COMPETITIVE STRATEGIES ADOPTED BY SMALL AND MEDIUM ENTERPRISES IN THE REAL ESTATE SECTOR NAIROBI METROPOLITAN AREA, KENYA

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

2016

DECLARATION

This research project is my original work and has not been presented for a degree in any other University.

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

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DEDICATION

This work is dedicated to my family members, who offered me moral support throughout the process of conducting this study. God bless you abundantly.

ACKOWLEDGEMENT

I wish to acknowledge all the individuals who assisted in various ways towards completion of this research project. Many thanks go to my supervisor **Professor Evans Aosa** for giving me the required guidelines all the way to the end. My fellow classmates who assisted me with diversified consult throughout the project. I also acknowledge the entire management of University of Nairobi for the opportunity and facilities for this research study.

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ABBREVIATIONS AND ACRONYMS

GDP   Gross Domestic Product

KNBS   Kenya National Bureau of Statistics

R&D   Research and Development

SMEs   Small and Medium Enterprises

SPSS   Statistical Package for Social Science

KPIs   Key performance indicators

ANOVA   Analysis of Variance

RBV   Resource based view

KPIs   Key performance indicators

SHRM   Strategic Human Resource Management

ABSTRACT

The need for Small and Medium Enterprises to align their operational performance systems with their strategic goals has been a major concern for scholars. SMEs are greatly influenced by the environment in which they operate. Theoretical foundations that explain interaction of organizations and the environment have been analyzed in this proposal. The theories are Environment dependence theory, open systems theory; chaos and complexity theory. SMEs in the real estate sector are vital in poverty alleviation and job creation in the developing economies. Residential units in Kenya generate an average rental yield of 5%, while commercial space generates an average yield of over 9%. The report indicates that the total return, including rental yield and appreciation, is about 28%. The study objective was to critically examine SME's competitive strategies in the real estate sector in the Nairobi Metropolitan Area. More importantly identify the relationship between the competitive strategies adopted and the resultant competitive advantage to the firms. The research will help create awareness to policy makers in Government to understand the various challenges SMEs encounter in the starting up and in daily business operations. SMEs should thus be a consideration by government as they analyze, formulate and implement policies. A descriptive research design was adopted with cross-sectional survey. Descriptive study enabled the researcher to collect information from a cross-section of the study population and the results from the survey method extrapolated to the entire population. Besides, this method is time saving, and less costly. The study targeted a population for 74 SMEs in the real estate sector in Nairobi Metropolitan Area. Questionnaires were used to collect mainly quantitative and qualitative data. The study established the factors that challenge operations at the organization were; competition due to entry of other firms, consumer disposable incomes, technological changes, legal and regulatory changes. The study established that strategies adopted by Small and Medium Enterprise in the real estate sector to gain competitive advantage were the adoption of new technology, strategic alliance, innovation strategies, diversification and strategic human resource management. The study recommends that there is need for the management of small and medium enterprise to form strategic alliances with other firms in complimenting sectors of the economy. This will assist in their diversification strategies hence help them in gaining competitive advantage. There is need for the management of Small and medium enterprise to invest in research and development, this will help them to be innovative hence assist them in gaining competitive advantage too. The study recommends that Small and medium enterprise should employ competent and skillful personnel who will assist them in gaining competitive advantage through strategic human resource management. There is need for the Small and medium enterprise in the real estate sector to form joint ventures when executing large project and adopt new technologies towards cost management hence improve their financial performance.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Small and Medium Enterprise (SMEs) are the stimulators of economic activity in any economy. They not only create jobs but also act as major channels for technological changes and innovation (Storey, 1994). Features like innovativeness, flexibility, action orientation and problem solving, are vital for their success (Lin, 2008). In Africa, SMEs have rapidly developed since 1997. The need for Small and Medium Enterprises to align their operational performance systems with their strategic goals have been a major concern for scholars and researchers. Numerous performance evaluation frameworks and approaches have emerged; most popular of these is the balance scorecard (Kaplan & Norton, 1992). SMEs exhibit distinct characteristics such as informal strategies and structure, reactive mentality and limitation of resources (Storey, 1994).

SMEs are greatly influenced by the environment in which they operate. Theoretical foundations that explain interaction of organizations and the environment have been analyzed in this project. The theories are environment dependence theory, open systems theory; and chaos and complexity theory. In Kenya, while Nairobi and Mombasa counties constitute 10% of the population, they account for 16% of the total SMEs and 17% of the total employment. SMEs encounter various challenges such as: increased competition, insecurity, lack of credit, few customers, debt collection, high rent expense, political uncertainty, power outages and high cost of raw materials. More depressing is the findings that SMEs in Nairobi do not survive beyond the fifth year due to lack of

planning in the long term, various factors related to lack of support by the government and entrepreneur's lack of rational motivation for profit maximization. The research therefore set to examine the strategies adopted by SMEs in the real estate segment in the Nairobi Metropolitan Area to increase competitive advantage.

1.1.1 Competitive Strategy

This is a carefully devised plan of action to achieve a goal. Strategies must be there for companies to respond to not only challenges coming from the operating environment but to also help in holding up a strategic edge in the market as stated by Warugu (2001). In addition, Porter (2006) defined it to be involving a set of activities that are consistent, reinforce each other and neatly fit together so as to ensure optimization of the effort hence creating a winning position and unique tradeoffs in competition. Success is brought about by the ability to respond to customers.

Strategy making thus is an important management process since it sets direction for the business by formulating the way in which their goals will be achieved (Gibcus & Kemp, 2003). Strategic goals made therefore are the yard sticks against which the firm's performance is measured

1.1.2 Competitive Advantage

Competitive strategy not only creates competitive advantage but also favorably manipulates resources. Uniqueness over resources as stated by Chege et.al (2008) brings about an added advantage that a competitive strategy ought to own. Competitive advantage enables a company earn return on investment constantly above the average in the industry according, Porter (1985). Competitive advantage could also be identified if a company incorporates a strategy for creating value that is different from its competitors as stated by Barney (1991).

The Researchers who observe the RBV of a company state that only if a firm has scarce, inimitable, irreplaceable and valuable resources then will it contribute to competitive advantage. Barney (1991) observes that particular combinations of a company give particular competitive advantage and not all the company's resources are able to deliver a competitive advantage. For strategic competitive advantage to be realized the company ought to have features like uniqueness, value, and rareness. Barney's (1991) noted that it is impossible for companies to access satisfactory resources if they were accessed in an improper manner.

