. Such measures include; the introduction of SIMBA 2005 which enables online declarations of documents, the ongoing training on the East Africa Customs Freight Practicing Certificate (EACFPPC) for all customs agents, the Electronic Tax register (ETR) and now the Electronic Cargo Tracking System (ECTS) device to be fitted on all trucks ferrying transit goods to control dumping of goods into the local market.

An interesting development in the industry is the sidelining of the industry's umbrella body KIFWA by KRA. Earlier freight forwarding firms were required to be members of KIFWA before being licensed by KRA but in September 2010, KRA discarded that requirement. This has effectively placed the umbrella body KIFWA on it's deathbed since being a member or not is inconsequential. In addition, KRA went ahead to invite importers who wish to be licensed as C/F agents to clear their own goods. Importers and exporters in the land locked countries like Uganda, Rwanda and Burundi may opt to set up own clearing firms at strategic clearance points instead of appointing an agent. This will certainly intensify competition and rivalry amongst firms and it may also have serious consequences on agents who may have been depending on the same importers for business.

Licensing requirements for bonded warehouses and transit godowns have not been made easy either but have been made more stringent by KRA. Such requirements include the requirement to have a perimeter fence of concrete with the entire surface area properly paved using paving blocks or tarmac, computer software that is interactive with that of customs facilities for tracking of all the goods imported into the shed, a building of not less than three thousand square feet suitable for customs warehouse, provision of loading and offloading facilities for the verification of imports, a fee of 2.5Million shillings, the godown be located in a plot of not less than 2.5hectares with a railway sliding and the shed must have an average monthly revenue of not less than 100Million Shillings among others.

On the transport sector, there is a growing storm with the privatization of weighbridge management by the government. SGS has been contracted to manage the weighbridges at Mariakani, Athi River and Gilgil in an effort to curb corruption and save our roads from transporters who exceed the axle load limits. This implies that one cannot load two heavy 20ft containers but one each. Consequently, the cost of transport has gone up and profit margins down! New transporters are entering the industry to take advantage of increased demand for transport of goods within the region and compensate for reduced profits.

The East Africa Community member states Kenya, Uganda, Tanzania, Rwanda and Burundi have just adopted the common market in July 2010 meant to open up borders for trade and business. The effect of this integration is reduction of border restrictions both on people and goods and services. The 2009 annual review and bulletin of statistics by KPA shows that there is increased volumes of cargo being handled through the port of Mombasa growing from 13,281,000DWT in 2005 to 19,062,000DWT in 2009 both imports and exports.

The opening of new markets and growth in volumes has drawn interest from existing and new players in the freight forwarding industry and it will be interesting to find out how they are positioning themselves in the industry. In fact, there are new shipping lines that have began calling the port of Mombasa for example Emirates and Rais Shipping Agencies in 2008 and Gulf Badru Group (Evergreen) in 2010 as well as the entry of new CFSs such as Makupa terminal, Compact CFS, Africa Liner CFS as well as expansion of existing CFSs like Consolbase and Boss freight terminals. The growth in CFS is attributed to efforts by KPA to decongest the port to allow faster offloading of vessels, reduce costs of storing containers in the port and generally make the port more efficient. In this light, KPA also introduced an online operating framework called KWATOS for port users.

1.2 Statement of the Research Problem

After the initial exploration of the phenomenon of strategic groups by Hunt (1972), the idea of groups of firms acting along similar strategic dimensions within industries (Porter, 1980) brought together the ideas of industrial organization (IO) with a primary focus on the industry, with those of strategic management focused on the individual firm.

In terms of analysis, the strategic group can be viewed as a middle ground between the industry and the firm (Porter, 1980, Oster, 1994). Thus, the idea of strategic groups enriched the industrial organization perspective and provided a convenient taxonomy for strategic management researchers to compare and contrast groups of firms. The generic strategies approach by Porter (1980) arranged companies along two dimensions;
the breadth of their product/market offering against the choice of selling on price as lowest cost producer or differentiating on product benefits or other added value.
Porter thus offers four broad positioning alternatives, broad market vs. focus; and low cost vs. differentiation. However the generic strategies represent a blunt and crude measure to identify and portray subtle patterns of strategic choice. It does not allow the sophisticated separation of different but broadly similar strategic choices.

The freight industry in Kenya is diverse and complex in nature and scope. It comprises more than 1,000C/F agents, almost 14CFSs, about 53Shipping lines/agents and 712 registered KTA transporters (only 379are active members of KTA). The positioning of these firms in provision of various services in the industry as well as their growth and diversification is of interest. Several firms have diversified into different businesses within the industry including provision of courier services/ door to door delivery which was once a reserve of the Postal Corporation of Kenya and import of secondhand motor vehicles among others.

It is unclear whether some existing firms are forming alliances in order to enter new businesses / markets or they are going it alone. Musindi (2008) conducted a study on strategic groups in the oil industry and Kosgey (2008) studied the responses of C/F firms to changes in the external environment. There is no study that has been done on strategic groups in the freight forwarding industry nor has strategic group analysis of the industry been done. Are there strategic groups formed or forming in the freight forwarding industry? What factors lead to formation of such groups in the freight forwarding industry?

1.3 Research Objectives

The objectives of the study are:

i) To conduct a strategic group analysis of the freight forwarding industry in Mombasa.

ii) To determine the factors that explain the existence of Strategic groups in the industry.

1.4 Significance of the Study

It will enable managers to identify the factors that hinder or influence a shift into a desired strategic group. This will assist in determining profit potentials and sustainability in maintaining a competitive edge in the respective strategic groups within the industry.

To policy makers, it will be an eye-opener in designing policies that reduce and/ or eliminate barriers to entry or doing business in the freight forwarding industry.

Investors wishing to venture into the freight industry will find this piece of work very informative particularly in determining which group to enter and compete in.

By helping in defining group structures, the study will help in identifying which firms are in direct competition either through intergroup rivalry or intragroup competition and this will help the firms in the freight industry in strategy formulation that will aid in market positioning.

It will be a reference point for future researchers and academicians.

CHAPTER TWO: LITERATURE REVIEW

2.1 Strategy and Environment

The term strategy derives from the Greek word *strategia* meaning *'generalship'* itself formed from *stratos* meaning *'army'*, and *ag*, meaning *to lead*. However the concept of strategy did not originate from Greece. Sun Tzu's classic *The art of war*, written about 500BC, is regarded as the first treatise on strategy (Grant 2005). Ansoff and Mc Donnell (1990), stated that a strategy is a set of decision making rules that guide organizational behavior and sets the general direction in which the firm's position will grow and develop. The essence of formulation of competitive strategies is to relate a firm to its environment and thus the aim is to give direction and purpose, deploy resources in the most effective manner and to co-ordinate decisions made by different levels of the firm (Porter, 1998)

As business environments get more turbulent and less predictable, survival requires that companies perform at a higher level with a broader repertoire of capabilities. Building multiple capabilities and achieving excellence across multiple performance dimensions requires managing dilemmas that cannot be resolved as simple trade-offs. A company must be efficient today, while also adapting for tomorrow; it must produce at low cost while innovating; it must deploy the massed resources of large corporation, while showing the enterpreneural flair of a small start-up; it must achieve higher levels of reliability and consistency, while also being flexible in adapting to change (Grant, 2005)

According to Aosa (1992), a mismatch between the environment and the organization that is brought about by failure to respond to changes in the environment creates a strategic problem which must be addressed. They must therefore relate effectively with the environment for success by tailoring their strategies to the requirements of its market environment and to the strengths and weaknesses of its resources and capabilities.

2.2 Strategic Group Theories

Originally, two schools emerged in strategic group theory; the industrial organisation (IO) school based in economics and centered upon Harvard University and the so called Purdue School of strategic management. The research in industrial organisation school followed a similar pattern with a multi industry focus and a reliance on available data on firms and various performance indices drawn primarily from available industry databases such as Profit Impact in Marketing Study (PIMS) making use of univariate statistical analysis, where measures such as firm size, advertising or relationships with other industries (Newman, 1973) were taken as proxies for strategy, an underlying belief of all the IO studies was that performance varied between strategic groups. Formulating competitive strategy in an industry is seen as "the choice of which strategic group to compete in" and the principle aim is to explain performance (Porter 1980). Entry to a market may well be a question of choosing the "loose brick" (Prahalad and Hamel, 1990), to mean strategic group that is easiest to enter and which best fits the resource profile of the firm.

In contrast to the approach in IO, the research undertaken at Purdue University in the 1970s was more rooted in what is now called Strategic Management Theory. This was based on the idea that strategic groups provide a useful analytical tool to aggregate firms into those following similar strategies, with a view to comparing and contrasting them. Sparked by the observation that profitable positions are not a function of firm size or industry concentration, Hatten (1974) classified the US brewing industry into seven strategic groups. He went on to demonstrate that the profitability relationship between groups differed significantly from the profitability relationships for the industry as a whole and concluded that the industry was characterized by heterogeneous conduct that endured over time. The policy conclusion was that industry-wide strategy recipes were to be avoided.

This approach was extended by Patton (1976), who employed the use of simultaneous equations to explore the relationship between various performance variables, conduct and the environment. From these origins, research on strategic groups then went into a phase during the 1980s where various researchers looked to verify the findings of the earlier research in different industrial settings by employing different performance variables. For example, Hergert,(1983) explored the incidence of strategic groups within fifty US manufacturing industries.

