COMPETITIVE STRATEGIES USED BY REAL ESTATE DEVELOPMENT FIRMS IN NAIROBI

JACOB N. MURIUNGI

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

DECEMBER, 2018

DECLARATION

I declare that this proposal is my original work and has not been presented in any other institution

Signed ……………………………… Date ………………………………….

JACOB N. MURIUNGI

D61/77550/2015

This project has been submitted for examination with my authority as university supervisor.

Signed ……………………………… Date ………………………………….

PROF. MARTIN OGUTU,

DEPARTMENT OF BUSINESS ADMINISTRATION

SCHOOL OF BUSINESS,

UNIVERSITY OF NAIROBI

DEDICATION

I dedicate this to my Family, My Pillar

ACKNOWLEDGEMENT

I wish to sincerely thank my supervisor, Prof. Ogutu for tirelessly guiding me through this phase in my academic life. I similarly wish to thank Dr. Muya Ndambuki who was my moderator for executing his mandate expeditiously. To my class mates with whom we have walked this journey together.

TABLE OF CONTENTS

LIST OF TABLES

ABSTRACT
The study aimed at establishing the competitive strategies that real estate forms adopt in Nairobi, Kenya. A cross sectional descriptive survey design was employed in the study with data collection taking place at a single point in time. The objective of the study would be sufficiently met with this type of a study. The study was also descriptive in nature. The population consisted of all real estate development firms registered in Kenya. There were a total of 46 registered real estate development firms in Kenya as at 31st July 2018, according to the Association of Real Estate Developers of Kenya. Owing to the size of the population, this study was a census study. Essentially therefore all 46 firms were involved in this study. Guided by the objective of the study, the researcher deemed primary data to be sufficient for data analysis. A structured questionnaire was used in collecting data. Descriptive statistics were used in analyzing data, which comprised of the standard deviation and the mean. Descriptive statistics would give the researcher an idea about the manifestation of the variable under study. Correlation analysis was used to establish any relationships among the items under investigation. , most firms indicate that they differentiate on the basis of brand image (Mean = 4.678, Std Dev. 0.121). This means that firms in the real estate industry view the firm 's brand image as a very important aspect of their competitive strategy. Brand image is argued to be one of the strongest points of creating competitive advantage because it cannot be copied or replicated by the competition. Differentiation using features and technology were also noted to be very important sources of competitive advantage (Mean= Greater than 4.000). firms in the real estate sector do take segmentation seriously ?(Mean= 4.678, Std. Dev=0.023). The fact that firms in the sector also serve on the basis of income levels of particular segments indicates that segmentation is mostly on the basis of demographic variables of the buyers. It is recommended that future studies be longitudinal in nature. A longitudinal study enables data collection across more than one point. This design will take care of the problem that cross sectional studies can only enable data collection at one point. Competitive strategies may be used for a certain period of time after which different ones are adopted. It is also recommended that a study in which all real estate firms in Kenya are included be carried out. This will make it possible for the findings to be generalized across the board.

CHAPTER ONE: INTRODUCTION

1.1 Background

Firms apply competitive strategies for different reasons. In most cases, companies apply competitive strategies to gain superior advantage over their competitors and to increase return on investments ultimately (Kay, 2001). Rindova and Fombrun (1999) distinguish between firm level strategies and business level strategies. Business-level strategy involves choices made by organizations when arriving at decisions on how to compete in individual product markets. As such, it comprises of a set of actions as well as commitments that are coordinated and integrated, which an organization relies in gaining competitive advantage by exploring the core competences in particular product markets. Firm level strategies on the other hand explain the strategic direction of the firm. These are considered to be broader compared to business level strategies. Porter (1985) identifies three competitive strategies namely: Focus, differentiation and cost leadership. According to (Dallock, 2016) these strategies provide the firm with options with regard to gaining competitive edge. A firm may choose to apply one or a combination of the competitive strategies.

The resource dependency theory explains how firms can use resources that are firm specific and fairly inimitable to gain competitive advantage (Porter, 1985). According to Madhani (2010), rare, valuable, non-substitutable, and inimitable resources enhance firms to establish and maintain competitive advantages by utilizing those resources together with competitive advantages for better performance. The firm has therefore to identify its sources of competitive advantage and grow them to such a level as to grant that firm capabilities to create economic rent.

According to Hillman et al. (2009) the resource dependence theory holds that an organizations derive strategies that enable them survive in their environments. Accordingly then, the strategic activities of the firm are a reflection of developments in their environments. This view holds that organization may go into mergers, establish and nurture special relationships and networks with other firms and reconstruct their boards of directors from time to time in response to environmental dictates.

The Kenyan economy has for the last 15 years been architectured around the Vision 2030. This is the economic blue print for the country and is expected to guide the economy up to the first quarter of this millennium. Two of the pillars of this blue print, according to the directorate of vision 2030 are the social and economic pillars. The social addresses the need for decent housing for all Kenyans. The economic pillar is also entwined with the social pillar since there is no way the social pillar can be achieved without support from the economic pillar. The real estate sector in Kenya is one of the most vibrant sectors currently buoyed by a moderately robust economy and a growing middle class. Firms in this sector have had to content with competition from amongst themselves and from substitute products. They therefore have to design suitable competitive strategies to survive the competitive onslaught.

