

**RESPONSE STRATEGIES ADOPTED BY REAL ESTATE FIRMS
TO ENVIRONMENTAL CHANGES IN NAIROBI, KENYA**

MZEE WESLEY

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

2017

DECLARATION

I Mzee Wesley hereby declare that this research project entitled ‘Response Strategies Adopted by Real Estate Firms to Environmental Changes in Nairobi, Kenya’ has not been submitted for any academic award such as certificate, diploma or degree in any college, university or institution of learning.

Signature..... Date.....

MZEE WESLEY

REG NO: D61/84425/2016

MBA PROGRAMME

SUPERVISOR’S APPROVAL

This research project prepared by Mzee Wesley entitled ‘Response Strategies Adopted by Real Estate Firms to Environmental Changes in Nairobi, Kenya’ has been developed with my guidance and have been submitted for examination with my approval as the University supervisor.

Signature..... Date.....

DR. JAMES GATHUNGU PHD, CPA (K)

SENIOR LECTURER

DEPARTMENT OF BUSINESS ADMINISTRATION

SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

ACKNOWLEDGEMENTS

I'm extremely overwhelmed by the sea of people who have made great contribution towards the pursuit of this MBA degree. The list is endless and space can't allow me to pen them down one by one but my gratitude pour unto them.

First and foremost, I thank the almighty God for his unending mercies, wisdom, financial support, strength, health and making it possible for this journey to go smoothly. His grace has been sufficient.

Secondly, I thank my supervisor Dr. James Gathungu for his intellectual insights and unmatched support. Without his deep wisdom and being a constant source of support I could not get this far.

Lastly, I feel indebted to all the Chief executive officers and other top managers of the real estate firms within Nairobi for finding time despite their busy schedules to complete the questionnaires hence making this research process insightful and a success.

DEDICATION

I dedicate this project to my loving mum Margret, my Sisters Clare and Erin, my brother Dennis, Vincent and Jared, Uncle Oyaro and Aunt Pamela for the support you have shown me all through. May you be blessed abundantly.

TABLE OF CONTENTS

DECLARATION	ii
ACKNOWLEDGEMENTS	iii
DEDICATION	iv
LIST OF TABLES	viii
ABSTRACT	ix
CHAPTER ONE: INTRODUCTION	1
1.1 Background of the Study	1
1.1.1 Environmental Dynamics.....	2
1.1.2 Strategic Responses	3
1.1.3 Real Estate Firms in Nairobi.....	4
1.2 Research Problem.....	5
1.3 Research Objective.....	7
1.4 Value of the Study.....	7
CHAPTER TWO: LITERATURE REVIEW.....	8
2.1 Introduction.....	8
2.2 Theoretical Foundation	8
2.2.1 Open Systems Theory	8
2.2.2 Contingence Theory	9
2.3 Organization and the Environment	10
2.4 Strategy and the Environment.....	12
2.5 Response Strategies	13
2.5.1 Marketing Strategy.....	14
2.5.2 Harvesting Strategy	15
2.5.3 Diversification Strategy.....	15

2.5.4 Information Technology & Communication.....	16
2.5.5 Leadership and Culture Change	17
2.5.6 Competitive Strategy.....	18
2.5.7 Integration Strategy	19
2.5.8 Organizational Structure	19
2.5.9 Strategic Alliance	20
2.6 Summary of Knowledge Gap.....	21
CHAPTER THREE: RESEARCH METHODOLOGY	24
3.1 Introduction.....	24
3.2 Research Design.....	24
3.3 Population	25
3.4 Sample Design	25
3.5 Data Collection	25
3.6 Data Analysis	26
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION	27
4.1 Introduction.....	27
4.2 The Profile of the Respondents'	27
4.3 Environmental Changes	30
4.4 Industry Structure.....	33
4.4.1 Industry Attractiveness.....	34
4.4.2 Competition Intensity	34
4.4.3 Bargaining Power of Customers (Clients /Tenants).....	35
4.4.4 Bargaining Power of Suppliers (Vendors/Landlords).....	35
4.4.5 Entry Barriers	36
4.5 Strategic Responses	37

4.5.1 Organizational Restructuring	37
4.5.2 Marketing	38
4.5.3 Regulations /Legislation.....	40
4.5.4 Client service.....	41
4.5.5 Information Technology.....	42
4.6 Discussion of Results.....	42
4.6.1 Link to Theory.....	42
4.6.2 Link to Other Studies	44
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS	47
5.1 Introduction.....	47
5.2 Summary of the Study	47
5.3 Conclusion of the Study.....	48
5.4 Implication of the study	49
5.5 Limitations of the Study.....	50
5.6 Suggestions for Further Research	50
REFERENCES.....	52
APPENDICES	55
APPENDIX I: QUESTIONNAIRE	55
APPENDIX II: SAMPLED REAL ESTATE FIRMS IN NAIROBI, KENYA	60

LIST OF TABLES

Table 4.1 Operational Duration in years	28
Table 4.2 Scope of Business Transactions	28
Table 4.3 Business Reach in terms of Geographical Coverage	29
Table 4.4 Political Changes.....	30
Table 4.5 Economic Changes	31
Table 4.6 Social and Demographic Changes	32
Table 4.7 Information and Technology	33
Table 4.8 Attractiveness of Industry	34
Table 4.9 Competition amongst Operating Real Estate Firms	34
Table 4.10 Bargaining Power of Customers (Clients / Tenants).....	35
Table 4.11 Bargaining Power of Suppliers (Vendors / Landlords).....	36
Table 4.12 Barriers to Entry	36
Table 4.13 Organizational Restructuring	37
Table 4.14 Outsourcing	38
Table 4.15 Introduction of new products	38
Table 4.16 Opened New Branches	39
Table 4.17 Distribution Channels.....	39
Table 4.18 Diversification.....	40
Table 4.19 Regulatory Compliance.....	40
Table 4.20 Client Service	41
Table 4.21 Business Processes automation	42

ABSTRACT

The organization is environment dependent and environment serving hence not self-sufficient. They are dependent on input resources derived from the environment and use them to generate resources (good and services) utilized by the same environment. They take a combination of resources from the environment, do value addition and deliver them back into the same environment in form of services and goods. Organizations are therefore affected by external conditions and in turn affect the environment within which they operate. Over the past 10 years there has been tremendous changes in the environment that has greatly impacted on how industries operate and real estate hasn't been spared either. The research project sort out to establish the response strategies adopted by real estate firms to environmental changes in Nairobi, Kenya. To attain this, a semi- structured questionnaire was used to collect the primary data. The drop and pick method was employed with the option of mailing used on the tech-savvy firms in operation in Nairobi. The findings showed changes that had a positive outlook to the real estate firms included the development of infrastructure by government such as Thika superhighway and the Standard gauge railway, investment from the diaspora, county governments and county to county migration and information technology infrastructure. On the other side, continuous electioneering period, election uncertainty, change of government and tribalism were some of the changes that had a negative outlook on the industry. The real estate firms responded to the changes through well thought out strategic responses that included new product introduction like lifestyle developments, getting into new markets like satellite towns, opening new branches, improved distribution channels, adherence to regulations, outsourcing of critical services that require attention and specialization and investing heavily on information technology through automation of processes, having a robust client service, divesting some product lines, diversification and downsizing. These responses worked positively since the firms were thriving despite the many changes within the environment they operated in. The study identified that emphasis need to be on information technology has its potential was underutilized and that government should crack down on illegitimate real estate agents to ensure they get registered and enhance a level playing ground.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Well developed, calculated, properly targeted and effectively executed strategic responses have been used over the years as lethal weaponry to counter environmental changes thus helping firms acquire a sustainable competitive advantage. Ansoff and McDonnell (1990) stated that strategic responses involve organization's behavioural change. The responses take different forms depending on the firm's capability and the operating environment within which it is set. It is through the strategic management process that the firm will be able to position and relate itself to the environment to ensure that it continues to succeed and cushion against surprises from the environment.

The study was anchored on the fact that organisations being open systems are environmental dependent and environmental serving, (Pearce and Robinson, 2002). This therefore implies that success of an organisation does not come by chance but choice. Organisations must therefore position themselves strategically in the environment they are operating in. The external environment is so dynamic that the organisations need to adjust themselves to these changes to remain in business and be successful. The nature of the changes may be global, regional or local and with them comes threats and opportunities that may affect the organisation. This in turn informs choice of strategy, which then determines performance leading to a competitive advantage (Porter 1985). It is for this simple reason that emphasis is being put on strategic management process because it is central and pivotal to organisational well-being.

Over the past fifteen years, there have been many changes in the Kenyan economy. These changes in the economic landscape have had a considerable impact in all industries and real estate industry has not been an exception. For many years, real estate has been seen as a special purpose vehicle for anyone caring to dive into the alternative markets space. The strong cultural attachment of Kenyans to land and landed property has galvanized the steady flow of investment into real estate by both locals and Kenyans in the Diaspora. In the recent times, there has been a growing concern towards investing wisely in real estate. This has been informed on the realization that one can actually lose money while investing in real estate while on the other one can make more money investing in this asset class that has consistently given an average of 25% return on investment over the past 5 years.