Contemporary reviews by McGee and Thomas (1986) pointed to the sensitivity of strategic group analysis to the choice of variables adopted and to the difficulties of comparing strategies across different industries. The conclusion was that detailed knowledge and understanding of an industry and its context were necessary in order to specify adequately the variables to be included in any useful strategic group analysis. This was a clear criticism of earlier IO studies with their application of general concepts and tools of analysis across industries. These criticisms of strategic group theory as it had developed especially in the IO literature from 1972 to the mid-1980s led to a further phase of research. This phase focused especially on three themes which included; the further exploration of the concept of mobility barriers, Mascarenhas and Aaker, (1989), the stability of strategic groups over time and cognitive groups as explained by Oster (1982) Cool (1985), Fiegenbaum and Primeaux, 1985, Cool and Schendel, (1987).

2.3 Factors that Explain Existence of Strategic Groups

2.3.1 Mobility Barriers

Research into mobility barriers and strategic groupings in the 1980s built on the ideas of Caves and Porter (1977). McGee (1986) concluded that mobility barriers are a counterpart of group structures and arise from strategic decisions. Decisions which affect the height of the mobility barrier are critical and may be expected to arise as the result of judgments that "cannot be readily be imitated by firms outside the group without substantial costs, substantial elapsed time or uncertainty about the outcome of the decisions"(McGee and Thomas, 1986, p. 150). McGee also proposed a taxonomy of mobility barriers, distinguishing between market-related strategies, industry-supply characteristics and firm characteristics. It is noteworthy that the mobility barriers included were endogenous to the firm and therefore were strategic decisions under management control.

Mascarenhas and Aaker (1989) studying the performance implications of strategic groups within the oil industry considered that the concept of mobility barriers was pivotal to the strategic group concept and proposed a further definition of a strategic group, namely: "A grouping of businesses within an industry that is separated from other groupings of businesses by mobility barriers, barriers to entry and exit". They concluded that mobility barriers are much more about "who you are" and are resource dependent than "what you do" or the actions taken.

Mobility is higher between less protected similar groups because market entry requires overcoming relatively fewer mobility barriers, a finding consistent with Caves and Porter (1977) and the "stepping stone" idea advanced by McGee and Thomas (1986). Mascarenhas and Aker (1989) provided a research focus based on a common strategy conceptualisation of strategic groups. The tacit element of strategic decisions was brought more squarely into the argument. They concluded from their research that: "The results suggest credibility for the strategic group concept motivated by mobility barriers. A high degree of group stability was observed indicating that mobility barriers did exist".

Mobility barriers have continued to be a key concept that underpins the idea of strategic groups, providing the means by which sustained performance differences between groups can exist (Porter, 1980). However, mobility barriers as originally described (Caves and Porter (1977) included a policy of collusion in which firms acted in concert to promote their common interest by building high entry barriers in order to protect group profits. This idea, analogous to groups of residents building the walls of a medieval city to repel invaders, was not, however, born out by subsequent research. It seemed more probable that due to the similarity of strategies pursued by firms within a particular strategic group, a number of firms made similar investments; for example, in research and development or the deployment of large sales forces. This could be prompted by following the lead of an individual firm perceived as a reference point by other group members Bogner (1991)

The question of which variables to select in order to define strategic groups therefore becomes a matter of which mobility barriers best describe the structural components of an industry that prevent the free movement of firms between groups. Arguably, only a handful of key decisions may prove to be of significance; for example, employing Porter's generic differentiation strategy (Porter, 1980), firms might invest heavily or selectively in research and development where patents provide an important mobility barrier. Viewed in this way, the use of mobility barriers to define strategic groups becomes a process of identifying the key strategic decisions that build and sustain market position within a given industry.

More recently Dranove et al (1998) exploring the conditions under which sustainable performance differences may persist, reiterate that an effective mobility barrier must be in place to prevent entry of imitation by outside competition, and, in addition, a group-level effect must occur as the result of intra-group strategic interactions (Dranove et al., 1998).

2.3.2 Strategic Group Stability

Oster (1982) conducted work on the stability of the strategic group intra-industry structures over time and followed the methodology of Porter. She defined strategic groups on the basis of high and low advertisers. She then explored the dynamics of strategic group membership within 19 consumer goods industries between 1971 and 1977. Her principle findings were that strategic groups were stable structures with a low degree of movement between groups. This is was the first attempt to assess empirically the extent of intergroup mobility.

The work of several researchers (Cool, 1985, Fiegenbaum, 1987, Martens, 1988) on strategic group stability shared a common methodology. First, an extensive industry analysis was conducted in order to identify industry specific variables. These were then operationalized to identify strategic groups. Second, stable strategic time periods (SSTPs) were identified between which changes in strategic group membership could be observed. Third, an extensive industry analysis was conducted in order to identify industry specific variables, which were then operationalized to identify strategic groups.

Cool found only a weak relationship between his groups and the three performance variables he selected, suggesting that a reason for the insignificant *inter*-group variation could be the significant *intra*-group variation found. This threw doubt on the idea that group membership implies homogeneous performance and suggested that factors other than mobility barriers contributed to strategic success. Recent research suggests that firm positioning within a group has performance implications (McNamara et al., 2003).

The study by Martens (1988) used rivalry index to measure the competition that a firm faces within a specific market segment, in contrast to Cool (1985) who employed a general concentration ratio. However, in common with Cool, Martens failed to find a consistent performance difference between strategic groups. According to Martens, "although strategic stocks create the performance potential several other controllable and uncontrollable factors determine the performance a firm will attain". He further observed that the strategic group structure is not a very stable phenomenon.

2.3.3 Cognitive Groups

This approach of defining strategic groups emerged in the 1980s and was based on the notion that perception is reality and that an understanding of decision processes can help to separate strategic groups. Cognitive groupings may be expected to capture both participant perceptions and indications of future action. The cognitive research theme encompasses the idea that managers construct market models based on their personal perceptions of competition, which may differ from objective reality.

These models were used both to determine *who* are the competition and *where* the corporate focus should be applied when competing. The outcome of realized strategy then rests, ultimately, upon the institutional and cognitive constructions of decision makers. Porac et al. (1989) introduced the idea of primary competitive groups, defined as the collection of firms that define each other as rivals. This approach to strategic groups comprises two beliefs. First, that the perceptions of managers about a firm's identity, its competitors, customers and suppliers, determine the set of transactions that link the firm with its environment. Second, that perceptions determine industry recipes or generic strategies, which in turn delineate the actions necessary to compete in the firm's operating environment. It is also important to note that drawing up strategic groups based on cognitive factors provides an insight into intended strategy, while studies that include performance measures (Dess and Davis, 1984) are comparing the outputs of realized strategy.

2.4 Competitive Groups and Intra Industry Competition

In the 1990s strategic management research focused on the internal resources and competences of firms over industrial structures to explain sustained competitive advantage. In the face of developments in resource-based theories of the firm, strategic group theory was relatively neglected. Nevertheless, some research continued and was heavily focused on exploring patterns of intra-industry competition. In this context the work of Bogner (1991) looked into the US pharmaceutical market and introduced the idea of the "competitive group", which he defined as "an intraindustry combination of firms which are following similar strategies.

Bogner studied strategic group dynamics and examined various hypotheses as to why firms change their grouping and under what circumstances. Using a methodology similar to previous research (Cool, 1985, Fiegenbaum, 1987, Martens,1988) and two distinct sets of analysis, Bogner showed that patterns certainly exist, but that the underlying nature of these patterns was not consistent with what had been assumed to underlie strategic group structures and their dynamics. Using paired questions, he first explored the extent to which strategic groups reflected past performance and whether strategic groups could be used to accurately predict future market position. He then considered the effect of the environment using a similar set of paired questions, one reflecting past responses and the other future actions. He concluded that strategic groups are not simply cognitive creations but are derived from artefacts of strategic intent, resource allocations and product introductions. Strategic groups are based upon managers' decisions based on individual firm performance and objectives and not on some group homogeneity. Further studies by him concluded that a firm's ability to move is not wholly constrained by environmental or mobility barriers, whether during a stable strategic time period or at a break between SSTPs.

Bogner argued that firms adjust their competitive position based on benchmarking within their competitive group. Economically profitable firms are ones that have the flexibility to act on changes in perception, manage to acquire appropriate assets, and change their competitive postures accordingly. If a firm is not performing to group standards, the reference position, then proactive choices can be made to improve competitiveness. On whether performance varies consistently between groups, the works of Cool (1985) and Martens (1988) reaffirmed that strategic groups measure similarities in the different strategies that firm's employ, but the way in which a firm chooses to compete does not ultimately determine how effectively a firm competes. Thus intra-group differences may outweigh inter-group differences, a conclusion also consistent with an observation by Cool (1985).