1.1.1 Competitive Strategies

According to Porter (1985), there are three major types of strategies that firms mostly use in achieving and maintaining competitive advantage. Tanwar (2013) asserts that definition of these three generic strategies happens in two dimensions, which comprise of strategic scope together with strategic strength.

By strategic scope, it refers to market size together with composition that a firm intends to target. On the other hand, strategic strength entails the supply-ide approach and targets the strength or core competence of an organization. Specifically, Porter deemed two core competencies as the most imperative, which were product cost and product differentiation. According to Tanwar (2013), empirical findings on the impact of profit on marketing strategy indicate that firms with high market share tend to be more profitable, but their counterparts with low market share equally experience the same trend. For the firms possessing moderate market share, they tend to be less profitable. This is in some situations deemed as the hole in the middle problem. Porter explains this trend by claiming that the success of organizations with high market share is as a result of pursuing a cost leadership strategy while their counterparts with low market share succeed because they rely on market segmentation which despite having a small focus, it is a profitable market niche. Less profitability of organizations in the middle was as a result of lacking a viable generic strategy.

In the cost leadership strategy, an organization that finds and at the same time exploits the resources available for cost advantage while aiming to serve as the cost producer in the industry it operates is considered to be in pursuit of a sustainable cost leadership strategy. Application of differentiation strategy happens where an organization seeks uniqueness in its industry based on some product or service dimensions, which customers widely value. On the other hand, focus strategy involves a situation where an organization focuses on a narrow competitive scope, selects groups of segments or a single segment within the sector and develops its strategy to serve them through excluding competitors.

1.1.2 Real Estate Development Industry in Kenya

Definition of the term real estate entails land, which comprises of the ground below it and the air above it as well as any structures or buildings on it. The term entails commercial offices, residential housing, trading spaces like theatres, retail outlets, hotels and restaurants, government buildings, and industrial buildings like factories. The construction industry in Kenya has continued to accelerate at a rapid pace and serves as a major contributor to the nation's GDP growth figures on the back of a major public works projects as well as the increasing demand for mixed-use as well as residential developments. However, there are still challenges in the market, and the funding as well as financial environment in various stages of project execution is hard, leading to adverse cost implications together with a potential barrier in the long-term sustainable growth of the industry. Given the sector's strong growth as well as the number of projects already in the pipeline, it is not surprising to there is a major interest to penetrate the local market. Although there are few challenges in respect to funding for the government together with financing and contracting firms cash flow, there are also vast opportunities. However, in the long-run, sustained growth in the sector will rely on the ability of bringing more private funding on board into projects. Considered one of the leading markets in sub-Saharan Africa, Kenya is continually gaining increased interest as a real estate investment destination. with a 42.2 million population and 4.2 million within the capital Nairobi, Kenya is regarded as a gateway to regional East African market that is home to close to 150 million people. At the domestic level, Kenyan economy is outperforming most countries across the globe with the population on the rise coupled by increasing incomes.

Based on these basic trends in demand, it is unsurprising that Kenya, like most of her counterparts in sub-Saharan Africa region, is attracting interest from various international funds as well as institutional investors. Irrespective of the undoubted potential in the Kenyan real estate sector, tang into this market remains somehow constrained primarily as a result of affordability issues.

The real estate sector in Kenya boom started in mid 2000s partly due to increased demand and also as a result of favorable government interventions thus the property market was responsive (Mzee, 2017). Nairobi, the capital of Kenya and the largest city is home to a large expatriate community as a result of the significant number of multinational corporations that have made the city their base for east and central Africa or the overall African hub. This has as a result led to global attention in the Nairobi property market. Currently, the value of reported approved building in Nairobi has increased by 43.3 per cent from 215.2 billion shillings in 2015 to 308.4 billion shillings. The increases in building approvals is as a result of foreign investments together with government efforts of providing financial and non-financial incentives to players in the private sector to help in closing the housing gap especially for those in the lower income market segment.

1.2 Research Problem

Formulation of a strategy may happen for long-term, broad corporate goals and objective for particle business goals and objectives or for a functional unit like a cost center. Businesses have to formulate competitive strategies that define its intentions in relation to existence in the environment. Competitive strategies are formulated with regard to both internal and external environments. The internal environment is a consideration because the firm has to draw from owned or leased or hired resources:

tangible or intangible. These resources enable the organization to mount and sustain competitive pressures in the industry. Competitive strategies have been explained as focus, differentiation and cost leadership. In the pursuit of a focus strategy, the firm directs its resources to enter or expand an industry segment or a narrow market. Application of a focus strategy mostly happens where a firm has knowledge about its segment and equally has products and services to competitively satisfy the needs of the segments. Focus strategy serves as one of the three generic marketing strategies. In the case of differentiation strategy, it involves a situation where the firm makes a decision of choosing a specific attribute of the product or service to focus on. For the strategy to work, the management is required to select an attribute which a significant section of the market cares enough so as to pay a premium price for the product. Where a firm makes a decision of pursuing cost leadership, it aims at becoming the lowest priced in the market by ensuring its products meet the basic requirements.