1.1.1 Environmental Dynamics

The environment of an organization is a set of factors that surrounds it and have the potential to impact on its operations positively or negatively. The environment consists of specific and general factors. Specific factors have a direct impact on the organization's ability to tap into needed resources. General factors on the other hand, shape the specific forces and impact on the ability of the organization to obtain scarce resources in a particular environment, which informs the question of environmental dependence by organizations.

A system is open if it interacts with its environment. The environment is disruptive and ever changing (Pearce and Robinson, 1997). The organization is environment dependent and environment serving hence not self-sufficient. They are dependent on input resources derived from the environment and use them to generate resources (good

and services) utilized by the same environment. They take a combination of resources from the environment, do value addition and deliver them back into the same environment in form of services and goods. Organizations are therefore affected by external conditions and in turn affect the environment within which they operate. Therefore, by looking beyond their operations, organizations must develop workable competitive strategies that will enable them out-compete rivals (Ansoff and McDonnell, 1990).

1.1.2 Strategic Responses

Strategic responses are mainly concerned with decisions and actions meant to achieve business objectives and purpose. Rapid changes in technology and cutting edge innovations, foreign competitors easy entry and access to local markets and the accelerated breakage of market boundaries that have traditionally existed subject organizations to new normal and uncertain competitive forces. Most firms that operate in such dynamic market contexts, often adapt to strategies that enable quick reconfiguration and re-directing of resources to deal with the environmental changes within their operating environment (Rajagopalan and Spretzer, 1996).

According to Kepner (2001), organizations will never thrive without a strategy but they may survive. Therefore, organizations today must put in place and execute effective strategies if at all they need to excel in the market place. An organization undertakes environmental scanning for strategic intelligence that enables in-depth gathering and analysis of relevant information, to ensure that what informs the strategic decision-making process is up-to-date, flexible, accurate, relevant and reliable. The critical facts gathered include competition, technology, macro-economic, markets, political and

social trends and regulations with an emphasis on specificity to each organization (Kepner, 2001).

1.1.3 Real Estate Firms in Nairobi

Real estate is defined as land property and buildings on it alongside any natural resources such as water, minerals crops; immovable property; any interest vested in it with an inclination to buildings or houses in general. Also in the real estate business, we include the act of selling, buying or renting land, houses or buildings.

The real estate sector in Kenya boom started in mid 2000s because of increased demand thus the property market was responsive. Nairobi, the capital of Kenya and the largest city forms a large expatriate community due to the significant number of multinationals who have chosen it as their base for eastern, central or African hub. Property market in Nairobi has thus attracted global attention. The value of reported building plans approved in Nairobi increased by 43.3 percent to 308.4 billion shillings in 2016 from 215.2 billion shillings in 2015. The rise in building approvals was because of increased investment in real estate development and can be attributed to increased foreign investments and the government's effort to provide both financial and non-financial incentives to the private sector to help alleviate the gap in housing, especially in the lower income market spectrum. The overall expenditure on roads construction, maintenance and repair increased by 38.3 percent to 156.5 billion shillings in 2016 from 113.2 billion shillings in 2015/16.

More development that is infrastructural is likely to be witnessed especially as we are in the electioneering period, as it is a common campaign tactic for incumbent leaders seeking re-election. This will have a positive impact on real estate through opening up of areas for development, improved accessibility and the general increase in property value due to higher demand.

The players in the real estate industry are from the government and the private sector with the government providing legal framework to promote further growth of this industry. Also in response to demand created because of a growing middle-class with disposable income and capacity to service mortgages. They desire and demand quality infrastructure. They are willing to pay a premium price for well-designed properties with great finishes and in safe and secure locations. With the dawn of devolved governance structure, demand for residential, commercial and industrial property is on the rise. To date the housing deficit is estimated to be 200,000 units per year.

1.2 Research Problem

Organizations are dependent on the environment. They rely on the environment for them to survive and scan the same environment in an effort to confer with the changes that could affect the industry and adopt strategies fit to ensure they adapt to the said changes (Thompson and Strickland, 1993). When environmental changes occur, firms will try to understand what these changes mean in terms of change in environmental demands and will then develop proper strategies to respond to these changes (Wooldridge and Floyd, 1989).

For many years, real estate has been deemed as a major special purpose vehicle of investment for majority of Kenyans. They have a strong cultural attachment to land and landed property an attribute that may be the reason behind the property price rise since 2004. There has also been a lot of property development going on, many properties have undergone valuation, some properties have already been sold and others are on sale. A lot of land has been sold as blocks while other pieces of land have been subdivided, sold or are up for sale and many real estate firms have been started. It is also during this period that changes in technology, political, legal and economic have been registered. This therefore makes strategic responses to the said changes a growing concern and an inevitable process towards sustainability. Several studies have been undertaken concerning organizational responses by firms to environmental changes. These include Wairegi (2004), Life insurance companies in Kenya; Mutua (2010), Deposit protection fund board; Odongo (2008), Kenya Tourist Development Corporation, Irungu (2010), Safaricom response strategies and Shambe (2003), Kenya's Banking Stability. Their studies established that whenever there are changes in the external environment, organizations promptly respond to those environmental changes through effective strategies.

It is clear that different organizations respond differently to environmental changes within the environment. Therefore, we would expect that real estate firms would respond differently to environmental changes. Research has shown that there is a real estate bubble in Kenya especially Nairobi. The sector is booming and has attracted many investors. Nevertheless, with the changing environment, there is a call for strategic responses. What therefore are the strategic responses employed by these firms because of the environmental changes?

1.3 Research Objective

The objective of the study was to establish the response strategies adopted by real estate firms to environmental changes in Nairobi, Kenya.

1.4 Value of the Study

This research contributes valuable information to policy makers who will use its findings to streamline policies governing the sector to ensure that it thrives. Policy makers including the government are keen to ensure that all sectors thrive since this will guarantee a growth in the economy.

Secondly, the research is of great help to practitioners both public and private and other investors who see real estate as an alternative investment vehicle by hence using the empirical data herein for them to make informed decisions. It enhances the decision-making capabilities of managers who are technically the agents of stakeholder interests by providing qualitative and quantitative information from which they can peg their decisions. Management in the real estate industry gains insights into the strategic responses they need to adopt when confronted with given environmental changes.

Lastly and most importantly, it is important to note that the area of response strategies to environmental changes by real estate firms is still a grey area that lacks adequate information. This research therefore, provides information to ensure a deeper understanding into the response strategies best fit for certain environmental changes by real estate firms. The study will gain more appreciation to the academia and scholarly front as it will enrich the body of knowledge of the industry and possibly open up areas for further research in matters real estate.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter dwelt into the underlying literature and authorities in strategy and strategic management that is relevant in today's scenario. It provided the theoretical and conceptual foundation necessary to satisfy the research purpose. We also demystified the organization and its environment coupled with the strategic responses employed in response to the external environmental changes.

2.2 Theoretical Foundation

This section evaluated various theories that the study was be anchored on. The study was guided based on two critical theories that include the contingency theory and the open systems theory.

2.2.1 Open Systems Theory

The open systems theory is informed from the fact that organizations operate as a system. Organizations are seen as systems with interrelated subsystems that use inputs from the environment to generate outputs that are used by the same environment. This means they are environmental dependent and environmental serving. Any shifts within the environment therefore means an altercation on management decisions within the organization. Being open systems they need to put in place structures to deal with changes in the environment within which they operate (Pearce and Robinson, 2002).

Efficiency and effectiveness is maintained in organizations by adapting to the environmental changes. Since organizations do not exist in a vacuum, they need to be concerned with both the internal and external environment forces and ensure that the decisions they make fit both environments. These forces influence conditions in every organization. However, what affects one organization may have little or no impact in a different organization. Managers need therefore to consistently scan and monitor the environment to determine the best suite response to an environmental change. Open systems are therefore those that interact with the environment (Plunkett et al 2008). They consist of five basic elements namely inputs, process, output, feedback and the environment.

2.2.2 Contingence Theory

Petrick et al., (2009) argues that contingency theory is a class of behavioural theory framework that indicates there being no best way for firm organizing, company leading, or decision making. In any organization, the course of action that is optimal is dependent on the internal and external forces. In his context, uncertainty is defined as that variable that makes the organization dependent upon the environment (Petrick et al., 2009).

Organizations design and choice therefore, depends on uncertainty which is associated with probability or proposition of bounded rationality (Pike and Ryan, 2004). The approaches to uncertainty are complementary to one another being that the higher the amount of information that is needed by the organization for performance or task completion, the greater the degree of cognition needed by the organization for processing and management of the information for task execution and completion

(Fahyand Hooley, 2004). Contingence theory can therefore be used to explain that environmental changes present managers with challenges to ensure that they come up with responses that fit into the prevailing circumstances. So environmental uncertainty is key to decision making within the organization.

2.3 Organization and the Environment

Organizations do not exist in a vacuum but in an environment whether they are in business for profit, government or volunteer/charity. Within this environment, other organizations and people influence how transactions take place. They include suppliers, competitors, customers and governments. On top of this, some general aspects of the environment will have great underpinning effects for instance, technological, legal, socio-cultural, demographical and ethical developments.