In 1990s a population ecology evolutionary view of strategy led to strategic groups be considered as equivalent to species. Boeker (1991) in a study of the US brewing industry applied a population ecology perspective to derive strategic groups. These studies argued that strategic groups should be identified in terms of organizational form rather than perceived strategies, which can be normative in nature. In this analysis, organizational form encompasses not only the formal organizational structure but also all factors that define a population's niche, including especially environmental factors (Carroll and Swaminathan, 1992). The environment determines the performance of firms resulting into a deterministic approach to strategic groups under which the scope for independent managerial decision making is severely constrained. However, most researchers found this approach unattractive.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The study was conducted using a cross sectional survey design since data across different firms was collected at one point in time. The design was appropriate since the study was largely descriptive and was done within a short time. Moreso, statistical techniques can be used to determine the validity, reliability and statistical significance. Musindi (2008) and (Kosgey 2008) successfully used a similar design for similar studies.

3.2 Population

The population of interest was all the licensed freight forwarding firms operating in Mombasa. They included the 34 licensed shipping lines/ agents registered by KSAA, the 1,300 C/F firms, 14 CFS operators, 80transit godowns, 100bonded warehouses and 379 active KTA members.

3.3 Sampling Design

Since the population of study was considered large (1,528), the study adopted a sampling design methodology. The sample size chosen took into consideration potential non-responses. An average response rate of 60% has been registered in previous related studies. Ohaga (2004) achieved 55% response rate. The researcher sampled 70 firms for the study. The population groups comprised a mix of firms at various strategic positions in the freight forwarding industry. These were Shipping lines/agents, Consolidators/ De-consolidators, Container Freight Stations / Inland Container Depots, Clearing & Forwarding Firms, Transporters and Warehousing firms. Stratified sampling was therefore employed. Firms were selected at random from each strata using disproportional allocation approach. These were then combined to finally get a common sample of 70 firms from the whole industry.

Table 1: Sample Design

	Stratum sampled	Total	Selection criteria	Sample size per stratum
a.	Customs Clearance Agents	1300	1 per 65	25
b.	Shipping Line Agents	34	1 per 2	15
c.	CFS Operators	14	1 per 2	10
d.	Transit Godowns	80	1 per 16	5
e.	Bonded Warehouses	100	1 per 20	5
f.	Transporters	379	1 per 25	10
	Total sample chosen			**70**

Members of each stratum were listed alphabetically and numbered 1 to 10 or 5 repetitively depending on the population size. From each group, members were randomly selected in order to arrive at the desired sample.

3.4 Data Collection

Primary data was collected using a structured questionnaire which is herein attached in appendix I. These were administered to the general managers of the sampled firms by way of 'drop and pick later' method which is a variant of the mail questionnaire method. The researcher made follow ups through telephone calls. Ohaga (2004) employed this method in similar studies. The structure of the questionnaire was in two sections where the first section covered general information about the companies and section two covered the nature of strategic groups.

3.5 Data Analysis

The data collected was checked for completeness and consistency. Data was analyzed using descriptive statistics and factor analysis. These involved use of group mapping, frequency tables, graphs, charts, percentages and mean scores. Koskey (2008) used this method in a similar study.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter outlines and discusses the findings of the study based on the data collected from the field. The data collected was checked for completeness and validity and then analyzed using descriptive statistics. This involved use of group mapping, factor analysis, frequency tables, percentages and mean scores. Group maps showed how firms have strategically positioned themselves in the industry as the various factors showed their distinguishing and unifying characteristics in factor analysis. Percentages revealed the proportions of different attributes being studied for relative comparison. The sample consisted of 38firms out of the targeted 70firms. This was a 54% response rate. Out of the targeted sample, 13C/F firms, 9shipping lines/agents, 6transporters, 3bonded warehouses, 3transit godowns and 4CFSs responded. It is noteworthy that some firms engaged in more than one line of business with each line being well developed.

4.1.1 Industry Demography

Table 2: Ownership of Firms

This factor was studied in order to give an insight into the nature of competitors in the industry in terms of how they are constituted and established.

Ownership structure	Percentage
Fully locally owned	50.0%
Partly Local/ partly foreign	23.7%
Fully foreign	26.3%
Total	100.0%

Source: Freight Forwarding Industry Survey 2010

From the survey results shown in table 2 above, 50% of the companies covered were locally owned, 23.7 % were jointly owned (partly local and partly foreign) while the rest 26.3% were fully foreign owned. This implies that there are several international (foreign) players in the freight forwarding industry given the pivotal role that the industry plays in international trade and business.

4.1.2 Number of Employees

The size of a firm can be indicated by the number of employees it has, thus the need to study this factor. The respondent firms indicated that 31.6% have a workforce of between 21 to 50 employees across the freight forwarding industry. 28.9% of respondent firms employed staff members from 1 to 20 while 26.3% had 51 to 100 employees. Those with more than 100 employees are well diversified firms serving a number of sectors in the industry and comprised 13.2% of all the respondents.

4.1.3 Period of Establishment

This was both an indicator of industry stability and growth. It helped indicate in which group firms competed the longest since they were set up. This factor could also tell about industry attractiveness as indicated by the number of new entrants within a particular period of time.

From the research data, only 3.8% of the respondent firms had been incorporated in Kenya by 1980s. By 1990s about 26.9% of the firms had been registered. Between 1990 and year 2000, about a quarter of the firms were incorporated to do business in Kenya. The research revealed that half of the players in the industry were registered on the onset of the new millennium with a record registration of 38.5% between year 2000 and 2005.

4.1.4 Core Business

The researcher sought to know the business in which a firm was mainly competing so as to group them as such. It is interesting to note that a sizeable 36.8% of the firms are doing clearing and forwarding as their core business, which can be reaffirmed by the large number of C/F firms registered by Kenya Revenue Authority as per KRA website. This is followed by shipping lines agency business with 23.7%. Transit godowns and Warehousing comprised 21.1% and 13.2% respectively. 21.1% were doing transport as their core business with a small 2.6% in the door to door parcel delivery. The rare business done by a few firms is the running of Container Freight Stations done by a modest 10.5% of the respondent firms.

4.1.5 Strategic Planning in the Industry

Since strategic plans show the direction that a firm is moving, it was important to find out which firm has this plan and relate this with other factors like strategic investments and resource allocation to help group the firms. From the research data 94.7% of the firms confirmed to have developed strategic plans thus implying consciousness among managers of the environmental dynamics and/ or changes that have or are bound to happen in the industry. Only 5.3% of the firms that were doing clearing and forwarding said that they do have strategic plans. However, it is noteworthy that most of these plans are short-term since they are within a five-year period. How this affects the performance of the firm amidst the ever changing industry is an interesting development to watch. Firms in operations such as shipping and CFS registered a longer-term strategic planning horizon compared to the less established clearing and forwarding firms and consolidators.

4.1.6 Strategic Investments amongst Firms

Firms invest more in areas that are of strategic importance and investigating this factor showed which group a firm strategically positioned itself to be in. Depending on the sector of the industry in which a firm played, it showed a clear link on the firm activities and direction of investments as shown in the research findings below;

Table 3: Strategic Investments

Strategic Investment Area	Percentage of Firms
Clearing and Forwarding	57.9%
Long Haul Transport	44.7%
Bonded Warehousing	42.1%
Consolidation/ Deconsolidation	39.5%
Shipping Liner/ Agency	34.2%
Transit Godowns	28.9%
CFS Operations	15.8%
Door to Door Parcel Delivery	10.5%
Import of second hand Vehicles	5.3%

Source: Freight Forwarding Survey 2010

57.9% of both large and small firms confirmed to have invested in clearing and forwarding. The main reason was that clearing provided the best opportunity to offer other related services like warehousing and transport even if it meant subcontracting as a way of building alliances with other firms. Long haul transport followed at 44.7% while bonded warehousing got 42.1%. Import of second hand vehicles for sale scored 5.3% as the least area of investment by industry players while door to door parcel delivery was the second least at 10.5%. It will be interesting to see how this compares with the strategic importance of each business unit to each of the firms.

4.2 Strategic Alliances in the Freight Forwarding Industry

Table 4: Strategic Alliance

Response	Frequency	Percentage
Yes	28	73.7%
No	10	26.3%
Total	38	100%

Source: Freight Forwarding Industry Survey 2010

Firms may form alliances that reflect strategic groupings in the industry.

Out of all respondents, 73.7% reported to join forces and 26.3% did not for various reasons. Some considered those they collaborated with to be more resource endowed than them while others revealed that they are positioned in different sectors in the freight forwarding chain thus they complemented each other. The few who did not seek alliances considered their firms as offering 'total freight logistics solutions under one roof' while others wanted to develop their own internal capacities. One firm was a state corporation governed by the set government policy framework including the issue of alliances which was not practised.

The main reasons that firms entered into such alliances were for capacity maximization, pulling of resources together in order to realize economies of scale and for firms to complement what another could not offer solely. What came out clearly is that firms in this industry provide services at different strategic levels in the process of delivering goods to their final destination separated by a number of varying characteristics and others interlinking them to make up the freight forwarding industry.

4.3 Industry Competition

Table 5: Competitive League Perceptions

Response	Frequency	Percentage
Yes	21	53.6%
No	17	46.4%
Total	38	100%

Source: Freight Forwarding Industry Survey 2010

This was an important factor in that groups can be classified as per manager's perceptions as extrapolated by the cognitive group theories. From the above data, 53.6 % of the companies considered themselves to be in same competitive league while those of the contrary opinion were 46.4%. Some comments made based on their views on this subject, indicated that those who agreed felt that they shared several characteristics such as offering similar services and/ or products, serving a particular segment of customers, having similar facilities and equipment as well as being same in size (large or small).