SME definition varies in different countries and from time to time; it depends on government policy and administrative setup, the stage and pattern of development. Definitions do relate to employment, capital or both or any other criteria (Scarborough, 2011). In the new Kenya SMEs Act (2012) defines an SME as any business activity, trade, a firm, industry, service whose annual turnover is below Ksh 5,000,000 shillings and employs below fifty people. The important role played by the SMEs cannot be overemphasized but they contribute immensely to the economic development and wealth creation through employment and creation of market linkages (Peacock, 2004). They have potential for creating instant large scale job opportunities of 10-20 times more than large factories, harnessing local unutilized resources (Mahlnobis, 2008). They boost economic activity which leads to increased job opportunities and increased wealth creation hence playing a vital role in growth of new industries.

SMEs' contribution to Kenya's GDP increased from 13.8 percent in 1993 to 20 percent in 2007, they provided about 78 percent of the total jobs created in 2005/2006 financial year (World Bank, 2007). Therefore, the promotion of this sector is an efficient and effective strategy to reposition the country and place it on a higher growth trajectory. Efforts to promote this sector have been articulated in Sessional Paper No.2 of 2005 on development of SMEs for wealth and employment creation. A number of initiatives have been stipulated and aimed at improving SMEs environment such as expanding access to credit, and improve access to training (Rongwe, Ndirangu & Nyangito, 2002).

The Government signed The SME Bill (2012), which is aimed at establishing the SMEs Authority which is responsible for reviewing policies and formulating programs for SMEs, monitoring and evaluating the implementation of existing programs and policies affecting SMEs and advising the government on appropriate policies and course of action to be taken. In the new devolved governments that started to operate under the new constitution, Public Procurement and Disposal Regulation (2013) has already been enacted by the Minister of Finance to preferentially consider local SMEs in tender award in respective County Governments in a bid to spur their development and address local imbalances.

1.1.3 SMEs in the Real Estate Sector

SMEs in the real estate sector are vital in curbing poverty and increasing jobs in the developing economies. Small and Medium Enterprise in the real estate sector contributes to 5% of Kenya's GDP (Real Estate Report, 2016). According to the report, in Q3/2015, the construction and real estate industry had the greatest growth at 14.1%, compared to 10.1% in financial services and 7.1% growth in agriculture.

In Kenya, the real estate sector has continuously outdone other classes for the last five years, generating returns of between 25 percent and 30 percent hence making it the most lucrative business to venture in because of reduced losses. Residential units in Kenya generate an average rental yield of 5%, while commercial space generates an average yield of over 9%. The report indicates that the total Return, including rental yield and appreciation is about 28%.

The real estate sector which was previously dominated by individual developers now has an entry of more institutional developers such as Saccos, private equity firms and foreign institutions in major towns around the country. Rapid population growth of 2.4% per annum has created an increased demand for housing because of family growth and consumer needs which change to reflect improved standards of living. The demand has also been aided by the high urbanization rate of 4.4% per annum in the Nairobi area and the metropolis. The 'new middle class' have created a huge opportunity for integrated housing developments such as mixed used developments and master planned communities. Owing to the high returns in the real estate sector, such investments have mainly focused on real estate developments.

1.2 Research Problem

Despite the important contribution to the national economy, studies by Bowen (2009) on Nairobi SMEs found out that most SMEs do not survive beyond the fifth year. This is because they fail to come up with strategies to reach customers, fail to develop a system of controls to keep track of SME performance and also lack of strategic management. Strategic planning in SMEs is inhibited by inadequate knowledge of planning, lack of

specialized expertise, lack of time and reluctance to share knowledge. Therefore, there is a need to undertake an exhaustive study on the strategies adopted by SMEs and how their performance KPIs are formulated, implemented, monitored and measured with the aim of increasing efficiency and productivity in order to focus on their customers and the changing environment to achieve financial success.

There have been several empirical studies carried out. Onyancha (2013) did a study on strategies implemented by SMEs in Kenya to cope with foreign market challenges. The study identified that SMEs growth in any country rests on the support of external organizations and the availability of resources. Swanya (2010) did a study on strategy development among SMEs in furniture and fittings sector in the country, its results showed most SMEs lacking a strategic plan and even for those that had this plan it lacked an all-inclusive process. Yogo (2013) did a study on the growth strategies adopted by SMEs in Oyugis town, Homa Bay County, it identified that most of the businesses had embraced growth strategies such as marketing, pricing, market penetration among other strategies.

However, the researcher noted that there is limited empirical evidence on the strategies adopted by SMEs in the real estate sector hence he sought to identify the competitive strategies adopted by SMEs in the real estate sector in the Nairobi metropolitan area. Therefore what are the competitive strategies adopted by SMEs in the real estate sector in the Nairobi Metropolis to increase competitive advantage?

1.3 Research Objective

The research objective was to identify the competitive strategies adopted by SMEs' in the real estate sector in the Nairobi Metropolitan Area to increase competitive advantage.

1.4 Value of the Study

The rate of failures of SMEs in the economy is alarming and it has multiple negative effects such as waste of scarce resources, loss of employment and missed opportunities. This research intended to understand the challenges facing SMEs by matching their strategies with internal circumstances and external opportunities in their environments with a view of bringing more understanding, appreciation and improvement of their performance towards realization of the profit objective.

The research would help in creating awareness to policy makers in the Government to help them understand the various challenges SMEs encounter when starting up their businesses and also when operating their businesses. This should hence be a consideration when analyzing, formulating and implementing policies in support of SMEs.

The research would also generate knowledge to the researcher and scholars, so that they could use the findings to generalize, extend or repeat the research in a different environment hence providing more learning to the business community. This would thus provide opportunity for development of knowledge.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The theoretical foundation, conceptualization of research problem and empirical studies are discussed in this chapter. The theoretical underpinnings are presented and discussed, then the review of empirical literature along the hypothesized relationships follows. This will be followed by the fore state of knowledge and extant gaps in knowledge that the study will address. The conceptual framework then ensues.

2.2 Theoretical Foundation

The study is built upon various theories: The theories considered for this study were the environment dependence theory, open system theory, and chaos and complexity theory.

2.2.1 Environment Dependence Theory

Environment dependence theory emphasizes that companies should be environment serving and environment dependent for both their inputs and outputs. Business do not exist in a vacuum but are environment serving and environment dependent (Dauda & Ismaila, 2013). The framework for the environment is in form of a matrix of connections namely processes, influence, transactions and communication that exist within it (Emery & Trist, 1965).