It is these inherent needs to survive if not thrive in different and a changing environment that has informed organizations to adapt to various strategies for successful functioning. Great organizational functioning has been regarded as an offset of the inter-dependence of the organization and the environment within which it operates. Since all firms conduct business within a specific environment, the need for strategy is critical in order to obtain a suitable strategic fit and stretch between their external environment and their internal unique capabilities.

Porter (1985) stated that strategy is concerned with the positioning of a business in order to maximize on the value of its capabilities that distinguish it from rivals. According to Porter, an organization must come up with a business strategy that

incorporates cost leadership, focus and differentiation for it to achieve a sustainable competitive advantage and tangible success in its field of speciality.

An organization exists in a contextual framework of a complex web of political, socio-economic, technological, environmental and legal aspects. This gives rise to the remote environment. The environmental changes may be more pronounced in some organizations than it is to others. This means the effects are on a case-to-case basis. How this affects the organization could be attributed to the good historical and environmental effects and patterns understanding, as well as changes of environmental variables that could be expected. Usually the variables may open into a window of opportunities or exert threats or a combination of both. Managers often utilize PESTEL Analysis to develop more cohesive strategies that are long term in nature (Johnson and Scholes, 1988). Remember, both public and private organizations are in competition, whether for customers or for resources. It is therefore important to get a good understanding for their competitive positions (Johnson and Scholes, 1988).

Settling on the organization's viable strategies requires that one have a good understanding of the industry and its players. The operational environment comprises factors that influence its immediate competitive position, competitive situation, suppliers, clients, creditors and the labour market. It is evident that factors influence directly on an organization's prospects originates from the industry's environmental spectrum. They include barriers to entry, rivalry among competitors, substitute availability in the market space and the power to bargain by both buyers and suppliers (Porter 1985). The remote industry and the operational environment come with them unique challenges that a particular organization faces in an attempt to utilize the

available scarce resources efficiently and to market its goods and services in a profitable manner (Pearce and Robinson, 2007).

2.4 Strategy and the Environment

Strategy is what links the environment and the organization. According to Pearce and Robinson (2003), the modern manager must respond to the challenges posed by the organization's immediate and external environments. This external environment comprises factors that originate beyond any single firm's operating environment and comprise of PESTEL factors that include political priorities, economic, social conditions, and technological developments, ecological and legal.

According to Wairegi (2004), all of these must be expected, measured, evaluated and monitored while subsuming them into the process of executive's decision making. To zero down on their objective, organizations choose strategies best fit with the environment within which they operate. This is in tandem to avoid any mismatching that may occur between the environment and the organization since they take a combination of resources from the environment, do value addition and deliver them back into the environment in form of services and goods. This therefore means that organizations are environmental dependent when acquiring resource inputs and produce outputs for consumption by environment. Implying that the organization is environment dependent and environment serving hence not self-sufficient. Strategy is therefore a multi-dimensional concept viewed as a means of establishing organizational purpose in terms of long-term objectives, action plans and resource allocation. It basically defines the competitive domain of a firm.

Ansoff and McDonnell (1990) discloses that the initial stage in strategic management is performing a strategic diagnosis which identifies both strategic aggressiveness and organization responsiveness that a given firm needs to develop so as to be able to tackle future challenges within its environment. This calculated approach enables needed change to be pursued to a firm's strategy and its internal capabilities to guarantee the firm's success in a dynamic and ever changing environment.

The procedure for the diagnosis is a derivative of a strategic success hypothesis that states; "the firm's strategic and operational health is optimum when combativeness of its strategic behaviour matches with the stormy nature of the environment". That its capabilities are supportive of one another and the responsiveness matches the aggressiveness of its strategy. In short, strategy must match the environment and capability must match the strategy. Strategic diagnosis determines the nature of the firm's strategic problem.

2.5 Response Strategies

Response strategies are such a critical component since they entail matters decisions and actions meant to ensure objectives, goals and purposes of the organization are met. After environmental scanning and analysis, the organization will decide on the cause of action to pursue in response to the prevailing opportunities and threats (Johnson and Scholes, 2002). Strategy serves as a link between the organization's capabilities and the environment. It incorporates the competitive moves and approaches that will deliver best results while taking into consideration stakeholder needs.

Ansoff and McDonnell (1990) stated that strategic responses involve organization's behavioural change. The responses take different forms depending on the firm's capability and the operating environment within which it is set. Well developed, calculated, properly targeted and effectively executed strategic responses are lethal weaponry that can help a firm acquire a sustainable competitive advantage. It is through the strategic management process that the firm will be able to position and relate itself to the environment to ensure that it continues to succeed and cushion against surprises from the environment. The choice of strategic response depends on the speed with which a particular threat or opportunity develops in the environment. Strategic activities result to new services, new products, new processes and procedures, new market penetration and diversification, divesting and creation of new responses to PESTEL factors such as political and social challenges.

2.5.1 Marketing Strategy

Kotler (2000) defines marketing as a social and managerial process by which individuals and groups attain what they need and want through creating, offering, and exchanging products of value with others. It has also been defined as the process of planning and executing the concept of pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives. An awesome method for the analysis of marketing as a response strategy is through the use of the grid of product-market expansion as proposed by Ansoff (1957). Ansoff framework is useful for detecting new intensive growth opportunities. Firms review whether any opportunities exist in order to improve any existing business performance. By use of current products and current market, organizations consider if they can eat into the market share using the strategy of market penetration.

Through the strategy for market development, a company can consider marketing its current products often with niche modifications to customers in new markets. For instance, through addition or changing of distribution channels and changing their advertising model. Through product development strategy, the company looks into whether it can develop new products of potential interest to its current market. An alternative term for product development is innovation. The key to success in today's competitive environment is continued substitution of new products and services, which are superior to the historical products and services. Firms, which do not innovate, do not survive (Ansoff and McDonnell, 1990).

2.5.2 Harvesting Strategy

Harvesting involves doing away with a firm or a major component of a firm for example through selling. Whereas companies must continuously develop new businesses, they must keep in check the existing ones and carefully prune the dogs. This enables the company to harvest or divest tired and weak businesses or products and services to free up the locked resources and reduce cost of maintaining an unproductive venture.

Kotler (2000), suggests that managers should focus on the company's growth opportunities, not fritter away energy and resources trying to salvage haemorrhaging business, since the cash flow or financial stability of the firm can be greatly improved if business with high market value can be sacrificed.

2.5.3 Diversification Strategy

Organizations often diversify to respond to environmental changes, and spread risk across a range of business. Diversification is a strategy that takes the organization into

new market, products and services. Diversification only makes business sense when great openings can be tapped outside the existing business model. Kotler (2000) indicated that a great opening is that which the market is highly attracted to and that which the company got the pre-requisite capabilities to be successful. Possible diversification types are three i.e., concentric, horizontal and conglomerate diversification strategies. A company using concentric diversification strategy could seek new innovative products that have technological and marketing alignments with the existing products even though they themselves could appeal to different classes of customers.

On the other hand, a firm may apply horizontal diversification strategy tends to increase the firm's dependency on niche markets in that they add new innovative products or services which are often unrelated commercially or technologically to their existing products but which appeals to the existing crop of clients. Lastly, a firm using conglomerate diversification strategy may seek new businesses that have no relationship to the company's current technology, products or markets.

2.5.4 Information Technology & Communication

The ability to incorporate technology into a business strategy can make a difference between a winning and losing strategic alternative. Information technology has become an indispensable ingredient in several strategic thrusts that businesses have to incorporate strategic thrusts such as internets, intranets, extranets, emails, face books, twitters and Skype. Since a large part of business activities is concerned with processing and transmitting information within and between organizations, information capability can improve an organization's strategic capability.

The computer age and the developments in telecommunications are the most notable aspects of information technology that have altered the landscape of the business environment and how business processes are viewed. The computer use has enabled the automation of many processes in the business organizations, which has led to dramatic improvement in productivity and reduction in costs while telecommunication has dramatically improved the speed with which information is transmitted thus facilitating speedy decision-making.

A company with a strategy of superior quality must develop superior methods of quality control as well. A company whose strategy is to be low- cost producer must develop systems that enforce tight cost controls. A firm's strategic response is concerned with adjustments of the aforementioned components to accommodate changes in its environment and create competitive advantage for the organization.

2.5.5 Leadership and Culture Change

According to Pearce and Robinson (2003), organizational culture forms part of the informal, unstated assumptions that are important and shared in common by the firm's members. An organization's culture closely mirrors an individual's personality. It is intangible but forms an ever-present theme that informs meaning, direction and action. Strategic leadership therefore dictates that one nurtures key themes or pre-dominant values in the organization that will enable reinforce the competitive advantage that includes differentiation, cost, speed and quality considerations.

Thompson, Strickland and Gamble (2007), state that corporate culture is the character of company's internal work climate and personality- as shaped by its core values, beliefs, business principles, traditions, ingrained behaviours, work practices and operating styles. The most common believe systems that shape the organizations culture include the belief of being the best, the promise of superior quality goods and services, people power and team spirit, performance management and reward, keenness to detail and client being king.