4.4 Direct Competitors

Firms competing in their core businesses are expected to be in the same strategic group. Competitors in the industry pointed out their direct competitors to be those competing mainly in their core line of businesses. In the C/F category three firms that were well diversified were considered as the main competitors, one scoring 36.8%, the second 23.7% and the third 13.2%. In the shipping industry, the leading line was ranked at 13.2% followed by a recently registered shipping agency at 7.9% and the third competitor at 3.6%. The top transporter was chosen by 23.7% of respondents, the second by 7.9% and the third at 5.3% who are dominant firms in the industry. CFS business was led by one firm at 39.5%, with the second scoring 26.3% and third at 10.5%. Some firms from other sectors were not willing to identify who their competitors were and the researcher treated the results as such.

4.5 Business Units in the Freight Forwarding Industry

Table 6: Strategic Importance of Business Units

Strategic importance of business unit	Percentage of firms
Clearing and Forwarding	42.1%
Long Haul Transport	31.6%
Shipping Liner /Agency	23.7%
Bonded Warehousing	20.0%
Import of Second hand vehicles	14.3%
CFS Operations	13.2%
Transit Godown	10.5%
Door to door parcel delivery	10.0%
Consolidation/ Deconsolidation	5.6%

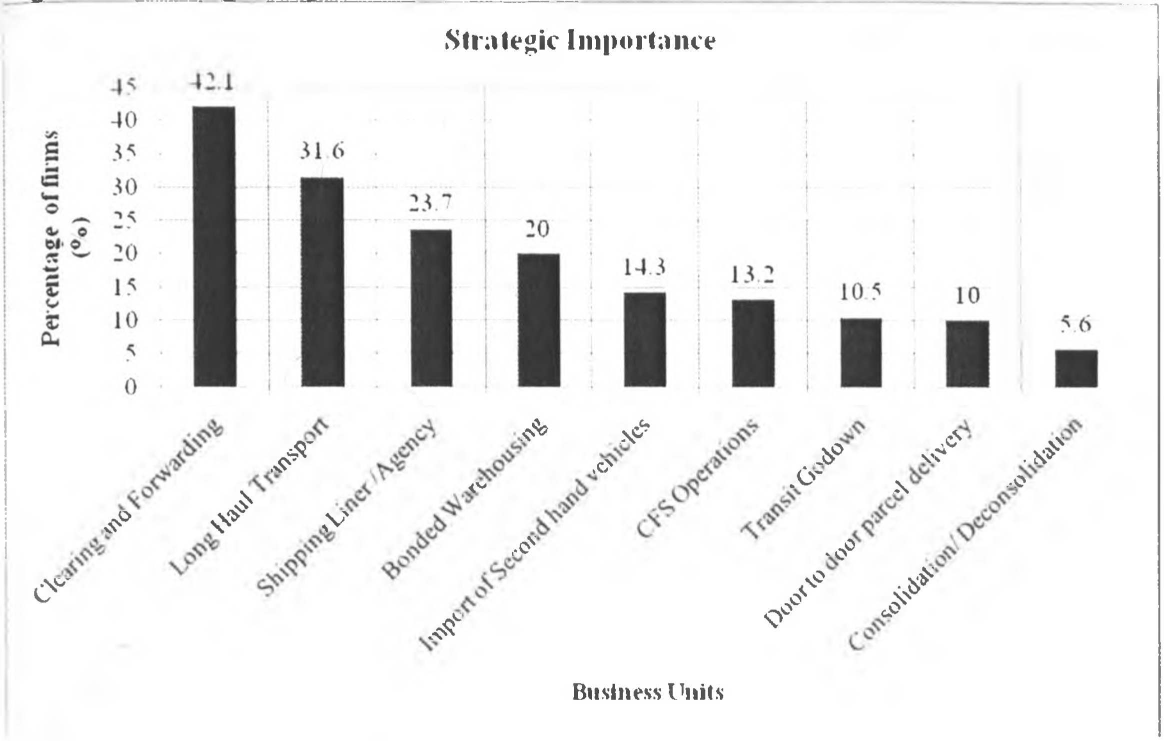
Source: Freight Forwarding Industry Survey 2010

This factor revealed the importance firms placed on the businesses they were in or intending to venture into. This was in line with the level of resource allocation to each business and therefore the group where they belong.

From the table above, a high percentage score means that the company considers that portfolio to be of strategic importance to the company and consequently more resources are allocated. As the percentage falls, so is the strategic importance and thus lesser resources are allocated. These results agree with the findings in the strategic investments where 57.9% reported to have invested strategically in the clearing and forwarding industry while 44.7% had invested in long haul transport. Thus we can see a link in strategic importance of business units and the strategic investments by those firms.

The strategic importance of business units can be represented graphically as shown herebelow;

Figure 1: Strategic Importance of Business Units



According to the survey clearing and forwarding forms an integral part and is of great strategic importance to a freight forwarder since 42.1% selected it. However, most firms consider the C/F sector as an easy entry point and not capital intensive. As a firm diversifies, focus shifts to the more resource demanding portfolios such as transport, warehousing, transit godowns, parcel delivery, shipping agency and CFS operations.

Clearing and forwarding plays a pivotal role in determining who provides other services in the freight forwarding value chain such as transport of goods to the next destination, warehousing or godown services. Transporters get their goods from clearing firms, and so did the godowns and warehouses. It was thus clear, why most firms considered clearing to be of strategic importance in addition to having invested strategically in the business. However, firms expressed interest of venturing into other capital demanding businesses such as CFSs, Shipping and bonded warehousing and could thus not invest in them now due to mobility barriers, but in the longer future.

4.6 Barriers in Meeting Business Objectives

Table 7: Increased Industry Competition

Level of hindrance	Frequency	Percentage
Greatest hindrance	22	57.9%
Greater hindrance	3	7.9%
Great	6	15.8%
Less hindrance	1	2.6%
Least hindrance	3	7.9%

Source: Freight Forwarding Industry Survey 2010

According to the survey data presented in the table above, 57.9% of firms considered increased competition as the greatest barrier to the achievement of the set business objectives. Cummulatively, 81.6% of the firms believed that competition ranged from great to greatest hindrance. Companies therefore need to develop effective competitive strategies and implement them in order to survive the industry turbulence.

Table 8: Price Undercutting in the Market

Level of hindrance	Frequency	Percentage
Greatest hindrance	10	26.3%
Greater hindrance	9	23.7%
Great	8	21.1%
Less hindrance	3	7.9%
Least hindrance	3	7.9%

Source: Freight Forwarding Industry Survey 2010

This was also cited by 26.3% of the respondents as being the greatest hindrance. Competition in this industry can be described as cut-throat since from the data above 71.1% of the respondents ranked this factor as being great to greatest hindrance making mobility to another segment in the freight industry really difficult. The large firms are said to compete out the small ones on this front very aggressively.

Table 9: Restrictive Legislation

Level of hindrance	Frequency	Percentage
Greatest hindrance	6	15.8%
Greater hindrance	6	15.8%
Great	10	26.3%
Less hindrance	5	13.2%
Least hindrance	5	13.2%

Source: Freight Forwarding Industry Survey 2010

The cummulative percentage of those who considered restrictive legislation as great to greatest barrier was 57.9% which is lower than price undercutting. This aspect need to be studied particularly by policy makers as to whether it restricts trade and business or not and necessary corrective measures be taken. However, another 26.4% did not take this to be a hindrance to realization of their business objectives.

Table 10: High Operational Costs

Level of hindrance	Frequency	Percentage
Greatest hindrance	5	13.2%
Greater hindrance	15	39.5%
Great	7	18.4%
Less hindrance	6	15.8%
Least hindrance	4	10.5%

Source: Freight Forwarding Industry Survey 2010

This is a major impediment to achievement of business goals by firms. 71.1% of respondents considered it within the range of great to greatest hindrance. This was so for firms that were not large enough to enjoy the benefits of economies of scale. Only 15.8% reported it to be of less hindrance and 10.5% as being of least hindrance which could be attributed to the size of the firms as well as the alliances that the firms entered into to reduce costs.

Table 11: High Capital Investment Needs

Level of hindrance	Frequency	Percentage
Greatest hindrance	2	5.3%
Greater hindrance	6	15.8%
Great	11	28.9%
Less hindrance	7	18.4%
Least hindrance	7	18.4%

Source: Freight Forwarding Industry Survey 2010

5.3% of the respondents considered this factor as the greatest hindrance. 15.8% reported it as being greater and 28.9% as being a great hindrance. All together this forms a 50% block of respondents terming high investment needs as hindrance to realization of business objectives. 36.8% considered it as having little hindrance to them.

Table 12: Diseconomies of Scale

Level of hindrance	Frequency	Percentage
Greatest hindrance	2	5.3%
Greater hindrance	4	10.5%
Great	11	28.9%
Less hindrance	6	15.8%

Source: Freight Forwarding Industry Survey 2010

This factor refers to the opposite of economies of scale that are enjoyed by large firms. 15.8% considered this as being greater to greatest hindrance, thereby expressing their desire to grow in order to enjoy the economies of scale that come with large size. Cummulatively, the range from great to greatest hindrance covered 44.7% of respondents which is a lower hindrance than the high capital investments needs as a barrier. Another 15.8 % of respondents considered this factor to be of less hindrance to achievement of their business goals.