Coupled with a fast growing population together with a rising demand for affordable housing, there are opportunities in the construction of commercial, residential, industrial, and commercial buildings. Investors are equally presented with an opportunity of manufacturing and supplying construction materials and other components required in the sector. Chandaria Properties (2017) claim that the decline in the residential sector performance is considered to be only temporary with expectations of recovery in the short-run and increase in the medium-term, due to the increasing demand. This is as a result of the existing market deficit estimated to be around 2.0 million units, rapid urbanization at 4.4% annually compared to the global average of 2.0%, tax relief on developers supplying 100 affordable units annually, and the announcement by the CBK governor of plans to push for repealing of the interest rate cap to help in reversing the adverse effect it has on credit growth on the private sector. With the expected growth comes a myriad of challenges for real estate developers arising from increase in the number of players. The arising challenge is that of developing competitive strategies that can provide the companies that have competitive gain in the market.

Studies on the application of competitive strategies in the real estate sector reveal both contextual and methodological gaps. Sirya (2017) studied the real estate investment decision making but focused on Nairobi County only. Ndegwa (2017) in his study: the effect of macroeconomic factors on the financial performance of the real estate sector in Kenya reports that both real and financial macro-economic variables influence the performance real estate firms significantly. Musyoki (2016) examined the influence of economic growth on the performance of real estate investment industry in Machakos, Kenya. All these studies have examined the real estate sector from either financial or environmental perspectives. This study seeks to determine the application of competitive strategies by real estate development firms in Kenya by answering the following research question; What are the competitive strategies applied by real estate development firms in Kenya?

1.3 Objective of the Study

The objective of this study is to establish the competitive strategies used by real estate firms in Kenya.

1.4 Value of the Study

This study will be of value to managers in real estate firms because they will understand the kind of strategies that appear to be working in the industry. The study will therefore provide a benchmark to managers in these firms.

The findings of the study will contribute to academic theory relating to competitive strategy and particularly in the context of real estate firms. This being an emerging industry in Kenya, documenting the application of the competitive strategy greatly contributes to academic theory

The findings will also be worthwhile to policy makers in Kenya and beyond. Given the centrality of the sector in delivering on the Big 4 philosophy, the government and related institutions will find the findings useful in that it will be possible to the necessary policy interventions required to strengthen the operations of players in the real-estate industry.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Literature in the chapter below is reviewed on the concept under investigation: competitive strategies. The theoretical models that anchor the study are also detailed. Literature has been reviewed from books, journals, theses, projects and also from relevant industry publications.

2.2 Theoretical Framework

This study is anchored on the Resource Based View and the Resource dependency Theory. The resource based view is applicable in this study because firms use resources and capabilities in the execution of competitive strategies. The resource dependence theory is relevant because firms develop strategies in response to developments in their environments.

2.2.1 Resource Based View

RBV puts an emphasis on the organizational resources as key determinants of performance and competitiveness (Peteraf & Barney, 2003). According to Barney (1991), it is based on two primary assumptions in analyzing competitive advantage sources. Firstly, the model makes an assumption that organizations within an industry may be heterogeneous based on the amount of resources they control. Secondly, the theory makes an assumption that resource heterogeneity may be experienced over time based on the fact that resources utilized in implementing organisational strategies are imperfect across organisations. As such, distinct resources or heterogeneity is deemed an essential aspect for a resource bundle in contributing to the competitive advantage of an organization.

According to Cool et al. (2002), the theory further holds a believe that all organizations in the same industry possess similar combination of resources and no specific strategy is available to any given organization that other competitors in the market would lack. Barney (2003) claims that using the RBV entails an efficient-based description to differences in performance. Performance differentials are believed to originate from rent differentials that are attributable to resource with intrinsic different efficient levels in similar manner thus helping organizations to benefit customers at a specific cost (Peteraf & Barney, 2003).

However, the presumed heterogeneity together with immobility serves as inadequate conditions to ensure sustained competitive advantage. Barney (1991) `asserts that an organization's resource must be rare, valuable and imperfectly inimitable as well as substitutable so as to gain competitiveness sustainably. According to Peteraf (1993), there are four conditions that lead to competitive advantage. These comprise of ex post limit to competition, resource mobility imperfection, superior resources as well as ex ante limits to competition. According to Peteraf and Barney (2003), the frameworks by Barney (1991) and Peteraf (1993) are consistent if there is unambiguous definition of some terms.

2.2.2 Resource Dependency Theory

RDT aims at presenting a guide on the manner of designing and managing firms that are constrained externally (Pfeffer & Salancik, 1978). Various scholars have made great contributions in developing RDT who comprise of Emerson (1962), Blau (1964) together with Jacobs (1974). The theory recognizes the impact of external factors on a firm's behavior and despite being constrained by the context, the management may respond to reduce uncertainty and dependence on the environment. According to Ulrich and Barney (1984), critical to these actions is the power concept, which involves control over crucial resources. Firms attempts to reduce the powers of competitors and often makes attempts to increase their power over the competitors. Pfeffer (1987) presents the basic argument of the theory together with inter-organizational relations as; the crucial units that help to understand inter-corporate relations and society as organizations; these organizations are non-autonomous, but have a network of interdependencies with other businesses; interdependence, in conjunction with uncertainty regarding the actions of those with which the firm is interdependent causes a situation where survival as well as continued success are not guaranteed. Therefore, firms take actions of managing external interdependencies, irrespective of the fact that such actions are in most instances never completely successful and lead to new patterns of interdependence and dependence; and these patterns of dependence lead to inter-organizational together with intra-organizational power, where organizational behavior is affected by such power.