Ansoff and McDonnell (1990), sees leadership in the firm as a general management capability. General management is thus seen as the capability and ability by the leadership to engage behaviours that will in both long and short term drive the organization close to the attainment of its objectives. The role of general management resembles that of a developer of the firm's future. To achieve these, a climate of change management is needed in the firm, an innovative culture, risk management and taking advantage of opportunities. It also ensures that the mentality and qualification of the top managers is kept in check, the culture upheld, power structure, organizational structure and their capability to hack managerial work is not compromised.

2.5.6 Competitive Strategy

Porter (1980), states that the ultimate competitive strategy goal for any organization is to get a portion of the industry where it can comfortably defend itself against the competitive forces like threats from new entrants, threats from substitutes, bargaining power of buyers, bargaining power of suppliers and rivalry among current competitors.

The Porter's five forces determine the structure of the industry and it is from the industry analysis that the organization is able to design its competitive strategy. He identified three potentially successful generic strategy approaches to outperforming other firms in an industry as: overall Cost Leadership, Differentiation and Focus. Any organization that formulate its response strategy to changes in the environment must decide on its core idea or better still, a generic strategy about how to out-compete rivals in the market place. This is its strategic orientation.

2.5.7 Integration Strategy

Sales and profits within an organization can be increased significantly through backward, forward, or horizontal integration within the firm's industry. Kotler (1997) stated that using backward integration strategy enables a firm to acquire its supply chain networks thus enabling it to take control of supplies in matters quality, quantity and timeliness and increase its profit margins.

On the use of forward integration strategy, a firm acquires the distribution channels such as wholesalers or retailers especially if it is strategic to do so. Lastly, a firm using horizontal integration strategy might acquire one or more competitors provided the move is legally viable.

2.5.8 Organizational Structure

Organizational structure is the grouping of the firm's logistic and managerial activities. The growing size and complexity of internal operations and the growing turbulence of the firm's environment stimulated this grouping of activities. Successful organizations once required an internal focus, structured interaction, self-sufficiency and a top-down

approach. Yesterday's successful organizations required focus internally, interaction that were structured, self-sufficiency and an approach that was top-down.

Today and tomorrow organizations require a structure that is externally focused, interactions that are more flexible and an approach that is bottom-up (Pearce and Robinson 2003). One of the strategic responses to environmental turbulence is restructuring. Restructuring suggests that whereas the value chain consists of different activities, some are more critical compared to others in matters success of the business strategy.

Business Process Re-engineering (BPR) by consultants Hammer and Champy (1983) is one of the methods used by organizations to undergo restructuring so as to remain competitive. BPR focuses on re-organizing a company to best create value for the customer by initiating the eradication of barriers that increase the employee-customer gap. These involve swift re-thinking and surgical re-design of the business processes to achieve dramatic improvements such as cost, quality, service and speed.

2.5.9 Strategic Alliance

Strategic alliance is a formal strategically relevant collaboration between two or more separate entities that is informed by either joint pooling of resources, sharing risks, sharing controls or mutual dependency. Most often than not, strategic alliances involve design collaboration, joint research, joint marketing, joint sales and distribution, joint production, development of new technologies or products jointly. Such relationships between the parties may be contractual or merely collaborative.

2.6 Summary of Knowledge Gap

Despite the popularity of response strategies being a key ingredient that has been used to counter changes within the environment for most businesses, a considerable proportion of response strategies are unstable or executed unsatisfactorily considering the dynamic and fast-paced environmental changes that face organizations today. Table 2.1 gives a summary of studies done previously, their key findings, knowledge gaps in their methodology, conceptual or contextual frameworks and the focus of the current study.

Table 2.1: Summary of Empirical Studies and Knowledge Gaps

Study	Focus	Method	Key Findings	Knowledge Gaps	Focus of Current Study
Mbaabu (2012),	Strategy Implementation At Deposit Protection Fund Board, Kenya	Case Study Design	The study found that the mitigation measures taken to counter the challenges were commitment by top management, changing peoples’ cultural mind-set and operationalization of the strategy to the staff especially those participating in the implementation of the organizational strategy.	The study highlighted very well how well strategy implementation can be achieved but left out the response strategies taken as a response to environmental changes.	The study focused on the response strategies as informed by the changes within the environment.
Irungu (2010),	Strategies used by Safaricom in Responding to the Competitive Environment	Case Study Design	Response strategies to the competitive environment included aligned financial strategies that reduce costs of operations, product and technological innovation, new product and technological inventions, research and development ventures and investment in technology strategies hence an increase of profitability of the company.	The study captured the aspect of strategic responses by the telecommunication giant clearly but dwelled more on what can be seen as leveraging on company strengths to take advantage of competition, which does not necessarily point to them being strategic responses.	The study concentrated on the response strategies employed by real estate firms because of the changes within the external environment.
Odongo (2008),	Strategic Responses By Kenya Tourist Development Corporation To Changes In Its Environment	Case Study Design	KTDC has been responding well to environmental changes having right sized in the year 2007 to have a lean and efficient workforce to come with the environmental changes.	The study points at critical response strategies but was not conclusive though its context was in the tourism sector.	The study went deeper to find out comprehensive response strategies adopted by real estate firms due to environmental changes.

Source: Researcher (2017)

Wairegi (2004),	Response strategies adopted by Kenyan insurance companies towards environmental changes.	Case Study Design	The study established that the industry had responded to these changes through such initiatives as new product development, development of new distribution channels such as the Internet, organizational restructuring, investment in human resource development and computerization of the core business processes.	The study did not highlight the contribution of response strategies in countering the changes that occur in the environment	The study found out the response strategies specific to given changes within the environment
Shambe (2003),	An Investigation Into The Role Of Deposit Insurance In Kenya's Banking Sector Stability	2-Group experiment design	The study finds that the level of banking sector stability is higher in the Pre-DPF than during the Post-DPF period. Overall results indicate that banking sector fragility is very high - level IV - the class with the highest level of fragility.	The study fails to highlight the response strategies taken in the Post-DPF period that enhance stability.	The study was more concerned on the response strategies taken because of changes within the environment that assures stability.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter looks into the methodology that was employed to adequately meet the study objective. Within the chapter is the design of the research, population, the sample design, the sample size, how data was collected and how data analysis was conducted.

3.2 Research Design

The design of the study was a cross sectional survey. This type of survey is used to gather information on a population at a particular point in time. It enabled us collect data of the population for inferential purposes at a specific point in time (Mugenda, 2003). Cross-sectional surveys can be described as snapshots of populations from which data is gathered.

A cross-sectional type of survey was appropriate since the study was trying to collect data from population members with a goal of determining the status of the population concerning one or more variables. This was the best-suited method since the study wanted to establish the response strategies to environmental changes adopted by real estate firms in Nairobi, Kenya. The design has also been widely used in business research such as this study (Davidson, 2001).

3.3 Population

All the registered real estate firms in Nairobi formed the population of the study. As at the time of conducting the study there were 255 real estate firms in Nairobi registered with the Estate Agents Registration Board (EARB).

3.4 Sample Design

To establish a sample, Simple Random Technique was used. The Slovin's formula was employed to give a sample population with a desired level of accuracy while also giving the sample size. The formula is captured below.

$n = N / (1 + Ne^2)$ where

n = Number of samples

N = Total population

e = Error tolerance

With a confidence level of 90 percent giving a margin error of 0.1, a sample of 72 was reached using this method.

3.5 Data Collection

This study mainly relied on primary data. To attain this, a semi- structured questionnaire was used to collect the primary data. The drop and pick method was employed with the option of mailing used on the tech-savvy firms. The questionnaire contained open and closed ended questions thus ensured that the respondent provided as much information as possible. The questionnaire targeted the management of the real estate firms who are preview to the response strategies they adopted because of environmental changes.

The questionnaire contained three critical sections. It focused on organizational profile under section one, section two further dwelt on the various environmental changes that were facing the real estate firms and section three needed to establish the response strategies adopted because of the environmental changes.

3.6 Data Analysis

After data collection, data was subjected to accuracy, usefulness and completeness and then it was entered into the computer to facilitate analysis. Both descriptive and inferential statistics were used to analyse the data.

Descriptive analysis was conducted on primary data to give frequencies and percentages. The data was then presented in tabular form from which inferences and interpretation made as regards to the environmental changes real estate firms face and the response strategies adopted to the same effect.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter puts into perspective the analysis of the data collected from the real estate firms in question through the questionnaire method. A summarized form of the results was done and their representation done using frequency tables and percentages. The objective of the study was to establish the response strategies adopted by real estate firms to environmental changes in Nairobi, Kenya.

A cross-sectional type of survey design was employed and data gathering done using a semi-structured questionnaire as an instrument of data collection. Simple random sampling technique was used to get the sample and 72 real estate firms within Nairobi were reached upon as the sample size using the Slovin's formula. All the firms responded putting the response rate at 100%. The chief executive officers or senior managers formed the respondents since they were preview to the strategic responses employed by their firms as a result of changes within the environment that they operate in.

4.2 The Profile of the Respondents'

The questionnaire extracted critical information that included the operational duration of the firm, the scope of their business and their reach in terms of geographical coverage. The tabulations indicate the results using frequencies and percentages.