Table 13: Inefficient Supply Chain

Level of hindrance	Frequency	Percentage
Greatest hindrance	1	2.6%
Greater hindrance	4	10.5%
Great	5	13.2%
Less hindrance	11	28.9%
Least hindrance	9	23.7%

Source: Freight Forwarding Industry Survey 2010

26.3% of respondents considered this as a great barrier and about 52.6% did not consider it as obstructing their businesses. From the survey data, 52.6% is more than half of the respondents and thus inefficient supply chain is not a major barrier.

Table 14: Inadequate Financing

Level of hindrance	Frequency	Percentage
Greatest hindrance	1	2.6%
Greater hindrance	2	5.3%
Great	1	2.6%
Less hindrance	5	13.2%
Least hindrance	8	21.1%

Source: Freight Forwarding Industry Survey 2010

10.5% of respondents favoured inadequate financing as an obstacle to their business progress. 34.3% did not take it as hindrance to them. The firms appeared a bit cautious to reveal their real financial status or needs since considering this and the high capital investment needs, then financing was expected to be a hindrance but it did not.

Table 15: Ineffective Regulation

Level of hindrance	Frequency	Percentage
Greatest hindrance	3	7.9%
Greater hindrance	2	5.3%
Great	5	13.2%
Less hindrance	3	7.9%
Least hindrance	7	18.4%

Source: Freight Forwarding Industry Survey 2010

The finding here was a tie since 26.4% ranked this as a being great to greatest hindrance while 26.3% ranked as being less or of least hindrance to their business growth. A good number of firms felt that the laws and regulations governing the industry are ineffective and exist only as a formality i.e. on paper, but are non-existent in practice or are applied as and when convenient. Others considered the regulations as hindering their growth and felt victimized at times. The researcher got interested to know why there is this discrepancy of opinion and a look at 'corruption' factor as discussed elsewhere in this paper was important.

Table 16: Inadequate Skilled Personnel

Level of hindrance	Frequency	Percentage
Greater hindrance	2	5.3%
Great	1	2.6%
Less hindrance	3	7.9%
Least hindrance	11	28.9%

Source: Freight Forwarding Industry Survey 2010

Most respondents did not consider this to be a hindrance although 8% considered it to be a significant hindrance to their growth. 55% declined to respond indicating that it was not a major concern in the industry.

Table 17: Corruption in Securing Business Deals

Level of hindrance	Frequency	Percentage
Greatest hindrance	3	7.9%
Greater hindrance	2	5.3%
Great	5	13.2%
Less hindrance	3	7.9%
Least hindrance	7	18.4%

Source: Freight Forwarding Industry Survey 2010

More than a quarter (26.3%) of the respondents believed that corruption was a barrier. In fact, cumulatively, 52.6% said that corruption hinders realization of their business objectives. It is important that all stakeholders in the industry seek to collectively come up with measures that can eliminate loopholes that unscrupulous businessmen use in conjunction with those charged with responsibilities of ensuring fair trade practices as this is untenable with business. Automation of business processes is one such measure that reduces physical contact amongst players and ensures faster operational processes.

Table 18: Political Events or Interference

Level of hindrance	Frequency	Percentage
Greatest hindrance	2	5.3%
Greater hindrance	1	2.6%
Great	2	5.3%
Less hindrance	5	13.2%
Least hindrance	5	13.2%

Source: Freight Forwarding Industry Survey 2010

39.5% felt that political interference at different levels affects business while 60.5% thought that it did not. However, this needs to be noted seriously by the policy makers in order to detach business from politics in order to allow best practices and caution businesses against unfair competition.

Other Factors

One respondent registered this as a hindrance to its achievement of some business objectives. This was 2.6% of the total respondents. This firm had established itself in all the sectors of the freight industry and pride itself in providing 'full logistics solutions' all under one roof. One may intuit that this concern may gradually become a major hindrance in future.

4.7 How Freight Forwarding Firms Respond to Market Dynamics

Table 19: Aggressive Marketing

Level of importance	Percentage
Most important	50.0%
More important	14.7%
Important	8.8%
Less important	5.9%
Least important	20.0%

Source: Freight Forwarding Industry Survey 2010

50% of the respondent companies agreed that aggressive marketing is one of the main ways in which they responded to the market dynamics. This was adopted in advertising in freight related journals and business dailies. Corporate social responsibility was also tactically used as a form of marketing with some firms landscaping roundabouts in Mombasa as part of this plan.

However, a dominant feature here was 'referencing'. A number of firms considered this not very important spoke of customers being 'referred' to them by satisfied customers. Meaning they lost customers the same way they get referred if a customer was not happy. In general, serious professional marketing was not evident in the entire industry.

Table 20: Service Diversification

Level of importance	Percentage
Most important	43.8%
More important	25.0%
Important	12.5%
Less important	9.4%
Least important	9.4%

Source: Freight Forwarding Industry Survey 2010

This method was considered critical by 43.8% of the organizations but it was mainly applicable to firms that had been established well in terms of resources and size. They had thus entered and grown in other sectors of the industry. One respondent had diversified into import of second hand vehicles, sale of spare parts and surprisingly sale of music instruments like pianos, guitars and drums which is totally not in the freight industry! Most notable diversification was that of one of the largest players in the industry, having grown from C/F to transportation to warehousing and operating a number of CFSs.

Table 21: Cost Cutting Measures

Level of importance	Percentage
Most important	34.3%
More important	25.7%
Important	20.0%
Less important	8.6%
Least important	11.4%

Source: Freight Forwarding Industry Survey 2010

The cumulative percentage of 80.0% of respondents considered this strategic response either important or most important. In this regard, strategies here were focused at reducing the clearance time thanks to the online lodgment of documents to KRA

Table 22: Expansion (Geographical Area)

Level of importance	Percentage
Most important	33.3%
More important	16.7%
Important	25.0%
Less important	16.7%
Least important	8.3%

Source: Freight Forwarding Industry Survey 2010

Those who considered this factor as most or more important were 50.0% of all respondents. This could be informed by the fact that as a firm grows and shifts from one strategic group to another, so do the size and scope of its operations. This is also in line with the laid down rules by the regulatory authorities. For example KRA requires that among other requirement, a firm wishing to run a Transit shed must be located in a plot of not less than 2.5hectares.

Table 23: Vertical Integration

Level of importance	Percentage
Most important	5.3%
More important	5.3%
Important	13.2%
Less important	10.5%
Least important	26.3%

Source: Freight Forwarding Industry Survey 2010

10.6% of companies in the industry considered this as their appropriate strategic response to market dynamics, while 26.3% considered it to be of least importance. This can be attributed to the small number of larger firms that have the resource requirements needed to adopt vertical integration as a strategy in response to changes in the market place.

Table 24: Mergers & Acquisitions

Level of importance	Percentage
Most important	5.3%
More important	5.3%
Important	10.5%
Less important	21.1%
Least important	42.1%

Source: Freight Forwarding Industry Survey 2010

Only 5.3% considered this as a response to market dynamics and in fact there are no firms that reported a merger or being acquired another due to hostility in the market. This explains why 63.2% of the respondents recorded this as either being less or least important strategic response.

Table 25: Strategic Market Alliance

Level of importance	Percentage
Most important	10.0%
More important	23.3%
Important	36.7%
Least important	20.0%

Source: Freight Forwarding Industry Survey 2010

From the survey data, 70.0% of the firms reported strategic alliance to be within the range of being important to most important strategic response to market dynamics. The remaining 30.0% considered this as being less or least important responsive strategy. It appears therefore that firms seek to specialize in one sector of the industry and outsource other services by joining forces with other firms. Further, regulatory framework has reinforced this in that for example it is prohibited be a clearing firm and a shipping agency simultaneously.

Table 26: Market Exit Options

Level of importance	Percentage
Most important	5.9%
Important	23.5%
Less important	70.6%

Source: Freight Forwarding Industry Survey 2010

70.6 % of respondents reported this as being of least importance as a strategy in the market. However it was noted that the regulatory authority has powers to force non-compliant firms out of business through suspension and or cancellation of licenses. According to KRA records, up to 190 clearing agents had their licenses suspended indefinitely in the year 2008. This explains why a large number did not consider this as important unless the regulator forces them to consider it important at 5.9%.

Table 27: Selective Market Targeting

Level of importance	Percentage
Most important	19.4%
More important	38.9%
Important	19.4%
Less important	13.9%
Least important	8.3%

Source: Freight Forwarding Survey 2010

This was a key strategic response by many firms to the market dynamics with 77.7% choosing it within the range of either being most important to important strategy. Only 22.0% considered it as less important. As the sampling design indicated, firms in different strata revealed that they served some particular groups of customers as further evidenced by the variety of other businesses run by these firms other than their core business. While the core business addressed the needs of their key customers, with market dynamism coupled with the ability overcome mobility barriers, firms were able to move to other strategic groups to serve new customer segments.

Table 28: Recapitalization (Via Equity or Leverage)

Level of importance	Percentage
Most important	3.3%
More important	16.7%
Important	20.0%
Less important	16.7%
Least important	43.3%

Source: Freight Forwarding Industry Survey 2010

40% of firms considered recapitalization as an important to most important responsive strategy to market dynamics owing to the growth factor and the new demands that come with this. Some of these are inevitable as they are mandatory and if the finances are not immediately available, then a firm would remain at the same level or seek recapitalization from the equity holders or borrow money especially if they were pursuing expansion of their operations.