2.3 Competitive Strategies

According to Bonnici (2018), competitive strategy involves the process where firms develop competitive advantage and reap above-average returns for the stakeholders. To achieve competitive advantage, strategic management of a firm’s resources, core competencies, and capabilities together with the organization’s responsiveness to threats and opportunities within the external environment are all essential. By gaining above average gains, it signifies that such gains are higher than the alternative investments with the same risk profile. Resources serve as the initial stage of core competencies and comprise of the inputs needed in producing a service or a product. Tangible resources comprise of machinery, equipment, premises, and material. On the other hand, intangible resources comprise of finance, human capital, technology, distribution networks, trademarks, patents, supplier networks, customer base, organization’s reputation, and brand equity. It is possible to combine and develop resources into capabilities, which as a result lead to core competences. Capabilities on the other hand comprise of an organization’s capacity of transforming resources into competitive products as well as processes. There is a tacit manner that is employed to embed capabilities into the internal processes of a firm. Documenting capabilities as procedures is challenging thus making it hard to copy. A firm’s intangible resources tend to serve as the primary source of inimitable strategic capabilities. Capabilities tend to be the main source of unique core competencies, which lead to sustainable competitive advantages. The manner an organization nurtures and equally supports its capabilities towards making them core competencies is less visible to competitors thus making it more challenging to understand and copy an organization’s capabilities.

Competitive strategy helps to mitigate threats and opportunities in the external environment by both reactive and preemptive strategies. Exploitation of new opportunities happens in the emergence of new competitive positions that may emerge in the process. A firm’s strategic conduct revolves around performance goals like profit maximization, increased sales, policies on pricing (like marginal cost, cost-plus, collusive pricing, entry-deterring price, price discrimination, and price leadership), marketing strategies as well as the level of technical change and innovation. Minimization of threats happens through continuous adaptation together with development of the business model. To ensure an effective competitive strategy, continuous realignment and adjustments is imperative as it leads to the development of internal competencies and also in preempting changes within the external environment. To navigate through various complex strategic factors, it requires knowledge relating to their competitors. According to Porter (1985), the firm might opt for one or a blend of various competitive strategies, which are; focus, differentiation, and cost leadership.

2.3.1 Differentiation Strategy

Differentiation is directed at the broad market and comprise of developing services and products, this is perceived throughout the industry as distinct. The product or service is the charged a premium. To achieve this specialty, things like image, design, features, customer service, and network are taken into account. Differentiation serves as a viable strategy that helps to earn above average returns in a specific business due to the consequent brand loyalty, which lowers consumers' price sensitivity. Customer loyalty may equally serve as an entry barrier and thus firms must come up with distinctive competence to help in differentiating their products or services so as to compete successfully.

2.3.2 Focus Strategy

This strategy involves a firm concentrating on a selected a few target market. The strategy is equally known as the niche strategy and considers focusing marketing efforts on one market segment together with tailoring the marketing mix to the said market helps in meeting the needs of the target customers better. In such a situation, the organization seeks to gain competitive advantage through effectiveness as opposed to efficiency. The strategy may be applied in selecting targets that are less affected by substitutes or in instances where competition is very weak thus helping the firm to earn above average returns. Two variants identify with the focus strategy: cost focus is where an organization aims at gaining cost advantage; whereas differentiation focus entails a firm's focus in gaining differentiation within the target market. The two factors of the focus strategy are based on variations between the firms target market as well as other segments in the industry. The target segment either comprise of consumers with unusual needs or has a production together with a delivery system that serves the target population best and differs from other players in the same industry. Differentiation focus is directed at exploiting the special needs of consumers in certain segments whereas cost focus is directed at exploiting variations in cost behavior in the target segments.

2.3.3 Cost Leadership Strategy

Efficiency is the main emphasis of this strategy. Through production of high volumes of standardized products, the organization aims at benefiting from economies of scale as well as experience curve effects. Such a product is normally basic and produced at a cost that is relatively low with the target customer base being very large. To maintain this strategy, continuous research is deemed imperative to help in obtaining the most expansive distribution possible. By promotional strategy, a firm tries to make a virtue as a result of product features of low cost. To succeed, the strategy mostly requires a vast market share advantage or even preferential accessibility to important things like labor, necessary inputs, and raw materials. Where a firm has one of these advantages is missing, it is very easy for other players to copy the strategy. Successful implementation may equally be as a result of; process engineering skills, continuous access to inexpensive capital, products manufactured easily, tight cost control, close labor supervision, and incentives on the basis of quantitative targets. The strategy aims at ensuring that costs remain at the best possible minimum.