According to Stoffels (1994) this model illustrates a firm being a part of the environment; a firm interacts with the environment both as a receptor of signals from the environment and a transmitter of signals to it. The character of the environment a firm faces is importantly shaped by interdependencies and transactions that occur entirely outside the domain or influence of the organization.

2.2.2 Open Systems Theory

This theory refers to systems that interact with their environment and depend on it to gain vital inputs to release outputs. Organizations are open systems (Cole & Kelly, 2011). According to Stoffels (1994) open system objects interact with their environment, reach a new steady state and continue dynamic activity.

Stoffels (1994) further states that open systems describe the behaviour of organizations and the people within them more. They are Open systems because they consist of interconnected components that work together and they also exchange resources with the environment (Anderson, 1999). Cole & Kelly, (2011) noted that if businesses want to flourish they have to operate as an open system because of their relationship with the environment they are in.

2.2.3 Chaos and Complexity Theory

This theory entails the study of dynamic, nonlinear and complex systems (Levy, 1994). Complexity theory aids in understanding why a strategy is never complete (Clegg, Carter, Kornberger, & Schweitzer, 2011). An environment is referred to being chaotic if the environment changes at an amazingly fast pace. Today's managers must be capable of thriving in chaos but at the same time change should be interactive, that is being capable of designing a desirable future and inventing ways of bringing it about (Lussier, 2009).

External environment complexities results to changes within the company. The internal complexities may result to changes within the company such as positioning, staff, departmental and overall structure. According to Lussier (2009), as a business grows, the

complexity of its internal and external environment increases. A major factor increasing the complexity of the environment is the globalization of business. The need for expansive strategies is brought about by the vibrant attribute of chaotic systems and the complex industry systems.

2.3 Competitive Strategy and Competitive Advantage

Companies need to initiate the learning organization concept because a competitive strategy targets changing the operating rules in the company (Porter, 2006). These companies are also adopting this strategy to help cope with challenges that may inhibit the company's success. Hence for easier modification to the economic pursuits of the company, these strategies need be malleable (Barney, 1991). A company's competitive advantage is evident from profits and sustained or growing market share. Market share is not dissipated by competitive pressure.

Another measure of competitive advantage is fewer new entrants into the market due to entry barriers (Gibcus & Kemp, 2003). Goodwill is another indicator.

2.4 Competitive Strategies Implemented by SMEs

For survival and progress, companies need to adapt to the ever-changing environment which comes along with numerous changes (Barney, 1991). This can be done through coming up with new strategies that could provide clues that enable the company meet their goals, looking into threats coming about with the new environment. These strategies could also give inclusive plans that will help interact with the environment (Porter, 2006). In any industry, competitors, partners, customers, distribution channels and other processes could bring about new knowledge, way of doing business and also create learning opportunities for the partner companies.

2.4.1 Adopting New Technology

Technological ambiguity is brought about by technology change coming from product and process creation. This results to strategic responsiveness which in turn results to quick response caused by the changing market settings. According to Bowman, (1993), it involves possession of wide strategic choices and investing various resources.

Ambiguity in technological markets is likely to pose a variety of threats and opportunities for companies to adapt and create hence flexibility is essential in an environment with high levels of technological uncertainty. Facilitation of worldwide products has been greatly affected by progression of information and communication technology. This is further illustrated by first hand proof of the growing number of companies trying to start new products by adopting global virtual teams.

2.4.2 Strategic Alliances

For responsiveness and flexibility, companies need to rely on global networks of communication and infrastructure. Concurrent engineering need be adopted whereby all product developments are planned instead of waiting for R&D stages to end then test them on customers and developing both marketing and service strategies. Part of the product development process includes design, marketing, purchasing etc. in which the cross functional teams represent as stated by Smith, (2003).

A deep understanding of customer needs can help reduce service delivery cost if facilitated by marketing construction projects done through advertising. This operation is both experienced and knowledgeable and will result to effective cost produce and product delivery Smith (2003). Productivity and attractiveness of the company's products is

heavily influenced by deals made when trying to reduce supplier costs or improving the quality of the product. This results to competitive companies effectively managing their operations and coordinating the chain of suppliers and distributors they rely on (Maslen 1997). If this is incorporated by the real estate sector so will it increase product uptake.

2.4.3 Innovation Strategies

These are the responses to not only world-wide challenges but also future opportunities. Identifying new customer needs or developing new technology will initiate the process (push-pull process). Uncertainty, risk and change are some of the main environmental factors affecting innovation. Innovation has posed to be an area of research and development in trying to counteract the challenges of globalization.

The research and development functions do not only create innovation but they also affect the outcome. According to Brockhoff, (1998), if an innovation does not get to be incorporated in the market or the company it was targeted for, it is deemed useless. Research and development is not only useful in developing new knowledge but also in the improvement of the company's assimilation of existing knowledge (Afuah, 2003).

2.4.4 Diversification Strategy

Many SMEs are now developing and marketing their products globally. This will not only provide greater opportunities for their products but will also improve the SMEs general performance because of exposure to different customers, cultures and competitive practices etc. These impacts as stated by Bartlett and Ghoshal, (1989), are believed to originate from the company being able to access new technologies, to access new economy scales across multiple locations.

According to Kim *et al.,* (1993), companies with international diversity can not only control resources but they can also differentiate various market risks thus improve their performance. Moreover, these companies are able to differentiate market risks while controlling strategic resources thus improving performance.

2.4.5 Strategic Human Resource Management

This is a strategy adopted to equip companies with befitting human resource base. SHRM practices have helped achieve relatively high levels of effectiveness. To create value in companies, technology will be needed to develop SHRM practices in a way that is difficult to imitate and inaccessible. This will then make SHRM an important tool for competitive advantage.

SHRM is enhanced through significant human resource policies and practices as a source of constant competitive advantage despite globalization challenges according to Delery and Doty, (1996). This has resulted to developing countries being left with no option but to upgrade HR and new era's workforce brought about by nonstop global challenges.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

In this chapter the procedure that governed the study is defined. The main focus is description of the research design, the population targeted and data collection. It therefore forms a basis for the subsequent detailed data analysis.

3.2 Research Design

A descriptive research design was adopted; with cross-sectional survey design. It usually involves the use of both quantitative and qualitative approaches. Descriptive study improved the collection of information of the study population; the results from the survey method were extrapolated to the entire population. Besides, this method is time saving, and less costly.

Its choice depended on the kind of interest the research had on the happenings of the field in question. The findings were therefore generalized to the larger population main focus being quantitative in spite of some focus being qualitative.

3.3 Target Population

According to Gray (2009) a population can be defined as the total number of possible units or elements that are included in the study. In this research the population is made of the SMEs in the real estate sector in the Nairobi metropolitan area, Kenya. The study targeted a population for 74 SME firms.