4.8 Areas of Core Competency to firms

Table 29: Core Competencies

Area of Core Competency	Percentage
Fast service delivery	62.5%
Good company infrastructure	15.6%
Provision of full logistics solutions	12.6%
Space availability	9.4%

Source: Freight Forwarding Industry Survey 2010

It is evident that 62.5% of the respondents cited service delivery as the key to being competitive. Many indicated that in this industry, if you address the time factor, their customers may not even see the money but will just pay you. To the contrary, if you delay in rendering your services, you will hardly get any customer. Good company infrastructure was placed at 15.6% and provision of total logistics solution at 12.6%.

Space availability could be linked to the size and firm infrastructure and was placed at 9.4% as an important aspect to a company's competence.

4.9 Other Competitive Factors

Table 30: Other Competitive Factors

Other Competitive Factors	Frequency of the factor	Percentage of the total respondents
Consistency & Reliability to Customers	16	42.1%
Staff competence	5	36.8%
Financial stability	4	31.6%
Close customer relations	3	23.7%
Strong management	8	21.1%
Well developed facilities	7	18.4%
Customer Loyalty	4	10.5%
Technology	4	10.5%
Pricing and cost effective services	4	10.5%
Responsiveness to industry changes	3	7.9%
Vicinity to Mombasa sea port	2	5.3%
Staff training and development	1	2.6%

Source: Freight Forwarding Industry Survey 2010

Consistency and reliability by customers was ranked as other top factor with 42.1% of the respondents marking it as key competitive factor in the industry. Staff competency was placed at 36.8% as a factor that determines achievement of a company's objectives. Having and maintaining close customer relations was reported by 23.7% of the respondents. The strength of a company's management scored 21.1% while global networking by firms was cited as an advantage at 15.8 %. Of concern is the fact that staff training and development is not considered an important factor and this draws attention to the question of how adequate is the training of those working in the industry.

4.10 Political Influence in the Freight Forwarding Industry

Table 31: Political Correctness

Response	Frequency	Percentage
Yes	20	52.6%
No	18	47.4%
Total	38	100.0%

Source: Freight Forwarding Industry Survey 2010

To be on the right side of the politics of the day affects the business in this industry which argument was supported by 52.6% of all respondents while the rest 47.4% disagreed. This leaves a lot to be desired and whether it indicates to corruption in cutting business deals is open for further findings.

4.11 The Growth Path of a Freight Forwarder

Table 32: The Growth of a Freight Forwarder

Level of Mobility/ Entry ease	Mean
Clearing and Forwarding	1.47
Consolidation / Deconsolidation	2.06
Import of Secondhand vehicles for sale	2.12
Door to Door Parcel delivery	2.43
Long haul transport	3.06
Transit Godown	3.83
Shipping Liner/ Agency	3.84
Bonded warehousing	3.92
CFS Operator	4.71

Source: Freight Forwarding Industry Survey 2010

Clearing and forwarding has the lowest mean score of 1.47 indicating that it is the easiest starting point for a freight forwarder. Though the licensing rules for C/F agents have been tightened by KRA, other key requirements such as financial and capital assets is not a major requirement to get started. The second is Consolidation/ deconsolidation with a mean of 2.06 followed closely by import of second hand vehicles. Door to door parcel delivery and Longhaul transport was ranked fourth and fifth with mean scores of 2.43 and 3.06 respectively. Transit godown and shipping liner/ agency business had a slight margin of difference of 0.01 with the former having a mean of 3.83 and the latter 3.84. To complete the path was the bonded ware housing business with a mean of 3.92 and CFS operator at 4.71 meaning the most difficult business to start, get into or move is the CFS business.

Table 33: Full Freight Logistics Solutions

Response	Percentage
Yes	10.5%
No	89.5%
Total	100.0%

Source: Freight Forwarding Industry Survey 2010

Some firms 10.5% of the respondents, expressed interest to realization of the goal of providing full logistics solutions to its customers without much outsourcing. This would involve owning and providing all the products and services required in the whole chain. This is quite ambitious and difficult given the regulatory challenges and resources.

Table 34: Rail Network

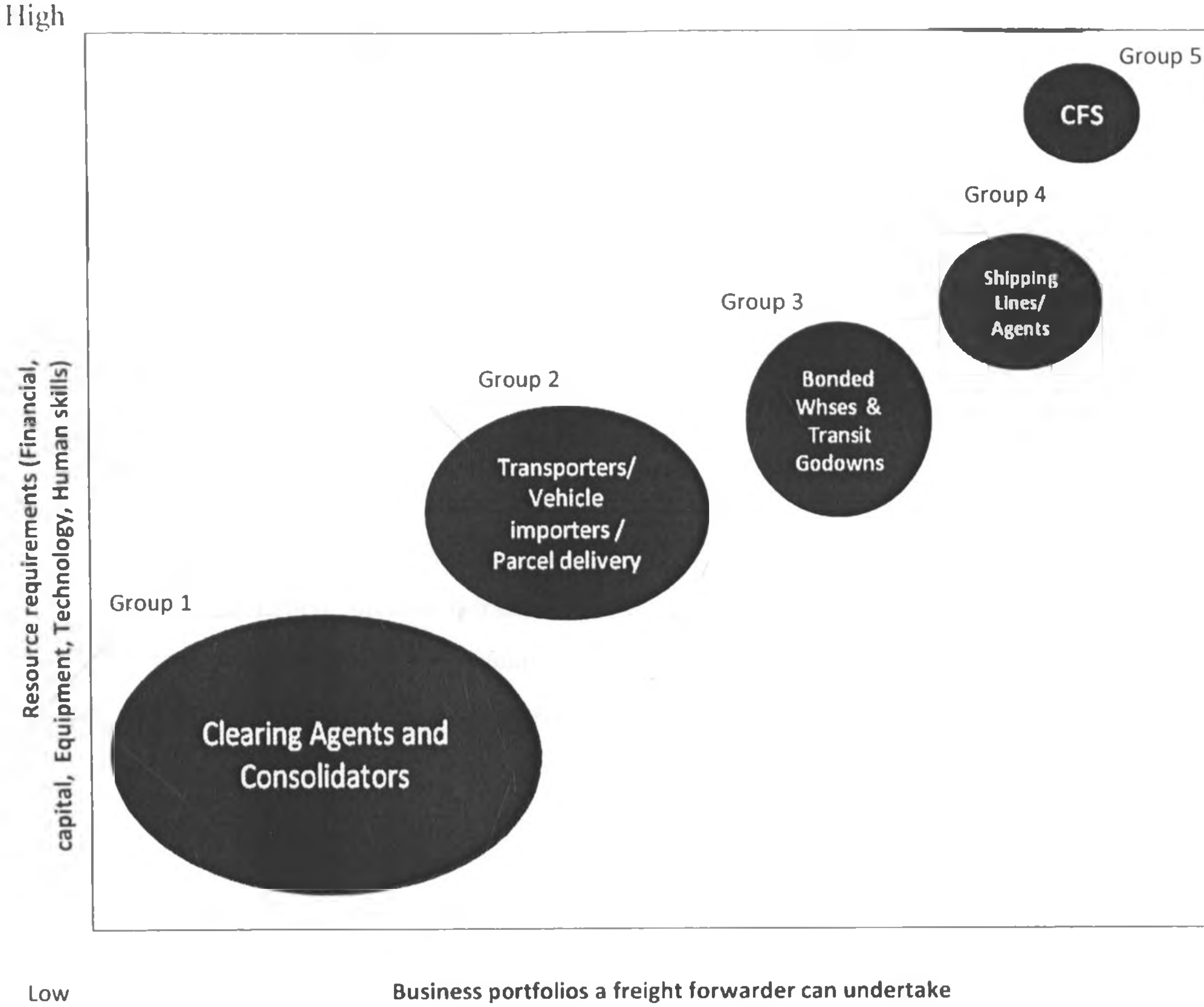
Response	Percentage
Yes	2.6%
No	97.4%
Total	100.0%

Source: Freight Forwarding Industry Survey 2010

One firm recorded interest in pursuing rail transport as an alternative to road transport. This is a capital-demanding and capital intensive investment that has been a challenge even for the government to manage and we can only hypothesize on whether it is an achievable dream or not for this firm in the future.

4.12 Strategic Group Map of the Freight Forwarding Industry

Figure 2: A Graphical Representation of Strategic Groups



Source: Freight Forwarding Industry Survey 2010

Two variables were used in mapping out the strategic groups in the freight forwarding industry as shown in figure 2. The vertical axis represents level of resource outlay required while the horizontal axis shows the business portfolios a freight forwarder may pursue. Based on the survey results, it emerged that the easiest entry or starting point in the freight forwarding industry to the most difficult is the clearing and forwarding business, consolidation, import of second hand vehicles for sale, Long haul transport, Door to door delivery, shipping agency, transit godown, bonded warehouse, shipping agency and CFS operator respectively. This was in consideration of respondents' experiences on the amount of resources required (financially, capital investments and equipment, personnel skills and competencies, technology, time and space) as well as regulations to be fulfilled prior to licensing and commencement of business operations.