2.4 Summary of Literature Review and Research Gaps

Achieving competitive advantage is done through strategic management of resources, core competencies, capabilities, and organization's responsiveness to threats and opportunities that emanate from changes in the external environment. According to Bonnici (2018), above average relates to gains which are superior to alternative investments with the same risk profile. As such, for firms to realize competitive advantage, they must deploy their resources strategically.

Differentiation aims at the broad market and comprises of the creation of a product or service that is deemed as unique throughout the industry. In this strategy, the organization concentrates on a select few target markets and is equally referred to as niche or focus strategy. By focusing a firm's marketing efforts on a single or two narrow market segments as well as tailoring the marketing mix to the identified specialized markets, it is hoped that it is better to meet the customers' needs of that target market. In the work by Ismaili et al. (2010), the authors examined the possible moderating variables that have the ability of affecting the relationship between an organization's performance and competitive advantage, which comprises of the organization's age and size. The researchers report that a firm's size does not to a large extent moderate the relationship between performance and competitive advantage. Fathali (2016) conducted an empirical study on the impact of competitive strategies on corporate innovation in Iran's automobile industry. The study findings demonstrate that Porter's competitive strategies have a positive and major impact on corporate innovation. Coupled by strong statistical significance, three competitive strategies of focus, differentiation, and cost leadership provide an explanation for differences in corporate innovation dimensions that comprise of product innovation, innovation in process as well as administrative innovation.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter contains the design of research, study population, collection of data and analysis. The choice of the methodology is informed by the objective of the study.

3.2 Research Design

This study was a cross sectional descriptive survey study by design. The study was cross sectional because data was collected at only one point in time. The objective of the study would be sufficiently met with this type of a study. The study was also descriptive in nature. Descriptive studies are recommended when the researcher's interest is to explain phenomena (Cooper & Schindler, 2008). A survey study was appropriate since the number of subjects involved was high and the researcher's interest was to get a general idea about the phenomenon of interest across these subjects.

3.3 Population of the Study

A population of study is defined as the total number of units, events, persons and son to be investigated (Kothari, 2000). The current study was about competitive strategies adopted by real estate developers in Kenya. The population consisted of all real estate development firms registered in Kenya. There were a total of 46 registered real estate development firms in Kenya as at 31st July 2018, according to the Association of Real Estate Developers of Kenya. Owing to the size of the population, this study was a census study. Essentially therefore all 46 firms were involved in this study.

3.4 Data Collection

Primary data was collected for this study. Guided by the objective of the study, the researcher deemed primary data to be sufficient for data analysis. Data was gathered with the help of semi-structured questionnaire. The questionnaire consisted of four parts: Part one captured data on the demographic information of the firm: Part two was designed to collect data on the application of the focus strategy: Part three on differentiation strategy: Part four on Differentiation strategy. The respondents were the Senior Managers in real estate firms. The choice of senior managers as respondents was informed by the fact that the questions are on matters strategy.

3.5 Data Analysis

Data was sorted and coded, then captured into SPSS software. Data was first analyzed using descriptive statistics including the mean and standard deviation. Descriptive statistics would give the researcher an idea about the manifestation of the variable under study. Correlation analysis was utilised to detect relationships amidst the items under investigation.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

Chapter four documents the output of data analysis, presents the results and discusses the same. Analysis of data has been done in such manner that it is in accordance with the objectives and is also driven by the desire to answer the research question.

4.2 Response Rate

This study was designed to determine the competitive strategies adopted by real estate firms in Nairobi, Kenya. The intention was to establish the manner and intensity of application of the competitive strategies. A total of 46 firms formed the population of the study. Questionnaires were sent to all members of the population. Out of the total of 46 targeted firms, only 40 returned filled questionnaires. Analysis was therefore based on a response rate of about 87 %. This is a good response rate by any standards.

4.3 Turnover of Real Estate Firms

This question sought to determine the turnover of the real estate firms interviewed. Literature notes that there is a correlation of the size of a firm and the size of that firm. The results are illustrated in Table 4.1.

Table 4.1: Turnover of Real Estate Firms

Turnover	Number of Firms	Percentage
Below 100 Million Shillings	5	12.5 %
100- 500 Million Shillings	20	50 %
500- 1 Billion shillings	10	25 %
Above 1 Billion Shillings	5	12.5 %
Total	**40**	**100 %**

Source: Research Data: 2018

The findings in Table 4.1 indicate that 12. 5 % of the real estate firms surveyed have a turnover of less than Sh. 100 Million. Of those surveyed, firms posting between 100 and Sh. 500 Million were 50 % of the total. The total of firms posting above sh. 500 Million was 37.5 % of the total.

4.4 Adoption of the Differentiation Strategy

This question was meant to establish the status in terms of adoption of the differentiation strategy. A differentiation strategy is a strategy that is employed for purposes of distinguishing between the processes or products of one company from those of another company. The items were measured on a scale of 1, for not at all to 5, to a very large extent. The output is captured in Table 4.2.