Table 4.1 Operational Duration in years

Operational duration (Years)	Frequency	Response in %
Over 26 years	6	8.33
21-25 years	8	11.11
16-20 years	6	8.33
11-15 years	9	12.5
6 - 10years	30	41.66
2-5 years	12	16.67
0-2years	0	0
Total	72	100.00

Source: Field data (2017)

Table 4.1 indicates the operational duration of the firms in years. The data clearly shows that the firms that had been operational for over 26 years were 6 which represents 8.33% of the total sample. The junk of the firms fell between 6 – 10 years of operation with a frequency of 30 which represents 41.66%. No firms were in operational under 2 years.

Table 4.2 Scope of Business Transactions

Description of response	Frequency	Response in %
Property Sales	65	35.91
Property Management	57	31.49
Property Development	32	17.68
Property Valuation	27	14.92
Total	*181	100

Source: Field data (2017)

* The respondents had more than one response in some aspects, hence the higher frequency figure other than 72.

Table 4.2 depicts the scope of business transactions by the firms. The research clearly established that property sales had the lion share with a representation of 35.91% followed by property management that stood at 31.49%. There being more than one response from the respondents was the main reason for the increase in frequency above the normal 72.

Table 4.3 Business Reach in terms of Geographical Coverage

Response Description	Frequency	Response in %
Metropolis Area	43	20.67
Along Thika Super highway	51	24.52
Waiyaki way Upto Limuru	26	12.50
Upto Ngong	31	14.90
Upto Ongata Rongai	23	11.06
Mombasa rd Upto Kitengela	30	14.42
Central Business District	4	1.92
Total	*208	100

Source: Field data (2017)

* The respondents had more than one response in some aspects, hence the higher frequency figure other than 72.

Table 4.3 shows that only 1.92% of the respondents operated within the central business district. 14.42% along Mombasa road down to Kitengela and a majority share along Thika super-highway areas at 24.52%.

4.3 Environmental Changes

On the probable changes within the environment within which the real estate firms operated, the research dwelt into the political, economic, social demographic and information technological changes experienced.

Table 4.4 Political Changes

Change Description	Frequency	Response in %
Election Uncertainty	19	8.02
Demolition of Houses	3	1.27
Change in Government	13	5.49
Government Regulations	7	2.95
New Constitution	17	7.17
Endless electioneering cycle	53	22.36
Inadequate land policies	37	15.61
Constituency Development Fund (CDF)	15	6.33
Corruption	28	11.81
Negative ethnicity	18	7.59
County Governments	22	9.28
Inflated number of MPs	5	2.11
Total	*237	100

Source: Field data (2017)

* The respondents had more than one response in some aspects, hence the higher frequency figure other than 72.

Table 4.4 pointed out endless electioneering cycle, elections uncertainty, new constitution, change in government, negative ethnicity, county governments and Constituency Development Fund (CDF) as some of the political changes.

Table 4.5 Economic Changes

Change Description	Frequency	Response in %
Interest capping Rates	57	25.79
Infrastructural development	26	11.76
Credit availability	5	2.26
Changes of Weather	3	1.36
Cost of living (High)	23	10.41
Defaulting levels (High)	27	12.22
Housing Demand (High)	11	4.98
Inflation rates (High)	33	14.93
Corruption	14	6.33
Real Estate Taxation laws	5	2.26
Investments from Diaspora	14	6.33
Inadequate planning	3	1.36
TOTAL	*221	100

Source: Field data (2017)

* The respondents had more than one response in some aspects, hence the higher frequency figure other than 72.

Table 4.5 shows the economic changes. The interest capping regulation, inflation, high cost of living, investments from diaspora, corruption index, increased infrastructural development, real estate taxation laws were identified as the major economic changes that had occurred.

Table 4.6 Social and Demographic Changes

Change Description	Frequency	Response in %
Tribalism	17	23.61
Marketing to the diaspora	9	12.5
Generational gaps	4	5.55
Tastes and culture	3	4.17
County to county migration	12	16.67
Rapid population growth	10	13.89
Encroachment of informal settlement	5	6.94
Family size changes	7	9.72
Growing middle class	5	6.94
Total	72	100

Source: Field data (2017)

Table 4.6 indicates the social and demographic front. Tribalism played a critical role being the biggest change that occurred with a 23.61% response followed by a new trend of county-to-county migration as a result of the devolved system of governance with 16.67%. This had triggered a high demand for housing units and increased rents per unit which resulted to increased land demand and subsequently increase in the number of real estate firms due to the attractiveness of the industry.

Table 4.7 Information and Technology

Change Description	Frequency	Response in %
Mobile telephony	13	10.16
Connectivity to internet	43	33.59
Website	21	16.41
E-banking	4	3.12
Face book	8	6.25
Twitter	8	6.25
Property Software	9	7.03
E-mail	10	7.81
E-commerce	2	1.56
M-pesa	10	7.81
Total	*128	100.00

Source: Field data (2017)

* The respondents had more than one response in some aspects, hence the higher frequency figure other than 72.

Table 4.7 shows that information and technology was not left behind either with connectivity to internet registering a 33.59% response. Websites, mobile telephony, property software, social media sites were identified as the major changes that had taken place leading to improved efficiency and effectiveness.

4.4 Industry Structure

The areas covered in the research include industry attractiveness, competition amongst the players in the industry, bargaining power of customers, the bargaining power of suppliers and entry barriers.

4.4.1 Industry Attractiveness

Table 4.8 Attractiveness of Industry

Industry Attractiveness	Frequency	Response in %
Attractive	72	100
Unattractive	None	-
Total	72	100

Source: Field data (2017)

Table 4.8 shows industry attractiveness. When it came to the question of attractiveness of the industry, all the respondents agreed that the real estate industry was extremely attractive with a positive outlook at 100% response.

4.4.2 Competition Intensity

Table 4.9 Competition amongst Operating Real Estate Firms

Competition Level In %	Property sales		Property Management		Property Development		Property Valuation	
	Frequency	Response in %	Frequency	Response in %	Frequency	Response in %	Frequency	Response in %
Over 81	31	43.06	28	38.89	22	30.56	19	26.39
61–80	17	23.11	19	26.39	16	22.22	26	36.11
41–60	12	16.67	14	19.44	13	18.06	16	22.22
21 - 40	5	6.94	5	6.94	12	16.67	7	9.72
0 – 20	6	8.33	6	8.33	9	12.50	4	5.56
Total	72	100	72	100	72	100	72	100

Source: Field data (2017)

Table 4.9 looked into competition levels. The research established that there was high competition intensity among the industry players more so in property sales that was at 43.06% of the response. This clearly was based on the high uptake of properties more so in the satellite areas by the rising middle class. When it came to property management, 38.89% of the respondents felt that competition was very high while 30.56% found property development competition high and property valuation came in at 26.39% as regards to competition levels as a result of its technical nature that requires specialized capabilities.

4.4.3 Bargaining Power of Customers (Clients /Tenants)

Table 4.10 Bargaining Power of Customers (Clients / Tenants)

Bargaining Power level In %	Legitimate Estate Agents (Registered)		Illegitimate Estate Agents (Unregistered)	
	Frequency	Response in %	Frequency	Response in %
OVER 81	37	51.39	22	30.56
61-80	13	18.06	17	23.61
41-60	10	13.89	10	13.89
21-40	7	9.72	13	18.06
0-20	5	6.94	10	13.89
Total	72	100	72	100

Source: Field data (2017)

Table 4.10 shows customers bargaining power. The research established that there was a strong bargaining power of customers for the legitimate estate agents that were registered and weak for the illegitimate estate agents that were unregistered. This was mainly because clients have lost money through the unlicensed agents hence being more cautious when dealing with them.

4.4.4 Bargaining Power of Suppliers (Vendors/Landlords)

Table 4.11 Bargaining Power of Suppliers (Vendors / Landlords)

Power Level in %	Legitimate Estate Agents (Registered)		Illegitimate Estate Agents (Unregistered)	
	Frequency	Response in %	Frequency	Response in %
OVER 81	36	50.00	5	6.94
61-80	7	9.72	15	20.83
41-60	17	23.61	13	18.06
21-40	8	11.11	12	16.67
0-20	4	5.56	27	37.5
Total	72	100	72	100

Source: Field data (2017)

Table 4.11 indicates the suppliers bargaining power. The research showed that the legitimate estate agents enjoyed a strong bargaining power of suppliers' while it was weak for the illegitimated estate agents who were not registered. Suppliers and investors alike had more confidence dealing with firms that were registered and whose top leadership from CEO's and senior managers were members of the Estate Agents Registration Board (EARB).

4.4.5 Entry Barriers

Table 4.12 Barriers to Entry

Barriers to entry	Frequency	Response in %
High	33	45.83
Low	39	54.17
Total	72	100.00

Source: Field data (2017)

Table 4.12 shows barriers to entry. 54.17% of the respondents testified that the barriers to entry into the industry by new players were low while 45.83 thought that it was high.

4.5 Strategic Responses

On the strategic responses, the research looked into the restructuring of the organization, marketing, regulations and legislation, client service and information technology aspects within the firms that were employed because of the environmental changes within the space that the firms operated in an effort to gain competitive advantage.