The horizontal axis represents the various business portfolios in which firms in the freight forwarding industry strategically position themselves in pursuance of growth. These include clearing and forwarding business, consolidation, import of second hand vehicles for sale, Long haul transport, Door to door delivery, shipping agency, transit godown, bonded warehouse, shipping agency and CFS operator. Five strategic groups emerged.

Group one comprised those at the entry level namely clearing and forwarding agents as well as consolidators/ de-consolidators. The researcher found that most of the firms without a well established internal infrastructure fall under the first group. Group two comprised importers of second hand vehicles, door to door parcel delivery firms and longhaul transporters. These were ranked second in terms of resource requirements as perceived by the managers of the respective respondent firms. There was greater inter group mobility amongst firms in these two groups and were unstable relative to other groups.

Group three was made up of transit godowns and bonded warehousing. These were temporary storage facilities for imported or export goods prior to the payment of taxes or transiting to final destination. Entry barriers into this group had been raised by restrictive legislation as well as capital resource requirements. Group four consisted of the shipping lines and/or their agents. These were unique in that they were involved in moving goods from international seaports overseas to the port of Mombasa and shipping exports from Mombasa the international seaports. The shipping lines were characteristically similar in their structure of ownership which was mainly foreign safe for a few shipping agents with a small percentage of local ownership. Group five comprised the CFS /ICDs and was a highly capital demanding sector that many desired to compete in future.

4.13 Overall Discussion

Strategic groups are evident and forming in the freight forwarding industry. The researcher investigated a number of competitive factors that helped determine the similarities in strategic characteristics of firms in the industry and those that explained the existence of these strategic groups.

In conducting strategic group analysis, which was an objective of this study, the aim is to identify organizations with similar strategic characteristics, following similar strategies or competing on similar basis. As Hunt (1972) observed, there exists performance differences between groups of firms within the same industry as well as across industries given their similar strategic characteristics. The researcher unearthed the similarities amongst firms such as their ownership structures, the number of employees and what their core businesses were. Similarities were also identified in the manner in which firms have responded to market dynamics as well as in their strategic investments in the same sectors and formation of alliances as a way of diversifying their services for growth.

The theory on cognitive groups was based on the notion that perception is reality and an understanding of decision processes can help to separate strategic groups. Cognitive groupings may be expected to capture both participant perceptions and indications of future action as explained by Porac et al. (1989) while adding that primary competitive groups are a collection of firms that define each other as rivals. In line with this theory, the researcher sought to find out who the firm managers considered to be their direct competitors and further asked respondent managers to rank firms on a growth path of a freight forwarder. This offered a significant insight into the drawing of the strategic group map that was the final product of strategic group analysis, hence the first objective.

The researcher also sought to explain the factors that explain the existence of the strategic groups in the freight forwarding industry in Mombasa as a second objective. As Cool and schedel, (1987) described, strategic groups are a set of firms competing within an industry on the basis of similar combinations of scope and resource commitment. The implication is that firms in the same strategic group adopt similar competitive strategies leading into intra-industry segmentation. The research findings showed that firms strategically invested in sectors that are of high strategic importance. They reported to have invested strategically in clearing and forwarding (57.9%) and long haul transport (44.7%) as well as placing strategic importance on the same top sectors at 42.1% and 31.6% respectively. To be a CFS operator was the preferred business of the future scoring a mean of 4.71 which was occupied by a small group of firms that were well endowned with resources requisite to operate such a business.

Assessment of competitive strategies undertaken by firms in response to the market dynamics also explained the existence of these groups. Aggressive marketing, service diversification, cost cutting measures, expansion, vertical integration, mergers and alliances as well as selective market targeting were some of the factors assessed. Firms were also faced by a number of barriers that restricted their movement to desired strategic groups. Some of these barriers included increased competition in the industry, increased operating costs, restrictive legislation; high capital investment needs, diseconomies of scale and inadequate financing.

The various strategies pursued by firms revealed that firms were playing into different sectors of industry while trying to move from one group to a higher one as they surmount the mobility barriers. The group that had the greatest entry and/ or exit barrier was the CFS operator largely due to the resource requirements that were financial, human and technical in addition to stringent legal requirements and/ or restrictions imposed by government agencies. Effectively, the researcher was well equipped to deliver the final product of strategic group analysis; the strategic group map of the freight forwarding industry in Mombasa, which was done as shown in Figure 2 of this research paper.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

From the survey of the freight forwarding industry, five strategic groups have been identified. The research paper was summarized through an overview of the five groups and the factors that explain the existence of the groups.

5.1.1 Strategic Groups in the Freight Forwarding Industry

The five strategic groups identified have similarities in strategies and competitive positions. The industry's driving forces and competitive pressures favoured those with adequate resources to shift from one strategic group to the next and build alliances. For instance the operators of CFS have built partnerships with KPA to provide storage of containers but this partnership is not possible with other industry groups such as clearing agents or shipping lines. This is consistent with the findings of Porter (1980), that industries are not homogenous but heterogeneous in which competitive strategic groups exists and are separated by mobility barriers.

The firms in group one namely; clearing and forwarding and consolidation, do not require large capital investments or resource outlay compared to other groups. The main challenge in this group is to adhere to the set rules and regulations by the regulatory government agencies particularly KRA as well as KPA, KEBS among others. For instance on top of other requirements transit godowns must deposit Ksh.2, 500,000 as security with KRA while consolidators, shipping lines and/or agents do not make such large deposits as security.

The second group comprised importers of second hand vehicles and long haul transporters. This group deals in automobiles and requires more financial resources, capital equipment and technical knowhow to run than the first group. It also requires more space for parking, garage or showroom for display. Members of group one struggle to move to group two by overcoming these barriers. Furthermore, there is continuous pressure from clients to provide clearance and transport rates as a 'package' other than broken down rates. The two groups form strategic alliances easier than other groups since their services are complementary. Goods cleared need to be transported.

The third group consists of transit godowns and bonded warehousing. From the research data10.5% and 13.2% were in transit godown and warehousing business respectively. The services of these firms are very similar in that they offer temporary storage facilities. The resource requirements needed in addition to regulatory requirements all available on KRA website, confirmed that this is a group higher than the previous two.

Group four comprised shipping lines and /or their agents. The research data indicated that 23.7% were doing shipping lines / agencies business as their core. The respondents ranked this slightly lower than the bonded warehouses. However in terms of the services they offer, the researcher distinguished shipping and transit sheds as being different and put bonded warehousing together with transit shed in the strategic grouping.

Group five comprised the CFS together with inland container depots. These are like mini-ports where imported goods are delivered and released through similar procedures as if it was within the port harbor. Their prominence and significance has growth as KPA seeks to decongest the port by sharing containers and vehicles imported with the CFSs as more and more vessels call the port of Mombasa. The CFS / ICD has a complex structure and has to host other authorities like KRA, KEBS, Kenya Police etc within that compound as a mandatory requirement. It is also required to have equipment to handle containers and other units as it is in the port of Mombasa such as cranes and top loaders.

5.1.2 Strategic Responses to Market Dynamics by Firms

Firms in the industry reported to be applying a number of strategic responses to market dynamics in measured proportions. 64.7% recorded having responded to the market through aggressive marketing yet at another point some said they preferred doing a good job and be referred by customers other than wait. Only the very large firms in the

groupings of CFSs and shipping line had some elaborate marketing plans otherwise most of the other firms with growth potentials were not as aggressive.
The survey results show that this industry has great potential for alliances, mergers and acquisitions in order to meet the threshold of entering a more stable strategic group. However, only 10.3% considered mergers and acquisitions as being of much importance as a strategic response. 23.3% noted that strategic alliances are critical yet they denied market exit options as an option at 5.9% important. It is of paramount importance that management of firms realizes that the environment in which a firm operates can force a company out of business. A review is necessary of the advantages and disadvantages of firms merging in order to form a bigger legal entity that can more strongly compete in different strategic groups in the industry to ensure greater stability in their portfolios. This is informed by the large percentage of 63.2% that considers mergers and acquisitions as being of least importance.

Selective market targeting was one strategy that many firms chose as an appropriate response strategy. This implies that firms are unconsciously aware of the clientele that befits them and not their competitors. This in itself segments the industry along groups that serve selected target of customers. Shipping lines will approach importers who are seeking best shipping rates while a CFS manager will seek customers who can nominate their depots as their preferred clearance point after the units have been discharged by the shipping lines whereas warehouses and transit godowns will seek to provide temporary storage facilities at affordable rates.

Of importance here is for the firms to align their strategies to the changes in the environment in order to ensure survival and success. Some factors such as recapitalization that were ranked low in importance at 40% could be what is needed in order to shift to the next strategic group. The objectives of a marketing response strategy need to be got right from the start in terms of where in this industry should the management of the firm invest so that resources are not wasted for instance, misplaced expansion plans, rated at 50% in the survey or pursue cost cutting measures, rated at 60% in the survey, when the reverse (expansion) should be implemented.