Table 4.2: Extent of adoption of the differentiation strategy

Statement	Mean	Std. Dev.
We differentiate on the basis of Brand image	4.678	0.121
We differentiate using Features	4.321	0.003
Our technology is our differential advantage	4.210	0.034
We differentiate according to design	3.456	0.054
We differentiate using Dealers	3.209	0.023
Our network gives us differential advantage	2.987	0.078
Grand Mean and Grand Std. Dev	3.810	0.0521

Source: Research Data, 2018

According to Table 4.2, most firms indicate that they differentiate on the basis of brand image (Mean = 4.678, Std Dev. 0.121). This means that firms in the real estate industry view the firm's brand image as a very important aspect of their competitive strategy. Brand image is argued to be one of the strongest points of creating competitive advantage because it cannot be copied or replicated by the competition. Differentiation using features and technology were also noted to be very important sources of competitive advantage (Mean= Greater than 4.000). Differentiation according to dealers and design were both accorded only luke warm importance in terms of differentiation strategy (Means= less than 4.000).

4.5 Adoption of the Focus Strategy

This question sought to determine the focus strategy is applied by real estate firms. A focus strategy is seen as the firm's interpretation of the segmentation- Targeting-Positioning strategy. The output is outlined in Table 4.3 as follows.

Table 4.3: Adoption of the Focus Strategy

Statement	Mean	Std. dev
	4.678	0.023
The company does segment markets		
We serve on the basis of income	4.560	0.087
We position on the line of believability	4.356	0.067
We position our company appropriately in the industry	4.267	0.042
Our company selects the market it intends to operate in	4.245	0.045
Grand Mean and Std. Dev	4.4212	0.0528

Source: Research Data, 2018

Table 4.3 above indicates that firms in the real estate sector do take segmentation seriously ?

(Mean= 4.678, Std. Dev=0.023). The fact that firms in the sector also serve on the basis of income levels of particular segments indicates that segmentation is mostly on the basis of demographic variables of the buyers. Generally, the segmentation targeting and positioning strategy appears to be very entrenched in the industry (all with a Mean score of more than 4.000).

4.6 Adoption of the Cost leadership Strategy

This question was designed to measure the extent to which players in this sector use the strategy of being cost leaders in the market. Cost leadership as a strategy means that firms strive to be the lowest priced alongside their competitors. The findings are presented in Table 4.4

Table 4.4: Cost Leadership Strategy

Statement	Mean	Std. Dev
We use the cheapest cost technology	3.106	0.006
We do products that offer us cost advantage	2.980	0.056
We select dealers on the basis of cost	2.760	0.034
We communicate our prices as our selling point	3.675	0.065
We benchmark against our competitors on prices	2.540	0.076
Grand Mean and Std. Dev	3.0122	0.0474

Source: Research Data, 2018

According to Table 4.4 cost leadership does not appear to a very popular strategy compared to the rest of the strategies (Grand mean = 3.012, Std,dev= 0.047). The use of the cheapest technology was the most preferred mode of implementing the cost leadership strategy together with communication of the firm's prices. Both , however , were not given a score more than a mean of 3.5

Table 4.5: Summary of the Grand Means and Standard Deviations of the three Competitive strategies

Competitive Strategy	Grand Mean	Grand Std. Dev
Focus Strategy	4.421	0.052
Differentiation	3.810	0.052
Cost Leadership	3.012	0.047

Source: Research Data, 2018

The summary of grand means in Table 4.5 indicates that focus competitive strategy is the most used of all competitive strategies (Grand Mean= 4.421). Differentiation is the second most popular strategy with a grand mean of 3.810. Cost leadership comes last as competitive strategy with a grand mean of 3.012.

4.7 Discussion of the Findings

The findings of the study are consistent with literature in that companies will be found to use a combination of competitive strategies at any one point in time (Kotler, 2000). Real estate firms were reported to be using more than one strategy. Using more than one strategy makes it possible for firms to tap into broader markets, apply their resources more diligently and also account for input while at the same taking care of their competitors.

Even in marketing strategy, one of the most popular strategies happens to be the focus strategy. The implication is that firms segment their markets and focus their efforts to identify the needs of a segment better and also be able to serve the selected segments better. The findings on the application of all the competitive strategies are in line with Muganda (2007). Muganda (2007) had studied the application of the competitive strategies by Nation Media Group and reports that all the strategies were used simultaneously to afford the company competitive advantage.

Bett (2012) in a study on the competitive e strategies applied by private security firms in Kisumu County also confirms Muganda’s (2007) findings that companies are likely to use all three competitive strategies concurrently. The study by Bett makes an interesting finding that the choice of a strategy depends on the stage the company is in. Some companies are therefore likely to use cost leadership. Focus or differentiation depending on whether their concern is to attract customers or is aiming at customer retention.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the findings as they are in chapter four. A conclusion and discussion of the findings is also undertaken. Finally the chapter endeavors to provide the recommendations in line with the findings.

5.2 Summary

The study was designed to determine the competitive strategies adopted by real estate firms in Nairobi, Kenya. According to Porter (2000) there are three competitive strategies namely; Differentiation strategies, focus strategies and cost leadership strategy. Firms will be found to be implementing one or a combination of these in a certain way.