4.5.1 Organizational Restructuring

Table 4.13 Organizational Restructuring

Response Description	Frequency	Response in %
Business Process Re-engineering	13	18.06
Downsizing	9	12.50
Strategic Alliance	10	13.89
Expansion	21	29.17
Divesting	19	26.39
Total	72	100.00

Source: Field data (2017)

Table 4.13 shows organizational restructuring. The study established that firms had undergone a number of restructuring processes including business process re-engineering (BPR), downsizing, expansion, strategic alliance and divesting.

Table 4.14 Outsourcing

Response Description	Frequency	Response in %
Maintenance services	33	26.61
Security Services	24	19.35
Payroll Processing	12	9.68
Book Keeping & Accountancy	9	7.26
Delivery services	19	15.32
Training services	27	21.77
Total	*124	100.00

Source: Field data (2017)

* The respondents had more than one response in some aspects, hence the higher frequency figure other than 72.

Table 4.14 shows outsourcing. The research revealed that most firms did outsource both core and no-core functions that included property maintenance and security services, payroll processing, training services, delivery services and book keeping and accountancy.

4.5.2 Marketing

Table 4.15 Introduction of new products

Response	Frequency	Response in %
Yes	62	86.11
No	10	13.89
Total	72	100.00

Source: Field data (2017)

Table 4.15 on introduction of new products, the study revealed that 86.11% of the respondents had diversified their product offering through new introductions and re-defining their existing product features to address the trends in the market and the changing tastes and preferences of the clients who are into the real estate sector.

Table 4.16 Opened New Branches

Response	Frequency	Response in %
Yes	47	65.28
No	25	34.72
Total	72	100.00

Source: Field data (2017)

Table 4.16 on opening of new branches the study revealed that most firms had opened new branches to cater for the needs of clients in the various satellite towns as an expansion strategy to penetrate the market with 65.28% of the responses being positive.

Table 4.17 Distribution Channels

Response	Frequency	Response in %
Internet	60	31.91
Social media	56	29.79
Mainstream media	3	1.60
Networking	39	20.74
Referrals	4	2.13
One on one	2	1.06
Activations	8	4.26
Agency	16	8.51
Total	*188	100.00

Source: Field data (2017)

* The respondents had more than one response in some aspects, hence the higher frequency figure other than 72.

Table 4.17 shows the distribution channels employed. As regards to enhancing their distribution channels, the respondents had employed internet being the highest at 31.91%, social media 29.79%, networking 20.74% and some firms opting for agency, activations, one on one, referrals and the mainstream media.

Table 4.18 Diversification

Response	Frequency	Response in %
Yes	21	29.17
No	51	70.83
Total	72	100.00

Source: Field data (2017)

Table 4.18 dwelt into the issue of diversification indicating that some of the respondents had also opted for diversification as a response at 29.17% while a huge percentage of 70.83% did not diversify.

4.5.3 Regulations /Legislation

Table 4.19 Regulatory Compliance

Change Description	Frequency	Response in %
Very troublesome	0	0.00
Troublesome	10	13.89
Fairly Troublesome	19	26.39
Not Troublesome	43	59.72
Total	72	100.00

Source: Field data (2017)

From the legal and regulation requirements as shown in Table 4.19, 59.72% of the respondents were comfortable with the frameworks hence found them not troublesome while 13.89% of the respondents found the troublesome mainly because of the governments' bureaucratic nature.

4.5.4 Client service

Table 4.20 Client Service

Response Description	Frequency	Response in %
Client satisfaction survey	58	33.72
Complaint handling system	51	29.65
Client updates via statements	63	36.63
Total	*172	100.00

Source: Field data (2017)

Table 4.20 on client services showed that the research heavily eluded that the respondents were taking up a more client centric approach in their business. It showed that most firms gave client updates in form of statements at 36.63%, 33.72% had regular client satisfaction surveys and 29.65% had a robust complaint handling system.

4.5.5 Information Technology

Table 4.21 Business Processes Automation

Automated functions	Frequency	Response in %
Clients statements	36	23.68
Receipt issuance	23	15.13
Payroll generation	17	11.18
All clients data base	24	15.79
All Property dealings	18	11.84
Company website	34	22.37
Total	*152	100.00

Source: Field data (2017)

* The respondents had more than one response in some aspects, hence the higher frequency figure other than 72.

Table 4.21 shows automation of business processes. The research established that most respondents had extensively automated their business processes. Digitalization of client statements, receipt issuance, payroll generation, client database management and the company website as shown in below.

4.6 Discussion of Results

4.6.1 Link to Theory

The research reveals critical links to literature, Porter (1985) stated that strategy is concerned with the positioning of a business in order to maximize on the value of its capabilities that distinguish it from rivals. According to Porter, an organization must come up with a business strategy that incorporates cost leadership, focus and differentiation for it to achieve a sustainable competitive advantage and tangible success in its field of speciality.

This correlates well with the study findings that real estate firms in Nairobi have positioned their business reach in terms of geographical coverage along major development corridors like Thika super highway, Waiyaki way up to Limuru, Ngong road, Mombasa road up to Kitengela and the satellite towns that form part of the larger metropolis area. They conducted business in areas because of the supporting infrastructure and ability of maximizing on their capabilities.

According to Johnson and Scholes, (1988), an organization exists in a contextual framework of a complex web of political, socio-economic, technological, environmental and legal aspects. This gives rise to the remote environment. The environmental changes may be more pronounced in some organizations than it is to others. This means the effects are on a case-to-case basis. How this affects the organization could be attributed to the good historical and environmental effects and patterns understanding, as well as changes of environmental variables that could be expected. Usually the variables may open into a window of opportunities or exert threats or a combination of both. Managers often utilize PESTEL Analysis to develop more cohesive strategies that are long term in nature.

The study's findings correlate with the literature because it established that election uncertainty, government regulations, new constitution, continuous electioneering period with heightened political temperatures, county governments and constituency development fund being the notable political changes. Economic changes established included interest capping rates, robust infrastructural developments, high inflation, corruption and investments from the diaspora. As regards to the social changes the research found out that tribalism, growing middle class, county to county migration,

changing tastes and cultures as some of the notable changes. From the information and technological front, the study established connectivity to internet, e-banking, social media platforms like Facebook, Twitter and Linked-in, M-pesa as some of the notable changes.

Ansoff and McDonnell (1990) stated that strategic responses involve organization's behavioural change. The responses take different forms depending on the firm's capability and the operating environment within which it is set. Well developed, calculated, properly targeted and effectively executed strategic responses are lethal weaponry that can help a firm acquire a sustainable competitive advantage. It is through the strategic management process that the firm will be able to position and relate itself to the environment to ensure that it continues to succeed and cushion against surprises from the environment.

The choice of strategic response depends on the speed with which a particular threat or opportunity develops in the environment. Strategic activities result to new services, new products, new processes and procedures, new market penetration and diversification, divesting and creation of new responses to PESTEL factors such as political and social challenges. This correlated well with the study in that the real estate firms combined various categories including property sales, property development, property valuation and property management in an effort to reduce risks.

4.6.2 Link to Other Studies

Mbaabu (2012), found out that the mitigation measures taken to counter the challenges were commitment by top management, changing peoples' cultural mind-set and

operationalization of the strategy to the staff especially those participating in the implementation of the organizational strategy at Deposit Protection Fund Board, Kenya. This correlates with the findings of the study since the real estate firms recognized people as the major drivers of great implementation of the strategic goals the firms undertook and that is why training was a key aspect.

Irungu (2010), on strategies used by Safaricom in responding to the competitive environment, found out that response strategies to the competitive environment included aligned financial strategies that reduce costs of operations, product and technological innovation, new product and technological inventions, research and development ventures and investment in technology strategies hence an increase of profitability of the company. This study correlates well with the study findings since the real estate firms in Nairobi responded to changes in the environment with new product introduction like lifestyle developments, getting into new markets like satellite towns, improved distribution channels, outsourcing of critical services that require attention and specialization and investing heavily on information technology through automation of processes though the uptake was low.

Odongo (2008), on his study on strategic responses by Kenya Tourist Development Corporation to changes in its environment established that KTDC had been responding well to environmental changes having right sized in the year 2007 to have a lean and efficient workforce to come with the environmental changes though in his recommendation he emphasized that it should position itself by reviewing her strategic plan, human resource development and formation of strategic alliances. The study findings of this research showed that real estate firms had entered into strategic alliances

hence took advantage of their unique capabilities and were stronger facing the ever changing environment.

Wairegi (2004), found out that strategies adapted by life insurance firms in Kenya have been successful. The study established that the industry had responded to these changes through such initiatives as new product development, development of new distribution channels such as the Internet, organizational restructuring, investment in human resource development and computerization of the core business processes and lobbying the government via the Association of Kenya Insurers (AKI). The findings were more protective than investment oriented. This study correlates well with the study findings since the real estate firms in Nairobi responded to changes in the environment with new product introduction like lifestyle developments, getting into new markets like satellite towns, improved distribution channels, outsourcing of critical services that require attention and specialization and investing heavily on information technology through automation of processes though the uptake was low. In addition, the real estate firms have not lobbied government via the estate agents' registration board to curb the trust menace resulting from illegitimate real estate firms that are unregistered.