3.4 Data collection

According to Ngechu, (2004) the nature of the research title, the research design, research objectives, expected data and results etc. influences how one chooses a tool and device. Donald (2006) states the two main data sources by respondents' primary and secondary data. Data taken directly from respondents is Primary data. Questionnaires were used to collect mainly quantitative and qualitative information.

The questionnaire entailed open and close-ended questions. The close-ended questions provided more clarified responses to give a good basis for recommendations. They were also used to rate various summarizing attributes which aided in obtaining of more varied responses. To enhance data analysis effectiveness the questionnaire was structured.

3.5 Data Analysis

Quantitative data gathered was determined through expository statistics through IBM (Version 22: percentages, averages, standard deviations and frequencies. Bar charts, graphs and pie charts depicted the information. Counting responses, percentage computing of varying responses and expressing and elucidating the data in line with the study objectives. A linear regression model was used to depict the connection between the various variables. The equation was as shown:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$$

Whereby Y = Competitive advantage, X_1= Adopting new technology, X_2= Strategic alliance X_3= Innovation Strategies, X4= Diversification and X_5= Strategic Human Resource Management, while β_1, β_2, β_3, β_4 and β_5 are coefficients and ε is the error term. Quantitative reports were concluded through tabulations, percentages, and measures of central tendency.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND FINDINGS

4.1 Introduction

The research findings of the data obtained through questionnaires were defined in depth and research findings as guided by study objectives discussed. The results are divided into three major sections. The first section deals with descriptive statistics about demographic and background information of the respondents. The second section deals with discussion of research objective findings; the third section deals with multiple regression analysis and last the discussion of research findings. A total of 74 questionnaires were administered to the sampled respondents, at the end of data collection process a total of 65 questionnaires were returned fully filled with two partly filled and three not returned. This accounted for 87.8% response rate, more than 70% the minimum response required for analysis (Creswel, 2009). Therefore the researcher progressed to analysis.

4.2 Background Information

Figure 4.1: Period of Time in the Company
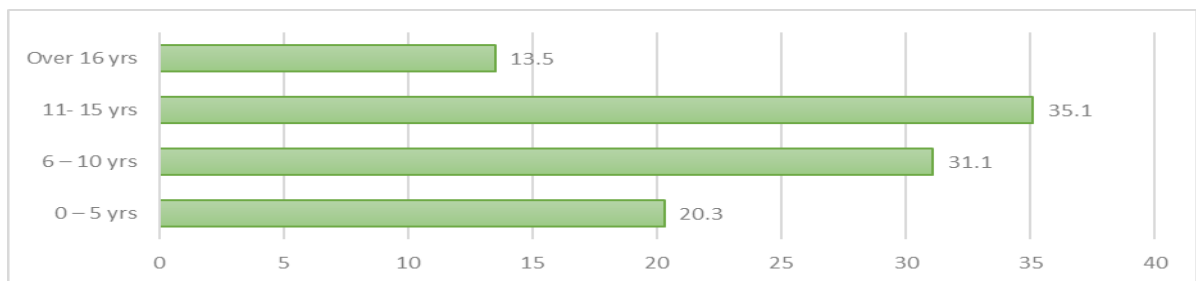
Source: Research Finding (2016)

In order to determine the respondent length of service in their organization, respondents were requested to indicate the number of years they had served. From the finding the study found that majority of the respondents as shown by 35.1 percent indicated 11 to 15

years, 31.1 percent indicated 6 to 10 years, 20.3 percent indicated 0 to 5 years, and 13.5 percent indicated 0ver 16 years. These findings show that the respondents had worked for a long period in their organizations and thus would understand the SME's competitive strategies.

Figure 4.2: Length of Time in the Current Position
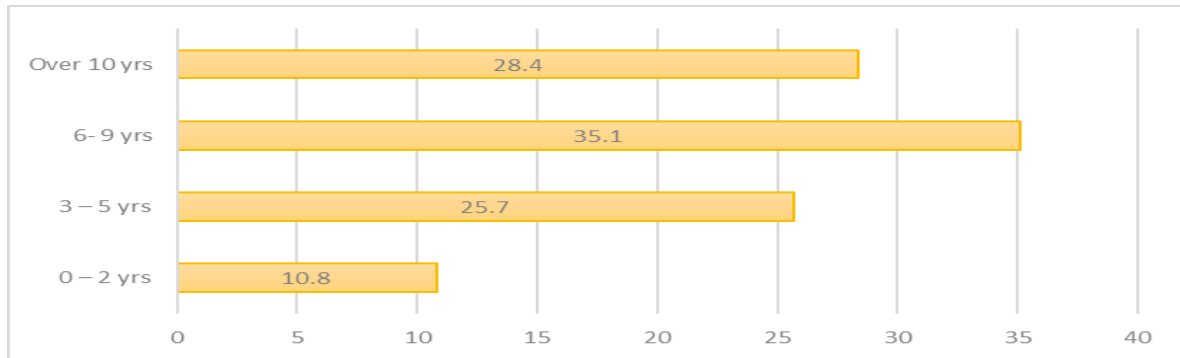
Source: Research Finding (2016)

From the findings on the respondents period of service in the current organization, the study found that most respondents as depicted by 35.1 percent showed 6 to 9 years, 28.4 percent indicated over 10 years, 25.7 percent indicated 3 to years, 10.8 percent indicated 0 – 2 years. These findings show that the respondents had worked for a long period in their current position and thus would understand the SME's competitive strategies.

Figure 4.3: Annual Profits Range in Kenya Shillings
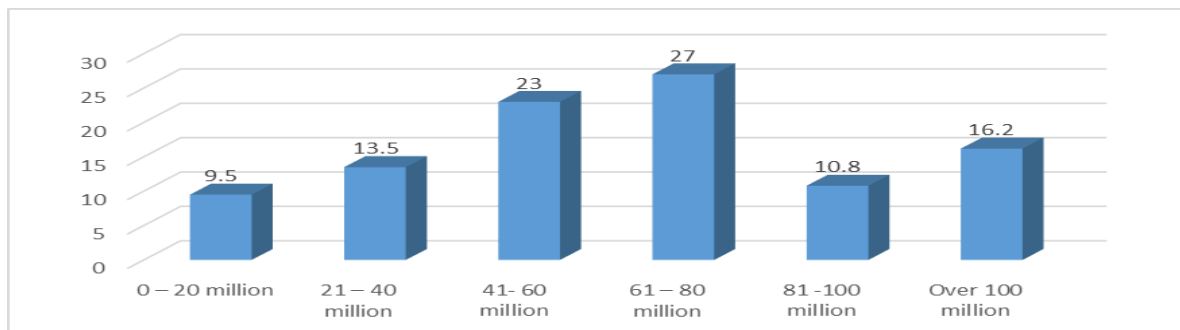
Source: Research Finding (2016)

In order to determine the annual profit range the organizations made, the study requested the respondent to indicate the annual profit range in Kenya shillings. From the finding the study showed that most respondents as depicted by 27 percent indicated 61 to 80 million, 23 percent indicated 41 to 60 million, 16.2 percent indicated over 100 million, 13.5 percent indicated 21 to 40 million. This is an indication that the SMEs make good profits.