A differentiation strategy is a strategy that is employed for purposes of distinguishing between the processes or products of one company from those of another firm. Most firms indicate that they differentiate on the basis of brand image (Mean = 4.678, Std Dev. 0.121). This means that firms in the real estate industry view the firm's brand image as a very important aspect of their competitive strategy. The findings also show that firms in the real estate sector do take segmentation seriously (Mean= 4.678, Std. Dev=0.023). The fact that firms in the sector also serve on the basis of income levels of particular segments indicates that segmentation is mostly on the basis of demographic variables of the buyers. The use of the cheapest technology was the most preferred mode of implementing the cost leadership strategy together with communication of the firm's prices. Both, however, were not given a score more than a mean of 3.5.

5.3 Conclusion

The findings indicate that focus competitive strategy is the most used of all competitive strategies (Grand Mean= 4.421). Differentiation is the second most popular strategy with a grand mean of 3.810. Cost leadership comes last as competitive strategy with a grand mean of 3.012. A companies' choice of strategy is informed by certain considerations. Some choose a competitive strategy going by their structure, others by their resources, and yet others by the industry characteristics.

Focus strategy was reported to be the most dominant competitive strategy. By pursuing focus, companies attempt to implement the segmentation- targeting and positioning paradigm. It is about firms focusing their resources on selected segments. Selection is on the basis of income levels. This is due to the fact that in the real estate industry income is a critical determinant of a customer's ability to purchase.

Cost leadership is about companies attempting to become leaders in their industry by pursuing strategies that enable them ultimately to sell at the lowest possible price. Cost leadership can arise from companies being in possession of superior technology ar sometimes being able to source raw materials from low cost suppliers. Cost leadership was found to be the second most applied competitive strategy.

5.4 Limitations of the Study

The current study suffers from the following limitations;

First, this study was a cross sectional study. This was a limitation because sometimes the competitive strategy adopted by a company depends at times on the management. It is therefore recommended that a longitudinal study be designed. A longitudinal study makes it possible for data to be collected at more than one point in time. This will make it possible for the researcher to trace the history of the application of the focus strategies.

The second limitation was that the study population was limited to real estate firms in Nairobi. This may have generalization implications. Future studies could include more than one industry so that the researcher can establish whether the choice and application of competitive strategies is industry specific.

5.5 Recommendations for Future Research

It is recommended that future studies be longitudinal in nature. A longitudinal study enables data collection across more than one point. This design will take care of the problem that cross sectional studies can only enable data collection at one point. Competitive strategies may be used for a certain period of time after which different ones are adopted.

It is also recommended that a study in which all real estate firms in Kenya are included be carried out. This will make it possible for the findings to be generalized across the board. Census studies enable the researcher to eliminate biases associated with sampling error.

According to the researchers' experience in the review of literature, there is extensive research on the competitive strategies both locally and internationally. The researcher recommends a study that ties together all these previous studies. Such a study will inevitably be meta analytical by design. A meta-analysis is recommended when the phenomena has been extensively covered and there is need to harmonize the findings in one study.

REFERENCES

Allen, R.S., & Helms M.M., (2006). "Linking Strategic Practices and Organizational Performance to Porter's Generic Strategies", *Business Process Management Journal*, Vol. 12, No. 4, pp. 433-454.

Armstrong, M. & Baron, A. (2004). Strategic HRM: The key to improved business performance. London, CIPD.

Arasa, R.M, (2002). "A survey of Environmental Developments and Firm's Responses in the Health Insurance Sector in Kenya", Unpublished MBA Research Project of the, University of Nairobi, Nairobi, Kenya

Babbie, E. R. (2009). The Practice of Social Research (12th ed.). Wadsworth. pp. 436–440. ISBN

Bansal, P. (2005). Evolving sustainability: A longitudinal study of corporate sustainable development, *Strategic Management Journal*, 26:197-218

Barney, J. (March 1991). "Firm resources and sustained competitive advantage". *Journal of Management17* (1): 99–120.

Bernhofen, D.M. & Brown, J.C. (2004). A direct test of the theory of comparative advantage: the case of Japan', *Journal of Political Economy, 112(1): 48–67.*

Bordean O., Borza A., Nistor R. & Mitra C.(2010). "The Use of Michael Porter's Generic Strategies in the Romanian Hotel Industry*", International Journal of Trade, Economics and Finance,* Vol.1, No:2 August.

Bowman, C. & Faulkner, D. (1997). Competitive and Corporate Strategy‖, Irwin, London.

Brains, W. R. (2011). Empirical Political Analysis 8th edition. Boston, MA: Longman

Chang, M. (2000). Evolution of competitiveness theory

Constantin, F. (2004). Economie internaţională , Ed. Scrisul Românesc, Craiova

Cohen, A. (2004). The Art of the Strategist: 10 Essential Principles for Leading Your Company to Victory, AMACOM, New York

Cooper, D.R. & Schindler, P. S., (1999). Business Research Methods, New Delhi: McGraw- Hill Publishing Company Limited,

Dibbs, S, Simikin, L, Pride, W.M, Ferrell, O.C (1991). Marketing: Strategies and Concepts, Boston: Houghton Mifflin Company Limited.