Shambe (2003), while looking into the role of deposit insurance in Kenya's banking sector, found out that the level of banking sector stability is higher in the Pre-DPF than during the Post-DPF period. This was due to moral hazard resulting from the introduction but failed to highlight the response strategies taken post – DPF. This study too did not establish the same any moral hazard on real estate firms and neither do they enjoy the protection from the government.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter reflects into the response strategies to environmental changes employed by real estate firm in Nairobi, Kenya. It builds its summary on the study findings, study conclusion and recommendations with highlights on the major study limitations and suggestions for further research.

5.2 Summary of the Study

The environment has been constantly changing. These changes have not spared the real estate players who had to constantly monitor the environment to take advantage of the favourable conditions and caution themselves against the unfavourable ones. There have been many changes in the external environment. The changes that had a positive outlook to the real estate firms included the development of infrastructure by government such as Thika superhighway and the Standard gauge railway, investment from the diaspora, county governments and county to county migration and information technology infrastructure. On the other side, continuous electioneering period, election uncertainty, change of government, tribalism were some of the changes that had a negative outlook on the industry.

The real estate firms responded to the changes through well thought out strategic responses that included new product introduction like lifestyle developments, getting into new markets like satellite towns, opening new branches, improved distribution channels, outsourcing of critical services that require attention and specialization and

investing heavily on information technology through automation of processes, having a robust client service, divesting some product lines, diversification and downsizing. However, this wasn't conclusive for firms that were below 5 years in operation due to their perceived lack of in-depth exposure to the industry.

The research also reveal that not much has been done to tap into the potential of information technology as a means to leverage on the environmental changes like use of M-pesa, property software, online banking and the power of social media. Generally, the study found the industry very attractive having the perception that barriers to entry were actually low and from the legal point, the regulations were seen to be not troublesome which is a plus to the real estate players in Nairobi.

5.3 Conclusion of the Study

The study established that the response strategies employed by the real estate firms were effective for the simple reason that they keep them going if not thriving in an environment that was constantly changing. Despite the changes like high inflation, high cost of living, county government, continuous electioneering mood, interest capping rates the firms had registered growth and positive returns as a result of the response strategies they employed. The research also showed that the industry was very attractive with many entrants into the industry being less than 10 years old. The other peculiar thing from the findings was that there existed both legitimate and illegitimate estate agents from the registration point of view.

The study findings also pointed to the fact that government regulations and legislations were not troublesome to the real estate firms in Nairobi hence they found them

favourable. There was also a sense of the use of information technology as a response strategy though there was not sufficient evidence of how in-depth it was used. The respondents also conducted their business along the known development corridors and in the satellite towns in a bid to maximize on their competitive edge and create a niche market for their capabilities.

The study highlighted clearly that the real estate players were mostly doing property sales, which was closely followed by property management. The players also employed strategic alliance as a response strategy through the use of agency to reduce on costs and enable easy market penetration. In conclusion, the study alluded to the fact that some firms had divested from certain business ventures that they deemed unprofitable while outsourcing some functions in order to concentrate on their core-competencies.

5.4 Implication of the study

To be strategically positioned the study pointed out that the real estate firms must continuously study the environment within which they operated, get the changes and align their responses to them. Top on the list was the use of information technology which was not adequately tapped more so on the use of social media as a marketing tool, use of property software to facilitate easy access of their services by clients, use of M-pesa and other modern ways of banking like e-banking will also streamline the ease of payments and reduce transaction costs.

The study revealed a grey issue of the illegitimate estate agents who freely operated without proper registration documents. They competed with the registered firms, which was not a fair play. The regulator, estate agents' registration board (EARB) should

come up with modalities to crack down on the unregistered firms since they posed a threat to both the registered firms and also the clients who lose money and value through them and also creating mistrust in the industry. The firms should also be well informed on the values of academic research to readily assist whenever information is being sort from them for prosperity purposes.

5.5 Limitations of the Study

While the research sort out to establish the response strategies to environmental changes adopted by real estate firms in Nairobi, Kenya, the findings represented the views of the CEO's and senior managers who were assumed to be prevue of the strategic responses being employed. The research also focused on the Nairobi area only though it could be more beneficial to have done a larger geographical area so as to benefit from a wider view and also align ourselves to the new governance system of devolution. This was not possible because of the time and cost implications.

Having a questionnaire that was not only long but detailed, the respondents found them time consuming to complete hence this could have been easier if more firms embraced technology hence the survey could have been completely digitalized hence saving on cost and time. However, the sample size was reached and the feedback positive that enabled the research to be a success.

5.6 Suggestions for Further Research

The study revealed gaps that need further research. It could be interesting to find out more how the symbiotic firms such as the outsourced service providers like security services, cleaning and maintenance respond to the response strategies employed by the

firms to cope up with the set trends and mother firm objectives. Two, since the study context was real estate firms in Nairobi, Kenya, it could be prudent for further research to be done in other area more so the new devolved units for comparison purposes.

REFERENCES

- Ansoff, H. I. (1957). *Strategies for diversification*; Harvard business review
- Ansoff, H. I & E. J. McDonnell, (1990). *Implanting strategic management, 2nd edition*, Europe: Prentice-Hall.
- Davidson, S. (2001), "Seizing the Competitive Advantage", *Community Banker*, Vol. 10 No.8, pp.32-4.
- Fahy, J. and G. S. Hooley, (2002) "Sustainable Competitive Advantage in Electronic Business: Towards A Contingency Perspective on the Resource-Based View", *Journal of Strategic Marketing* Vol. 10, 241–253.
- Hammer, M. & J. Champy, (1983). *Reengineering the cooperation: A manifesto for Business Revolution*. New York: Harper Collins.
- http://www.ehow.com/way_5475547_slovins-formula-sampling-techniques.html
- Irungu C.W. (2010), "Strategies used by Safaricom in Responding to the Competitive Environment" (Unpublished MBA Project); School of Business, University of Nairobi.
- Johnson, G. & K. Scholes, (1988). *Exploring Cooperate Strategy (2nd Edition)*. London: Prentice -Hall.
- Johnson, G. & K. Scholes, (2002). *Exploring Corporate Strategy (6th Edition)*. New Delhi: Prentice Hall.
- Johnson, G., Scholes, K. & R. Whittington, (2007). *Exploring cooperate strategy (8th Edit ion)*. Essex: Prentice Hall.
- Kepner, T. (2001). Strategic Response: Creating Strategic Excellence. *Worldwide Strategy Practice (Vol. 02 No. 01)*. New Jersey: Princeton.
- Kotler, P. (1997). *Marketing management: Analysis, Planning, Implementation and Control (9th Edition)*. India: Prentice Hall
- Kotler, P. (2000). *Marketing Management. (10th Edition)*. New York: Prentice Hall

- Mugenda, O. M. and A. G, Mugenda, (2003), *Research Methods, Quantitative and Qualitative Analysis – African Centre for Technology Studies*.
- Mutua, C. Kimanthi (2010). *Strategic Response by Deposit Protection Fund Board to changes in the External Environment*. (Unpublished MBA Project); School of Business, University of Nairobi.
- Odongo, T. (2008). *Strategic Response by Kenya Tourist Development Corporation to changes in its Environment*. (Unpublished MBA Project); School of Business, University of Nairobi.
- Pearce, J. A. & Robinson, R. B. (1997). *Strategic Management: Formulation, Implementation and Control (6th Edition)*. Irwin/ McGraw-Hill.
- Pearce, J. A., & Robinson, R. B. (2002). *Strategic Management: Formulation, Implementation and Control (7th Edition)*. Irwin/ McGraw-Hill.
- Pearce, J. H. II & Robinson, R. B. Jr. (2003). *Strategic Management'. Formulation, Implementation and Control (8th Edition)*. McGraw-Hill/Irwin, New York.
- Petrick, J. A., Scherer, R. F., Brodzinski, J. D., Quinn, J. F., and M. F. Ainina, (2009). Global Leadership Skills and Reputational Capital: Intangible Resources for Sustainable Competitive Advantage. *The Academy of Management Executive*, 13 (1), 58-69.
- Pike, S., and C. Ryan, (2004) Destination positioning analysis through a comparison of cognitive, affective, and cognitive perceptions. *Journal of Travel Research*, 42, 333-42.
- Porter, M.E. (1980). *Competitive Strategy: Techniques for Analyzing Industries and competitors*. New York: Free press.
- Porter, M.E. (1985). *Competitive Strategy*. New York: Free press.
- Rajagopalan N. & G. M, Spretzer, (1996). Toward a theory of strategic change: a multilens perspective and integrative framework. *Academy of Management Review*, Vol. 22, No. 1.

- Shambe, M. (2003). *An investigation into the Role of Deposit in Kenya's Banking Sector Stability*. (Unpublished MBA Project); School of Business; University of Nairobi.
- Thompson, A. A. Jr. & A. J. Strickland, (1993). *Strategic Management: Concepts and the cases (7 Edition)* New York; Irwin Inc.
- Thompson, A. A. Jr., Strickland, A. J. & J. E. Gambe, (2007). *Strategic Management: Concepts and cases (15th Edition)*. New York; Irwin Inc.
- Wairegi, B. I. (2004). *Strategic Responses by Life Insurance Companies in Kenya to Changes in their Environment*. (Unpublished MBA Project); School of Business; University of Nairobi.
- Wooldridge, B. & S.W. Floyd, (1989). Strategic Process Effects on Consensus. *Strategic Management Journal* 10(3).