5.1.3 Mobility Barriers In the industry

As Macharenhas and Aaker (1989) observed, strategic groups are grouping of businesses within an industry separated from other groupings of businesses by mobility barriers, barriers to entry and exit. They also concluded that mobility barriers are much more about 'who you are' and are resource dependent than 'what you do' or actions taken. In light of this, the barriers identified in the freight forwarding industry zero in on 'which firm are you talking about?' The firms facing industry competition at 71.1% as the greatest barrier are the small firms who cited inadequate financing at 10.5%, restrictive regulation at 57.9%, high capital investment needs at 50.0% and diseconomies of scale at 15.8% among others, as being major barriers to realization of their business objectives. These were not major concerns for the larger firms since even in the face of competition they had a particular segment of customers that they targeted.

The mobility barriers that keep the firms apart are getting stronger by the day and inclined towards resources, financial especially. From the research survey, restrictive legislation was registered as great barrier by 57.9% of the respondents. Licensing of clearing agents for example is done once annually, so you don't enter that group any time of the year but only when applications are invited by KRA. Today, transporters are required to fit ECTS gadgets (costing more than one thousand dollars each) on their vehicles prior to being allowed to ferry transit goods; while transit godowns and bonded warehouses are required to deposit more than two million shillings in addition to having land of not less than 2.5hactares before getting licensed. These are real 'resource-based cum regulatory' barriers that restrict mobility amongst groups as evidenced by the research findings.

5.2 Conclusion

It is clear from the research findings that there exists environmental turbulence and dynamism that has shaped and continues to influence strategic directions that firms take in the freight forwarding industry in Kenya. This has resulted to the formation of the five strategic groups the researcher identified in this research paper.

It is incumbent upon the management of the firms in the various strategic groups as well as the policy makers and regulators to take appropriate strategic measures that will revitalize the freight forwarding industry given the critical role the industry plays in moving the economy forward in order to enhance competitiveness and growth through fair business practices.

5.3 Recommendations

From the research findings it is evident that firms in the freight forwarding industry need to beware of the environment turbulence causing changes in the industry. The way a firm responds to the environmental dynamism in order to overcome the mobility barriers, determines whether it will move to the desired strategic group, remain stagnant or collapse prior to realization of the set business objectives.

The main concern is the fact that government regulations, among other barriers, were considered a great hindrance to firms' achievement of their business objectives. Government should facilitate trade not frustrate it. Given the role each of these firms plays in the national economy and international trade and business, it is imperative that all stakeholders meet with the respective government agencies such as KRA in order to remove the barriers and instead build bridges to ensure greater accountability. Profiling of companies activities is one way of determining serious firms and unscrupulous ones.

The freight forwarding industry has enormous potential and numerous opportunities for investors and professionals. Many firms do not seriously market their services yet methods such as advertising have a direct impact on sales of both products and services. Professional marketers need to seek partnerships with firms in the industry to find ways and means of exploiting the market.

Stakeholders led by managers of these firms and policy makers need to take deliberate steps to professionalize the industry and come up with an ethical code of conduct for a freight forwarder. This can be encouraged through organization of an annual award winning scheme say to the best firm in different categories coupled with an exhibition and conference to iron out contentious issues and map out the way forward.

5.4 Limitations of the Study

The major impediment was suspicion by respondent firms that their firms are being investigated for purposes of exposing company information to competitors or authorities despite the fact that an introductory letter from the University of Nairobi accompanied the questionnaires. The researcher however countered this by sending an assurance letter together with the questionnaire (appendix II) to respondents and calling them on phone to guarantee them of confidentiality.

The nature of competition was described as cut-throat. This posed a challenge to full disclosure of information inquired for the fear of the unknown. In effect therefore, the researcher sought some secondary data from the industry publications and government agencies websites to complement the findings.

5.5 Suggestions for Further Study

Similar studies on strategic groups should be conducted in other industries in order to establish how firms position themselves in the various industries in which they compete and most important how they cooperate.

A study on competitive advantages amongst strategic groups in the freight forwarding industry can also unearth the centres of interest to company managers keen to stay ahead of industry competition.

As earlier mentioned, a in-depth case study need to be done on the effectiveness of the railway network within East Africa as an alternative to long haul road transport by trucks.

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Kenya Ports Authority Website: www.kpa.co.ke

Kenya Revenue Authority Website: www.kra.go.ke

APPENDICES

APPENDIX I: QUESTIONNAIRE

Section A: General Information

1. Name of your organization ....
2. Year of incorporation in Kenya..
3. What is the ownership structure? Please tick as appropriate
    a. Fully local owned [ ]
    b. Fully foreign owned [ ]
    c. Partly local/ partly foreign [ ]

4. How many members of staff/employees do you have?
    a. 1-20
    b. 21-50
    c. 51-100
    d. 100 and above

5. Does your firm have a strategic plan? ....
....
6. If yes in question 5 above, what is the planning horizon?

    a. 0-3yrs b. 3-5yrs c. 6yrs and more

7. What is your core business? ....
....
8. Which other businesses does your organization run? ....
....
....

Section B: Nature of Strategic Groups

9. Please indicate if your firm has significant investments in the following areas in the freight forwarding industry (please tick as appropriate).
    a. Shipping liner / Agency

b. Customs clearing and documentation

c. CFS operator

d. Long haul transport (Local / transit)

e. Bonded warehousing

f. Transit gowdowns

g. Consolidation / deconsolidation

h. Courier / Door to door parcel delivery

i. Import of second hand motor vehicles

10. Which business (es) is/ are dominant in your firm in relation to other units within your organization in terms of resource allocation and strategic importance to your firm (please rank them in order of dominance: (I being the most dominant and 5 the least dominant)

		1	2	3	4	5
a.	Customs Clearance					
b.	Road Transport (Local or Transit)					
c.	CFS Operations					
d.	Warehousing (bonded or transit)					
e.	Shipping Services (Liner/Agency)					
f.	Consolidator/Deconsolidator					
g.	Import of second hand motor vehicles					
h.	Courier / Door to door delivery					

11. Does your firm seek to improve its competency by joining forces with other firms?

Yes [ ]   No [ ]

12. If you answered No in question 11 above, then what has influenced your firm not to seek collaboration as an alternative to improving your competency? ....

....

13. If you answered Yes, in question 13 above then do you consider the freight firm(s) in collaboration with you to be of the same competitive league as your organization?

Yes (comment briefly) ....

No (comment briefly) ....

14. What motivated your firm into the joint undertaking? (Tick as appropriate)

    a. In order to complement us on a service we solely could not offer.
    b. Maximize on capacity utilization
    c. In order to lock out competitors from certain interests or business
    d. Assistance to access new customers or markets
    e. Pulling resources together in order to realize economies of scale

15. Please rank the items listed below in the order of hindrance to your firm's progress in meeting your business objectives. (Where 1 is the greatest hindrance to meeting your objective and 5 is the least hindrance)

	Hindrance factor	1	2	3	4	5
a.	Increased industry competition					
b.	Inadequate skilled personnel					
c.	High capital investment needs					
d.	High operational costs					
e.	Inadequate financing					
f.	Restrictive legislation by government					
g.	Inefficient Supply Chain					
h.	Price undercutting in the market					
i.	Diseconomies of Scale					
j.	Corruption in securing business deals					
k.	Ineffective regulations					
l.	Inadequate internal Capacity					
m.	Political interferences /events					
n.	Others (Specify)					

16. Name at least three companies in the freight industry that you consider to be direct competitors to your firm.

    a. ....
    b. ....
    c. ....

17. How important has each of the following strategic responses been to your firm in realigning itself to dealing with market dynamics. (Please rank them in order of importance: 1 being the most important and 5 being the least important);

	Strategic responses	1	2	3	4	5
a.	Aggressive marketing					
b.	Service diversification					
c.	Cost cutting measures					
d.	Expansion (geographical area)					
e.	Vertical integration					
f.	Mergers and acquisitions					
g.	Strategic alliance					
h.	Market exit options					
i.	Selective market targeting					
j.	Recapitalization (via equity or leverage)					

18. What other area do you consider to be of core competency to your firm and makes you different from other firms? ....

....

19. What factors (in your own words) have helped your firm to remain competitive in your core line of business? (List at least three)

a) ....

b) ....

c) ....

d) ....…

21. Do you consider political correctness and influence as a factor that determines which business you compete in or the entry of new players in the industry?

YES [ ] NO [ ]

22. Based on your experience and that of your organization, how would you map the growth path of a freight forwarder (financially, capital investments and equipment, personnel, technology and space) (Please rank them in the order of ease of entry into the industry and mobility within industry, with 1 being the easiest sector to enter and 5being the most difficult)

	Industry Sector	1	2	3	4	5
a.	Clearing and Forwarding (Local)					
b.	Transit Godown					
c.	CFS Operator					
d.	Shipping line agency					
e.	Long haul transport (trucks mainly)					
f.	Bonded warehousing					
g.	Consolidator or deconsolidator					
h.	Import of second hand vehicles for sale					
i.	Courier company (door to door delivery)					

23. Name the business or businesses in the industry that you see your organization competing in ten years from now ....

....

....

THANK YOU FOR YOUR TIME AND ANSWERS

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAM – LOWER KABETE CAMPUS

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 11TH OCTOBER 2010

TO WHOM IT MAY CONCERN

The bearer of this letter NJIRU LEONARD MUKOTHI

Registration No: D61/70257/2008

is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

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

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA OFFICE
P. O. Box 30197
NAIROBI

DR. W.N. IRAKI
CO-ORDINATOR, MBA PROGRAM