4.3 Strategies Adopted by Small and Medium Enterprises

4.3.1 Factors that Challenge Organization Operations

Table 4.1: Factors that Challenge Organization Operations

	Not at all	Little extent	Moderate extent	Great extent	Very great extent	Mean	Standard deviation
Technological changes	0	1.4	6.7	40.5	51.4	4.42	1.16
Competition due to entry of other firms	0	4.1	5.2	23.1	67.6	4.51	1.37
Legal and regulatory changes	0	5.4	13.5	29.7	51.4	4.27	1.06
Labour laws	0	9.5	12.1	39.2	39.2	4.08	0.89
Consumer disposable incomes	0	6.8	12.1	13.5	67.6	4.42	1.41

Source: Research Finding (2016)

From the finding on the extent to which factors challenge operations at the organization, the study found that all the factors challenged operations as shown a mean of 4.51 indicated competition due to entry of other firms and consumer disposable incomes, a mean of 4.42 indicated technological changes, a mean of 4.27 indicated legal and regulatory changes, a mean of 4.08 indicated.

4.3.2 Extent to Which Organization Has Adopted Strategies

Table 4.2: Extent to which the Organization has Adopted Strategies

	Strongly disagree	Disagree	Neutral	Agree	Disagree	Mean	Standard deviation
Our organization has merged with other institution to provide better service	0.0	0.0	10.8	59.5	29.7	4.19	1.06
The organization has formed strategic alliance with firms in Kenyan market	0.0	0.0	16.2	28.4	55.4	4.39	1.16
Our company has forged joint ventures with other strategic partners	0.0	0.0	24.3	52.7	23.0	3.99	0.88
Our organization has undertaken restructuring to improve on management	0.0	0.0	18.9	25.7	55.4	4.36	1.14
Our organization have undertaken operational turn around measures	0.0	0.0	10.8	47.3	41.9	4.31	1.04
We outsource non-core business activities in order to concentrate with core business activity in order to gain a competitive edge	0.0	0.0	6.8	43.2	50.0	4.43	1.16

Source: Research Finding (2016)

On the respondent's level of agreement on extent to which the organization has adopted strategies. The study found that majority of the respondents agreed that the they outsource non-core business activities in order to concentrate with core business activity in order to gain a competitive edge as shown by a mean of 4.43, the organization has formed strategic alliance with firms in Kenyan market as shown by a mean of 4.39, the organization has undertaken restructuring to improve on management as shown by a mean of 4.36, the organization have undertaken operational turn around measures as shown by a mean of 4.31, the organization has merged with other institution to provide better service as shown by a mean 4.19, the company has forged joint ventures with other strategic partners as shown by a mean of 3.99.

4.3.3 Company Relation to Operational Strategies

Table 4.3: Company Relation to Operational Strategies

	Not at all	Little extent	Moderate extent	Great extent	Very great extent	Mean	Standard deviation
Our organization have become more innovative	0	0	18.9	33.8	47.3	4.28	1.01
leadership with technical and innovative motivational style of management is evident in our company	0	0	25.7	62.1	12.2	3.86	1.02
industry networking with suppliers and other stakeholders is evident in our company	0	0	36.5	52.7	10.8	3.74	0.88
In our organization we have integrated information technology into our operations	0	0	32.4	29.8	37.8	4.05	0.81
We engage in research and development in production of new products	0	0	21.6	35.2	43.2	4.22	0.94
In our organization we differentiate products to suit the market needs	0	0	6.8	43.2	50	4.36	1.08
In our organization there is change in production techniques and product mix	0	0	12.2	39.2	48.6	4.30	1.01
We have specialist staff recruitment to acquire high skill human resources	0	0	14.9	40.5	44.6	3.70	1.01

Source: Research Finding (2016)

On the respondent's level of agreement on statements related to how the company relates to operational strategies due to change in operating environment. From the findings most respondents agreed their organizations are differentiating products to suit the market needs as shown by a mean of 4.36. In the organizations there is change in production techniques and product mix as shown by a mean of 4.30, the organizations have become more innovative as shown by a mean of 4.28, the SMEs engage in research and development in production of new products as shown by a mean of 4.22, In their organizations they have integrated information technology into operations as shown by a

mean of 4.05, leadership with technical and innovative motivational style of management is evident in their company's as shown by a mean of 3.86, industry networking with suppliers and other stakeholders is evident in our company as shown by a mean of 3.74, they have specialist staff recruitment to acquire high skill human resources as shown by a mean of 3.70.

Figure 4.4: Effectiveness of the Measures Adopted by Organization
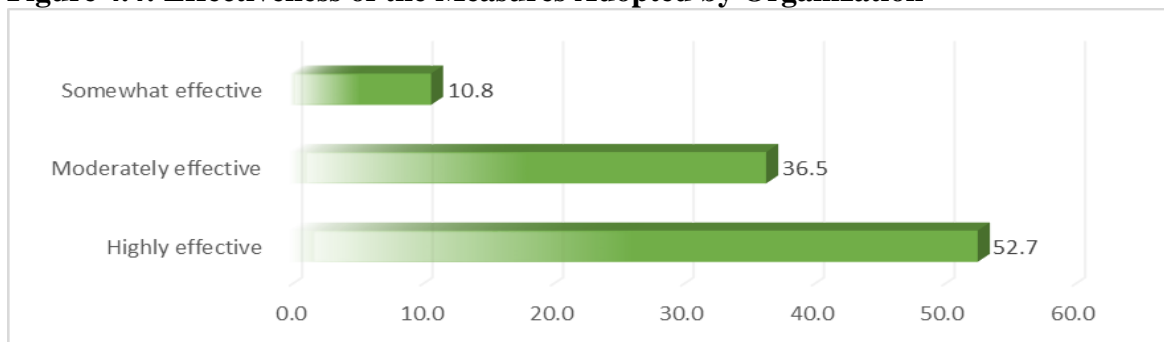
Source: Research Finding (2016)

From the findings of the study trying to depict effectiveness of the measures adopted by the company. Most respondents as depicted by 52.7 percent indicated highly effective, 36.5 percent indicated moderately effective, and 10.8 percent indicated somewhat effective.

