STRATEGIC RESPONSES TO CHANGES IN THE ENVIRONMENT BY REAL ESTATE FIRMS IN NAIROBI, KENYA

BY

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DECLARATION

This research project is my original work and has not been submitted for a degree or any other award in any other university.

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This research project has been submitted for examination with my approval as a university supervisor.

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DEDICATION

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ABSTRACT

Organizations depend on the environment for resources input and produce goods or services for the consumption by environment. They take in an assortment of resources from the environment, add value to them, and deliver them back to the environment in the form of goods and services. Thus organizations are not self sufficient but are environment dependant and environment serving. There have been considerable changes in the external environment over the last 10 years. These changes have had a great impact on all the industries. This research project was a cross sectional survey designed to establish the strategic responses to changes in the environment by real estate firms in Nairobi, Kenya. To achieve this, questionnaires were dropped to 72 firms that were operating in Nairobi. The study established major favourable changes that had taken place and among them were improved infrastructure and availability of credit through various financial institutions. The major unfavourable changes that had taken place among them were post election violence (PEV) and election uncertainty. The study established that the industry had responded to those changes through adherence to government regulations and legislation, introduction of new products in the property market and initiating of new distribution channels. The study established that the strategies adopted were successful because they had made the firms to continue to thrive despite many challenging environmental changes. The industry was found to be dependent on the environment for resources and also offered services to the same environment. The study recommends that the industry should embrace more of information technology and also the government should put in place a mechanism as the industry players were both registered and unregistered estate agents.

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CHAPTER ONE INTRODUCTION

1.1 Background of the Study

According to Pearce and Robinson (2002), all organizations operate as open systems. A system is open if it interacts with its environment. The environment is turbulent and ever changing (Pearce and Robinson 1997). The organizations are not self sufficient but are environment dependant and environment serving. They depend on the environment for resources input and produce goods or services for the consumption by environment. They take in an assortment of resources from the environment, add value to them, and deliver them back to the environment in the form of goods and services. Organizations therefore affect and are affected by external conditions. An organization has therefore to develop competitive strategy to outcompete the competitors, by looking beyond its operations (Ansoff and McDonnell 1990).

Over the past ten years there have been many changes in the Kenyan economy. These changes have had a considerable impact in all industries and the real estate industry is no exception. For many years, real estate has remained a major avenue of investment for majority of Kenyans. The strong attachment Kenyans have to land and landed property has ensured steady flow of investment into real estate. In the recent past, there has been a growing trend towards investing wisely in real estate. This has been on the realization that one can easily lose money while investing in real estate or one can make more money in investing in other investment avenues.

1.1.1 Environment Dependence of Organizations

The organizational environment is the set of forces surrounding an organization that have the potential to affect the way it operates. The environment consists of specific and general forces. Specific forces directly affect an organization's ability to obtain resources. General forces shape the specific environment and affect the ability of all organizations in a particular environment to obtain scarce resources and hence the notion of environment dependence of organizations.

Strategy links the organization to the environment. According to Pearce and Robinson (2003), the modern executive must respond to the challenges posed by the firm`s immediate and remote external environments. These remote external environment comprises factors that originate beyond any single firm`s operating environment and comprise economic and social conditions, political priorities and technological developments.

According to Wairegi (2004), all of these must be anticipated, monitored, assessed and incorporated into the executive`s decision making process. To achieve its objective, the organization chooses strategies that align them properly with environment. This is aimed at avoiding any mismatch between the organization and the environment because organizations take in an assortment of resources from the environment, add value to them, and deliver them back to the environment in the form of goods and services. Thus they depend on the environment for resources input and produce goods or services for the consumption by environment. Therefore, organizations are not self sufficient but are environment dependant and environment serving.

1.1.2 Strategic Responses

The study of strategic responses is increasingly important in today's dynamic business environment. Strategic responses are mainly concerned with decisions and actions meant to achieve business objectives and purpose. Rapid technological change, easier entry by foreign competitors, and the accelerating breakdown of traditional industry boundaries subject firms to new, unpredictable competitive forces. Contemporary firms, operating in dynamic market contexts, often deal with these contingencies by implementing strategies that permit quick reconfiguration and redeployment of resources to deal with environmental change (Rajagopalan and Spretzer 1996).

According to Kepner (2001), organizations without a strategy may survive, but they will never thrive. Therefore, organizations need to create and implement an effective strategy in order to excel in today’s marketplace. An organization undertake strategic intelligence gathering and analysis which ensures that the depth and breadth of information on which strategic decisions are based is up-to-date, accurate, and relevant. The intelligence gathered includes, for example, competition, technology, markets, macroeconomic, political and social trends, and regulation, among other subjects of more specificity to each organization (Kepner 2001).

1.1.3 The Real Estate Industry in Kenya

Real Estate companies are financial institutions that function in the economy as part of the financial services industry. The financial services industry is made up of banks, building societies, insurance companies, insurance brokers, pension funds, fund management companies, stockbrokers, real estate companies, saving and credit societies etc. Kenya's economy is market based, with a few state owned enterprises and a liberalized external trade system. The country is generally perceived as Eastern and Central Africa's hub for financial, communication, construction and transportation services.