Gakombe K.K. (2002). "Analysis of the Industry Forces and Strategic Choices Adopted by Private Hospitals in Nairobi" Unpublished MBA Research Project of the University of Nairobi, Nairobi, Kenya

Gall, M. D., Borg, W. R., Gall, J. P., (2003). Educational research: An introduction. 7th Edition. New York: Longman.

Hlavacka S., Bacharova L., Rusnakova V., & Wagner, R. (2001). "Performance Implications of Porter's Generic Strategies in Slovak Hospitals", *Journal of Management in Medicine*, Vol. 15, No. 1, pp. 44-66.

Kay, J, (1995). Foundations of Corporate Success, London, Oxford University Press.

Koter P, (2001). Marketing, Millennium Edition, New Delhi , Prentice-Hall of India

Kothari, C. R. (2004). Research Methodology: Methods and Techniques, (Second Edition), New Age International Publishers.

Kumar, K., Subramanian R., & Yauger C., (1997). "Pure Versus Hybrid: Performance Implications of Porter's Generic Strategies*", Health Care Management Review,* Vol. 22, No. 4, pp. 47-60.

Louis, E. B. & David, L. K. (2006). Contemporary Business Thomson South Western

Michael A. Hitt, Robert E. Hoskisson, R. (2007). Duane Ireland. Management of Strategy: Concepts and Cases.7th ed, Thomson South-Western, USA

Mugenda, O.M. & Mugenda, A.G. (1999). Research Methods: Quantitative and Qualitative Approach Nairobi: Acts Press.

Murage, S, (2001). "Competitive Strategies Adopted by Members of the Kenya Independent Petroleum Dealers Association" Unpublished MBA Research Project of the University of Nairobi, Nairobi, Kenya

Negriţoiu Mişu . (1997). Salt înainte, Ed. Pro şi Ed. Expert, Bucureşti

Pearson II, John, A, Richard, Robinson, Jr, (1997). *Strategic Management*, 3rd Edition, New York, Richard D Irwin, Inc,

Peteraf, M.A. (1993). "The Cornerstones of Competitive Advantage: A Resource - Based View," *Strategic Management Journal 1993*, Vol. 14, pp. 179-191.

Philip, K. & Gary, A. (2010). Principles of Marketing 13 E. Pearson Prentice Hall,

Porter M.E. (1990). The competitive advantage of the nations, Ed. The Free Press, A Division of MacMillan Press Ltd., New York.

Powers T.L., & Hahn W., (2004). "Critical Competitive Methods, Generic Strategies, and Firm Performance", *The International Journal of Bank Marketing*, Vol. 22, No. 1, pp. 43-64.

Pretorius M., (2008). "When Porter's Generic Strategies are not Enough: Complementary Strategies for Turnaround Situations*", Journal of Business Strategy*, Vol. 29, No. 6, pp. 19-28.

Robert .A. & Lei, D. (2003). Strategic Management: Building and Sustaining Competitive Advantage. 3rd ed, Thomson South-Western

Yaşar F. (2010). "Competitive Strategies and Firm Performance: Case Study on Gaziantep Carpeting Sector*", Mustafa Kemal Üniversitesi Sosyal Bilimler Dergisi*, Vol:7, No. 14, p:309-324.

APPENDIX: QUESTIONNAIRE

PART A: DEMOGRAPHIC INFORMATION

1. Name of the Firm……………………………………………………….

2. Year of establishment…………………………………………………..

3. Number of employees…………………………………………………

4. Annual Turnover

   ( ) Below 100 Million Shillings

   ( ) 100- 500 Million Shillings

   ( ) 500- 1 Billion shillings

   ( ) Above 1 Billion Shillings

PART B: COMPETITIVE STRATEGIES USED BY FIRM

This part of the questionnaire is designed to capture information on the competitive strategies applied by the respondent firms.

Part B1: Differentiation Strategy

Please indicate the extent to which the following statements describe differentiation strategy on a scale where:**1** =Not at all, **2** = Small Extent, **3** = Moderate Extent, **4** =Large Extent, **5** = Very Large Extent

Statement	**1`**	**2**	**3**	**4**	**5**
We differentiate according to design					
We differentiate on the basis of Brand image					
Our technology is our differential advantage					
We differentiate using Features					
We differentiate using Dealers					
Our network gives us differential advantage					

Part B2: Focus Strategy

Please indicate the extent to which the following statements describe focus strategy on a scale where:**1** =Not at all, **2** = Small Extent, **3** = Moderate Extent, **4** =Large Extent, **5** = Very Large Extent

Statement	**1`**	**2**	**3**	**4**	**5**
The company does segment markets					
Our company selects the market it intends to operate in					
We position our company appropriately in the industry					
We serve on the basis of income					
We position on the line of believability					

Part B3: Cost Leadership Strategy

Please indicate the extent to which the following statements describe cost leadership strategy on a scale where:**1** =Not at all, **2** = Small Extent, **3** = Moderate Extent, **4** =Large Extent, **5** = Very Large Extent

Statement	1`	2	3	4	5
We use the closest cost technology					
We do products that offer us cost advantage					
We select dealers on the basis of cost					
We communicate our prices as our selling point					
We benchmark against our competitors on prices					

Thank you for your cooperation