4.3.4 Challenges Faced by the Organization in Implementation of Strategies

Table 4.4: Challenges Faced by the Organization in Implementation of Strategies

Challenges	Yes	No
High competition	90	10
Technical challenges	92	8
Fraud	72	28
Strict regulations	66	34
Staff resistance	64	36

Source: Research Finding (2016)

From the findings on the strategy implementation challenges faced by the organization ,

the study found that most of the respondents, 90 percent indicated high competitions, 92

percent indicated technical challenges, 72 percent indicated fraud, 66 percent indicated

strict regulations and staff resistance as shown by 64%.

4.3.5 Competitive Advantage

Table 4.5: Competitive Advantage

	Strongly disagree	Disagree	Moderate	Agree	Strongly agree	Mean	Standard deviation
Competitive strategy main aim should be establishing the needs of the customers.	0	0	21.6	39.2	39.2	4.18	0.90
The firm is constantly launching effective real estate product promotions	0	0	24.3	44.6	31.1	4.07	0.84
The firm constantly offers unique innovative products to customers	0	0	28.4	39.2	32.4	4.04	0.80
The firm forms strategic alliance with other firms to gain competitive advantage	0	0	36.5	35.1	28.4	3.92	0.73
To enhance competitiveness has made the company be diversified	0	0	45.9	44.6	9.5	3.64	0.82
The firm engages in research and development of new products	0	0	39.1	54.1	6.8	3.68	0.93
The firm is constantly offering innovative real estate features	0	0	23	50	27	4.04	0.87
The firm uses innovative human resource strategies to remain competitive	0	0	35.1	52.7	12.2	3.77	0.88

Source: Research Finding (2016)

On the respondent's level of agreement on statements related to competitive advantage,

the study revealed that majority of the respondents agreed competitive strategy's main

aim should be establishing the needs of the customers as shown by a mean of 4.18; The

firms to regularly launch effective real estate product promotions as shown by a mean of

4.07; The firms to offer unique innovative products to at 4.04; The firms to form strategic

alliances with other firms to gain competitive advantage as shown by a mean of 3.92. The

firm uses innovative human resource strategies to remain competitive as shown by a mean of 3.77, The firm engages in research and development of new products as shown by a mean of 3.68, company have diversified as shown by a mean of 3.6.

4.4 Regression Analysis

Table 4.6: Model Summary

Model	R	R Square[b]	Adjusted R Square	Std. Error of the Estimate
1	0.898a	0.806	0.7951	0.001

Source: Research Finding (2016)

Regression analysis results are shown in Table 4.6, and reveal R^2 of 0.806 and significant variables all at 5% level of significance. This implies that 80.6% of competitive advantage of Small and medium enterprise can be attributed to adopting new technology, strategic alliance, innovation strategies, diversification and strategic human resource management.

Table 4.7: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23.535	5	4.707	7.275	.000a
	Residual	42.702	59	0.647		
	Total	66.237	64			

Source: Research Finding (2016)

From results in Table 4.7 the study established that there existed a significant goodness of fit of the model $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \varepsilon$ indicted by the higher value of F-statistics (F $_{Cal}$ =7.275> F $_{Cri}$ = 4.123 at confidence level 95 % and sig is 0.000<0.05) implies that there is a goodness of fit of the model fitted for this study.

Table 4.8: Coefficient Analysis

Co-efficient Model		Unstandardized Coefficients		Standardized Coefficients		
		β	Std. Error	Beta	t	Sig.
1	(Constant)	0.547	0.172		2.522	0.015
	Adopting new technology	0.695	0.211	0.563	3.882	0.001
	Strategic alliance	0.636	0.128	0.653	3.124	0.008
	Innovation Strategies	0.598	0.4205	0.612	3.304	0.002
	Diversification	0.228	0.166	0.134	2.112	0.082
	Strategic Human Resource Management	0.542	0.824	0.353	2.624	0.008

Source: Research Finding (2016)

The established regression equation is

$Y = 0.547 + 0.695X_1 + 0.636X_2 + 0.598X_3 + 0.228X_4 + 0.542X_5 + e$

Regression results revealed that adopting new technology has significance influence on competitive advantage as indicated by $\beta_1 = 0.695$, $p = 0.001 < 0.05$, $t = 3.882$. This implied that a unit change in adopting new technology would results in 69.5% change in competitive advantage ; strategic alliance had a significance influence as indicated by $\beta_2 = 0.636$, $p = 0.008 < 0.05$, $t = 3.124$ implying a unit change in strategic alliance would results in 63.6% change in competitive advantage ; innovation strategies had a significance influence as indicated by $\beta_2 = 0.598$, $p = 0.002 < 0.05$, $t = 3.304$ implying a unit change in innovation strategies would results in 59.8% change in competitive advantage ; diversification has no significance influence as indicated by $\beta_2 = 0.228$, $p = 0.081 > 0.05$, $t = 2.112$ implying a unit change in diversification would results in 22.8% change in competitive advantage; and strategic human resource management has significance influence as indicated by $\beta_3 = 0.542$, $p = 0.008 < 0.05$, $t = 2.624$ implying a unit change in strategic human resource management would lead to 54.2% change is competitive advantage.

4.5 Discussions

4.5.1 Comparison with Theory

The study revealed that so as to enhance competitive advantage focus is needed on main business activities and outsource non-core activities, the organizations have formed strategic alliance with firms in Kenyan market, the organizations have undertaken restructuring to improve on management, the organizations have undertaken operational turn around measures and the organization have merged with other institutions to provide better services, the companies have made joint ventures with other strategic partners. Dauda and Ismaila (2013) argue that the environment dependence theory emphasizes that companies should be environment serving and environment dependent for both their inputs and outputs. The relationship with the environment is in the form of a matrix of connections namely processes, influence, transactions and communication that exist (Emery & Trist, 1965).

The study also revealed that the company's operational strategies, should target to meet market needs hence products be differentiated, change in production techniques and more innovative product mix. The open system theory states that systems that interact with their environment and depend on it to gain vital inputs to release outputs. Organizations are open systems (Cole & Kelly, 2011). According to Stoffels (1994) open system objects interact with their environment, reach a new steady state and continue dynamic activity.