APPENDICES

APPENDIX I: QUESTIONNAIRE

This questionnaire seeks to identify the various environmental factors that have favorably or unfavorably affected the Real Estate Industry in Kenya in the last ten years and to establish how the industry has responded in order to remain competitive.

SECTION A

1. Name of the company
2. Name of the respondent (optional).....
3. Respondent's job title in the company.....
4. How long has the company been operating in Nairobi Kenya.....
5. What areas of Real Estate Business is the company transacting (tick wherever appropriate)
 - a. Property sales ()
 - b. Property management ()
 - c. Property development ()
 - d. Property valuations ()
6. Please tick the areas within the outskirts of Nairobi that your company transacts (metropolitan area)
 - a. All the way to Thika ()
 - b. All the way to Kikuyu/Limuru ()
 - c. All the way to Ngong ()
 - d. All the way to Rongai ()
 - e. All the way to Kitengela ()

SECTION B

Developments in the external environment can have a favorable or unfavorable impact on a business. Under each of the identified broad external factors, (political, economic, social, technological, and legal changes) please highlight the major changes that in your own opinion have favorably or unfavorably affected the Real Estate Industry in Kenya in the last ten years.

a) Political changes (Highlight major political changes that have affected Real estate industry)

- (i)
- (ii)
- (iii)

b) Economic (Highlight major economic changes that have affected Real estate industry)

- (i)
- (ii)
- (iii)

c) Social and Demographic change (Highlight ONE MAJOR social and demographic change that have affected Real estate industry)

.....

d) Information and Technological changes (Highlight major Information & Technological changes that have affected real estate industry)

- (i)
- (ii).....
- (iii).....

SECTION C: STRATEGIC RESPONSES

1. Industry Structure

- a) Looking at the current overall profitability of the real Estate Industry in Kenya, would you describe it as an attractive or an unattractive industry for investors?

Attractive () Unattractive ()

- b) Are the barriers for entry by the new players into the Real Estate Industry high or low? High () Low ()

- c) On a scale of 1-5, with 1 being the lowest and 5 the highest, please rank the intensity of competition among existing Real Estate Firms.

	1	2	3	4	5
(i) Property sales	()	()	()	()	()
(ii) Property management	()	()	()	()	()
(iii) Property Development	()	()	()	()	()
(iv) Property Valuations	()	()	()	()	()

- d) On a scale of 1-5, with 1 being the Weakest and 5 the Strongest, when comparing Registered Real Estate Agents with the Unregistered Real Estate Agents, is the bargaining power of customers (Purchasers or Tenants) weakest or strongest?

	1	2	3	4	5
(i) Registered Estate Agents	()	()	()	()	()
(ii) Unregistered Estate Agents	()	()	()	()	()

- e) On a scale of 1-5, with 1 being the Weakest and 5 the Strongest, when comparing Registered with the Unregistered Real Estate Agents, is the bargaining power of suppliers (Sellers or property owners) weakest or strongest?

	1	2	3	4	5
(i) Registered Estate Agents	()	()	()	()	()
(ii) Unregistered Estate Agents	()	()	()	()	()

- f) Are there any substitutes (other investment opportunities) which strongly compete with Real Estate Industry? Yes () No ()

2. Organizational Restructuring

(a) Have you undertaken any of the following activities in your company for the last ten years?

	Yes	No
Business Process Re- Engineering (BPR)	()	()
Reduced staff (downsized)	()	()
Entered into a strategic alliance with another firm	()	()
Divested from any line of business	()	()

(b) Have you outsourced any of the following functions:

	Yes	No
Provision of property cleaning, repair & maintenance	()	()
Provision of property security	()	()
Payroll processing	()	()
Book keeping and accounting services	()	()
Delivery services	()	()
Training services	()	()

3 Marketing

a) Has your company introduced new products to help you capture a wider property market in the last ten years?

Yes () No ()

New Markets

b) Have you opened new branches or ventured into new towns within Kenya in the last ten years Yes () No ()

Distribution Channels

c) Other than the directly employed staff, have you developed new channels of marketing for your products in the last ten years? YES () NO ()

d) If you answered “YES” in (c) above, please check the new distribution channels that you developed.

The Internet ()
The Media ()
Net working ()
Others (please specify)----- ()

Diversification

e) Has your company diversified its activities into other lines of business (not necessarily Real Estate)? Yes () No ()

4. Government Regulations/ Legislation

Do you find the compliant requirements of the various legal and legislative requirements in your professions as:-

Very burdensome () Burdensome ()
Fairly burdensome () Not Burdensome ()

5. Customer service

- a) Do you conduct regular customer satisfaction surveys? Yes () No ()
b) Do you have a customer complaints handling system? Yes () No ()
c) Do you send statements to your customers? Yes () No ()

6. Information Technology

a) Are the following processes/ functions in your firm computerized?

	Yes	No
Statement to clients	()	()
Issuance of receipts	()	()
Payroll	()	()
Database for all clients	()	()
Information for sales, valuation, devt. & mgt.	()	()
Properties on sale		

b) Does your company have a website? Yes () No ()

THANK YOU VERY MUCH FOR YOUR RESPONSES.

APPENDIX II: SAMPLED REAL ESTATE FIRMS IN NAIROBI, KENYA

- 1) ABERDEEN PROPERTIES
- 2) AMALGAMATED PROPERTIES LTD
- 3) AMAZON VALUERS LTD
- 4) ASKIM MANAGEMENT SERVICES LTD
- 5) BLUE NILE PROPERTIES
- 6) BLUELINE PROPERTIES LTD
- 7) CAN PAN REAL ESTATE LTD
- 8) CASTLE LAND PROPERTY CONSULTANTS
- 9) CHARCON PROPERTIES
- 10) CITI SCAPE VALUERS LTD
- 11) CRYSTAL VALUERS LTD
- 12) DAYTONS VALUERS LTD
- 13) DECA SHELTER AGENCIES CO. LTD
- 14) DEVELOPING AFRICA LTD
- 15) DOMINION VALUERS
- 16) EASTLANDS PROPERTIES
- 17) ENA PROPERTY CONSULTANTS LTD
- 18) GEMBURG COMMERCIAL AGENCIES
- 19) GIMCO LTD
- 20) GREEN PLOTS PROPERTIES
- 21) HABITAT REALTORS INTERNATIONAL LTD
- 22) HASSERIS ESTATE MANAGEMENT SERVICES
- 23) HECTARES & ASSOCIATES LTD
- 24) HIGHLANDS VALUERS LTD
- 25) HOLMES LTD
- 26) HORERIA & COMPANY LTD
- 27) HORIZON VALUERS
- 28) INTERLINK REAL ESTATES LTD
- 29) IVORY HOMES LTD
- 30) JAKEN AGENCIES
- 31) JIMLY PROPERTIES LTD
- 32) KIRAGU AND MWANGI LTD
- 33) KNIGHT FRANK KENYA LTD
- 34) LAMKA PROPERTIES LTD
- 35) LANDMARK REALTORS LTD
- 36) LLOYD MASIKA LTD
- 37) LUKENYA GREENS LTD
- 38) MADISON PROPERTIES LIMITED
- 39) MAK PROPERTIES
- 40) MAMUKA VALUERS MANAGEMENT LTD
- 41) MANCLEN MANAGEMENT LTD
- 42) MASTERWAYS PROPERTIES

- 43) MENCIA MANAGEMENT LTD
- 44) METROCOSMO VALUERS LTD
- 45) NAIROBI & REGIONAL PROPERTIES REALTORS
- 46) NEPTUNE SHELTERS LTD
- 47) NG'AYU & ASSOCIATES LTD
- 48) NORWICH UNION PROPERTIES
- 49) OLHOMES ENTERPRISES LTD
- 50) PARAGON PROPERTY CONSULTANTS LTD
- 51) PAUL WAMBUA VALUERS
- 52) PINACLE VALUERS LTD
- 53) PRESTIGE ESTATE LTD
- 54) PRIMIER REALITY LTD
- 55) PROMAST PROPERTIES
- 56) REAL MANAGEMENT SERVICES
- 57) REAL SHELTER MANAGEMENT LTD
- 58) REALKEN INTERNATIONAL LTD
- 59) ROLEX PROPERTY INVESTMENTS
- 60) SHELTER MANAGEMENT VALUERS LTD
- 61) SPARROW PROPERTY SERVICES
- 62) TEMUS REAL ESTATE SOLUTION
- 63) TOCO PROPERTIES LTD
- 64) TRACA MANAGEMENT SERVICES LTD
- 65) TYSONS LTD
- 66) URBAN PROPERTIES CONSULTANTS &DEVELOPERS
- 67) VALLEY RANCH LTD
- 68) VALUE ZONE LTD
- 69) VERITY PROPERTIES LTD
- 70) VIDMERCK LTD
- 71) WAINAINA REAL ESTATES LTD
- 72) ZENITH MANAGEMENT VALUERS LTD

Source: Yellow Pages 2016