The study established that the challenges faced by the organization in implementation of strategies were: high competition, technical challenges, fraud and strict regulations. Competitive strategy main aim should be establishing the needs of the customers, the firm is constantly launching effective real estate product promotions and the firm

constantly offers unique innovative products to customers and innovative real estate features. Complexity Theory entails the study of dynamic, nonlinear and complex systems (Levy, 1994). Complexity theory aids in understanding why a strategy is never complete (Clegg, Carter, Kornberger, & Schweitzer, 2011). Today's managers must be capable of thriving in chaos but at the same time change should be interactive hence get capable of designing a desirable future and inventing ways of bringing it about (Lussier, 2009).

4.5.2 Comparison with Other Studies

The study established that factors that challenged operations are: competition due to entry of other firms, consumer disposable incomes, technological, legal and regulatory changes. The study found that so as to enhance competitive advantage focus is needed on main business activities and outsource the non-core activities, the organization has formed strategic alliance with firms in Kenyan market, the organization has undertaken restructuring to improve on management, the organization have undertaken operational turn around measures, the organization has merged with other institution to provide better service, the company has forged joint ventures with other strategic partners. These findings were in line with Smith (2003) who noted that for a company to acquire new markets and experience deals need be made for efficiency. For responsiveness and flexibility, companies need rely on global networks of communication and infrastructure. For agile practices, companies need to organize them into new teams because of new opportunities. Concurrent engineering need be adopted whereby all products development are planned instead of waiting for R&D stages to end then test them to customers and developing both marketing and service strategies. Part of the product development process includes design, marketing, purchasing etc. in which the cross functional teams represent.

The study established that competitive strategy main aim should be establishing the needs of the customers, constantly launching effective real estate products, offer unique innovative products to customers, the firm forms strategic alliance with other firms to gain competitive advantage, uses innovative human resource strategies to remain competitive, the firm engages in research and development of new products to enhance competitiveness through diversification. These findings are in line with Kim *et al.*(1993) , who found that companies with international diversity can not only control resources but also differentiate various market risks thus improve their performance. In addition, internationally diversified firms have greater opportunities to control strategic resources while simultaneously differentiating market risks, thus improving their performance.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter wraps up the study. It contains summary of findings, answers to research questions, conclusions, recommendations and suggestions for further studies. It reveals the competitive strategies adopted and makes recommendations to SMEs towards achieving optimal returns. Finally it identifies opportunities for further research.

5.2 Summary of Findings

The objective of the study was to critically examine SME's competitive strategies in the real estate sector in the Nairobi Metropolitan Area. More importantly identify the relationship between the competitive strategies adopted and the resultant competitive advantage to the firms. The study established that the factors challenging operations at the organization were; competition due to entry of other firms, consumer disposable incomes, technological changes and legal and regulatory changes.

The study revealed that so as to enhance competitive advantage focus is needed on main business activities and outsource non-core activities. Therefore the organizations have formed strategic alliance with complimenting firms in the market, have undertaken restructuring to improve management, have undertaken operational turn around measures, have merged with other institution to provide better service and the companies has made joint ventures with other strategic partners.

The study also revealed that on company's relation to operational strategies, to satisfy market needs products have been differentiated, made change in production techniques and product mix, have become more innovative, R&D is needed so as to produce new products, integrated information technology into operations, adopted technology, industry networking with suppliers and other stakeholders is evident and they have specialist staff recruitment to acquire high skill human resources.

The study established that the challenges faced by the organization in implementation of strategies were: competition, technical challenges, fraud, staff resistance and strict regulations. Competitive strategy main aim should thus be establishing the needs of the customers, the firms to constantly launch effective real estate product promotions, the firms to constantly offer unique innovative products to customers and innovative real estate products, forms strategic alliance with other firms to gain competitive advantage, use innovative human resource strategies to remain competitive, engage in research and development of new products and to enhance competitiveness have diversified products and markets.

5.3 Conclusion

The study established that for small and medium enterprises, towards enhancing competitive advantage focus is needed on main business activities and outsource non-core activities, form strategic alliance with other firms in the market, undertake restructuring to improve on management, undertaken operational turn around measures, merge with other institution to provide better service and from joint ventures with other strategic partners. These strategies were adopted to gain competitive advantage among small and medium enterprise in the real estate sector.

From the finding the study concludes that strategies adopted by Small and Medium Enterprise in the real estate sector to gain competitive advantage were the adoption of new technology, strategic alliance, innovation strategies, diversification and strategic human resource management.

5.4 Recommendations

There is need for small and medium enterprise to have strategic alliance with other firms in other sector of the economy, this will assist them in their diversification strategies, which will help them in gaining competitive advantage. There is need for the Small and medium enterprise to invest in research and development, this will help them to be innovative which will assist them in gaining competitive advantage too.

The study recommends that Small and medium enterprise should employ competent and skillful personnel, these will assist them in gaining competitive advantage through strategic human resource management. There is need for the Small and medium enterprise in the real estate sector to have joint venture when executing large projects in the sector. There is need for small and medium enterprise in the real estate sector to adopt new technologies which will assist them in reducing cost of their projects hence improve their financial performance.

5.5 Limitation of the Study

In this study questionnaire was used as the main data collection instrument, where the study did not have much control on the information given by the respondents. In this study respondent were reluctant to give information fearing that they information might

leak to their competitors. The period for collecting data was limited to two weeks which may not have been sufficient. In order to dispel any fear the respondents were having, the researcher explained that the study was being used for academic purpose only, this was a way of accuracy of data collected.

5.6 Suggestion for Further Research

The study intended to examine the competitive strategies adopted by SMEs in the real estate sector in the Nairobi metropolitan area, Kenya to increase competitive advantage. The study further provided the relationship between the strategies and the resultant competitive advantage

The study recommends that a study should be done to establish the factors affecting the choice of competitive strategies adopted by Small and Medium Enterprise in Real Estate Sector in Kenya. The study further recommends that a study should be done on the factors influencing sustainable competitive advantage among small and medium enterprise in Kenya

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APPENDICES

Appendix I: Introductory Letter

UNIVERSITY OF NAIROBI

SCHOOL OF BUSINESS

Telephone: 020-2059162 Telegrams: "Varsity", Nairobi Telex: 22095 Varsity	P.O. Box 30197 Nairobi, Kenya

DATE 21/10/2016

TO WHOM IT MAY CONCERN

The bearer of this letter ...NGANGA ANTONY KIHIU...

Registration No...D61/64367/2013...

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

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 your assistance to enable him/her collect data in your organization.

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.

2 1 OCT 2016

PATRICK NYABUTO
SENIOR ADMINISTRATIVE ASSISTANT
SCHOOL OF BUSINESS

Appendix II: Questionnaire

Please respond to questions in this questionnaire. All answers will be used for academic purpose only. Your information will be confidential. Please tick appropriately.

Section A: Back ground information

1. Name of the respondent (optional)…………………………………………………

2. How long have you been in this organization?

    0-5 yrs   [ ]   6-10 yrs   [ ]   11-15 yrs   [ ] Over 16yrs [ ]

3. How long have you been in your current position?

    0-2 yrs   [ ]   3-5 yrs   [ ]   6-9 yrs   [ ] Over 10 yrs   [ ]

4. What is your annual profits range in Kenya shillings?

    0-20 millions   [ ] 21-40 million [ ]   41-60 million   [ ]   61-80 million [ ]

    81- 100 million   [ ] 101- 150 million [ ] 151- 200 million [ ] Over 201 million [ ]

5. What is your market share?

    1-20%   [ ]   21-40%   [ ]   41-60 % [ ]   61-80% [ ]   81-100% [ ]

Section B: Strategies Adopted By Small and Medium Enterprises

6. To what extent do the following factors challenge operations at your organization?
    (1= Not at all. 2= Little Extent. 3= Moderate Extent. 4 = Great Extent & 5=Very Great Extent.)

	1	2	3	4	5
Technological changes					
Competition due to entry of other firms					
Legal and regulatory changes					
Labour laws					
Consumer disposable incomes					

7. To what extent would you say your organization has adopted the following in strategies? (1- very great extent, 2- great extent, 3-some extent, 4- Little extent, 5 – not at all)

	1	2	3	4	5
Our organization has merged with other institution to provide better service					
The organization has formed strategic alliance with firms in Kenyan market					
Our company has forged joint ventures with other strategic partners					
Our organization has undertaken restructuring to improve on management					
Our organization have undertaken operational turn round measures					
We outsource non-core business activities in order to concentrate with core business activity in order to gain a competitive edge					

8. You are required to respond to the statements below relating to how your company relates to operational strategies due to change in operating environment according to the scale of provided: (1= Not at all. 2= Little Extent. 3= Moderate Extent. 4 = Great Extent & 5=Very Great Extent.)

	1	2	3	4	5
Our organization have become more innovative					
leadership with technical and innovative motivational style of management is evident in our company					
industry networking with suppliers and other stakeholders is evident in our company					
In our organization we have integrated information technology into our operations					
We engage in research and development in production of new products					
In our organization we differentiate products to suit the market needs					
In our organization there is change in production techniques and product mix					
We have specialist staff recruitment to acquire high skill human resources					

9. How would you rate the effectiveness of the measures adopted by your organization?

      Highly effective   **[ ]**

      Moderately effective **[ ]**

      Somewhat effective   **[ ]**

      Less effective   **[ ]**

      Not effective   [ ]

10. What challenges does your organization face in implementation of strategies?

      High competition   Yes **[ ]**   No **[ ]**

      Technical challenges   Yes **[ ]**   No **[ ]**

      Fraud   Yes **[ ]**   No **[ ]**

      Strict regulations   Yes **[ ]**   No **[ ]**

      Staff resistance   Yes **[ ]**   No **[ ]**

Section C: Competitive Advantage

11. Please indicate your level of agreement with the statements given below. (1= strongly

    disagree. 2= Disagree. 3= Moderate. 4 = Agree and 5=strongly agree.)

	1	2	3	4	5
Our strategy for competitive advantage is based on clear understanding of our customers' needs					
The firm is constantly launching effective real estate product promotions					
The firm constantly offers unique innovative products to customers					
The firm forms strategic alliance with other firms to gain competitive advantage					
To enhance competitiveness has made the company be diversified					
The firm engages in research and development of new products					
The firm is constantly offering innovative real estate features					
The firm uses innovative human resource strategies to remain competitive					

Thank you

Appendix III: List of SME Real Estates Firms in the Nairobi Metropolitan area

1. Active Homes
2. Afriland Agencies
3. Amreal Immobilien Ltd
4. Barloworld Logistics (Kenya) Ltd
5. Betterdayz Estates
6. Canaan Properties
7. Capital City Limited
8. CB Richard Ellis
9. Colburne Holdings Ltd
10. Colburns Holdings Ltd
11. Coral Property Consultants Ltd
12. Country Homes and Properties
13. Crown Homes Management
14. Crystal Valuers Limited
15. Double K Information Agents
16. Dream Properties
17. East Gate Apartments Limited
18. Eastwood Consulting Limited
19. Ebony Estates Limited
20. Elgeyo Gardens Limited
21. Fairway Realtors And Precision Valuers
22. FriYads Real Estate
23. Gakuyo Real Estate
24. Gampar Investments Ltd
25. Gimco Limited
26. Grayhills Properties
27. Greenspan Housing
28. Hajar Services Limited
29. Halifax Estate Agency Ltd.
30. Hewton Limited
31. Homes and lifestyles
32. Jacent Properties Limited
33. Jimly Properties Ltd
34. Jogoo Road Properties
35. Josekinyaga Enterprises Ltd
36. Josmarg Agencies
37. Karengata Property Managers
38. Kenya Prime Properties Ltd
39. Kenya Property Point
40. Kilifi Konnection
41. Kiragu & Mwangi Limited
42. Kisima Real Estate
43. Kitengela Properties Limited
44. Kusyombunguo Lukenya
45. Land & Homes
46. Langata Link Estate Agents
47. Langata Link Ltd
48. Lantana Homes
49. Mamuka Valuers (M) Ltd
50. Mark Properties Ltd.
51. Market Power Limited
52. Mentor Group Ltd
53. Merlik Agencies
54. Metrocosmo Ltd
55. Monako Investment Ltd
56. Muigai Commercial Agencies Ltd.
57. Myspace Properties (K) Ltd.
58. N W Realite Ltd
59. Nairobi Real Estates
60. Neptune Shelters Ltd
61. Oceanic Properties
62. Oldman Properties Ltd
63. Oloip Properties
64. Optiven Properties Ltd
65. Ounga Commercial Agencies
66. Palace Projects Limited
67. Property Reality Company (PRC)
68. Property Investment Network
69. Raju Estate Agency Limited (REAL)
70. Shelta investments Ltd
71. True lands
72. Tuco Properties Ltd
73. Urban Properties Consultants & Developers Ltd
74. Urithi Housing

Source: Nairobi County Licensing Department (2016)