Kenya's economy posted a GDP growth of 5.9%, ,6.3%, 7.1 %, 1.7 %, 2.5% and 3.6% from 2005 to 2010 respectively. The growth was mainly supported by resurgence of activities in the tourism sector and resilience in the building and construction industry (GOK, 2010). In the year 2009 the private sector played a significant role in the Kenyan economy. Kenya National Bureau of Statistics figures showed that about 87% of GDP came from the private sector with the real estate industry contributing 5.1. % of that GDP (GOK, 2010). The construction activity continued to register an expansionary growth. The sector grew by 6.9% in the third quarter of 2011 compared to 5.8% growth in the same quarter of 2010.

The building and construction sector recorded a slowed growth of 4.5% in 2010 compared to growth of 12.4% in 2009. Loans and advances from the commercial banks to the construction sector grew by 7.3% from Kshs 30.4 billion in 2009 to Kshs 32.6 billion in 2010. Cement consumption went up by 16.2% to 23.1 metric tonnes compared to 2.7 metric tonnes in 2009. Total value of reported private building works in selected main towns went up from Kshs. 21.8 billion in 2009 to Kshs. 37.3 billion in 2010.

Table 1.1 Real Estate growth rate.

2005	2006	2007	2008	2009	2010	Average
3.4	3.9	3.5	3.7	3.0	3.2	3.5

Source- Deloitte Touche Tohmatsu (2011). Kenya National Bureau of Statistics.

Table 1.2 Real Estate sector contribution to GDP.

2005	2006	2007	2008	2009	2010	Average
5.6	5.4	5.3	5.2	5.1	4.8	5.2

Source- GOK (2011). Kenya National Bureau of Statistics.

Government infrastructural investment and real estate development are main contributing factors to the upward trend of the industry`s performance. The cement consumption, a key input to the construction industry, grew by 6.6% in 2011 (GOK, 2011. Kenya National Bureau of Statistics Third Quarter 2011 GDP release). The property prices have been on the rise since 2004. Commercial banks have been competing each other in providing mortgage products. The property prices rose by 30% from 2004 to 2009.

Better government regulation and proper investment vehicles enhanced by availability of capital are said to be some of the factors that put Kenya ahead of the rest of East African community Countries in terms of property investment. Kenya besides having a stable economy offers investors higher returns due to high demand of housing (Daily Nation 29.3.2011). The players in the real estate industry are from the government and the private sector with the government providing legal frame work to promote further growth of this industry.

1.2 Research Problem

Organizations are environmental dependent. They depend on the environment for their survival and they scan the environment in effort of budding trends and conditions that could eventually affect the industry and adapt to them (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 remained a major avenue of investment for majority of Kenyans. They have a strong attachment to land and landed property and the property prices have been on the rise since 2004. There has 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 sub-divided, sold or are up for sale and many real estate firms have been started.

There are several studies that have been done on organizational responses by firms to changes in their environment. These include Wairegi (2004), Life insurance companies in Kenya; Mutua (2010), Deposit protection fund board; Odongo (2008), Kenya Tourist Development Corporation and Shambe (2003), Kenya's Banking Stability. Their studies established that whenever there are changes in the external environment, organizations respond to those environmental changes.

Different organizations respond differently to environmental changes within that environment. It would be expected that real estate firms would respond differently to environmental changes. What are the strategic responses adopted by the real estate industry to changes in their environment?

1.3 Research Objective

The objective of the study will be to establish the strategic responses by the real estate firms in Nairobi, Kenya to changes in their environment.

1.4 Value of the Study

The study will be important to policy makers to use the findings of this research and make policies intended to promote effective and long term investment in Kenya and make any other economic related decisions intended to respond to the changing environment.

The study will also be important to the practitioners both in public and private sectors and potential investors who will gain a greater appreciation of the opportunities and challenges facing the real estate industry. Most importantly, the study will gain more appreciation to the academics and scholars as it will enrich their body of knowledge of the industry and identify areas of further research.

CHAPTER TWO LITERATURE REVIEW

2.1 Introduction

This chapter shall review the relevant literature and authorities on strategy and strategic management, which shall provide a theoretical and conceptual foundation to satisfy the purpose of the research. We shall also look at the organization and its environment and the strategic responses to external environmental changes.

2.2 Organizations and the Environment

All organizations are situated in an environment, be they, for example, business, governmental, educational, or voluntary service. In this environment are other organizations and people with whom transactions have to take place. These will include suppliers, clients or customers, and competitors. In addition, more general aspects of the environment will have important effects, such as legal, technological, and ethical developments. The need to function successfully in different environments has led organizations to adopt different strategies. All organizational functioning are seen as resulting from the organization's interdependence with its environment.

Since all firms operate in a certain type of environment, strategy is therefore needed in order for organizations to obtain viable match between their external environment and their internal capabilities. Porter (1985) stated that strategy is concerned with positioning a business to maximize the value of the capabilities that distinguish it from its competitors. According to Porters, a firm must formulate a business strategy that incorporates cost leadership, differentiation or focus in order to achieve a sustainable competitive advantage and long term success in its chosen area or industry.

The organization exists in the context of a complex political, economical, sociological, technological, environmental and legal environment. This gives rise to the remote environment. The environment changes and is more complex for some organizations than in others. How this affects the organization could include an understanding of historical and environmental effects, as well as expected or potential changes in the environment variables. Many of those variables will give rise to opportunities and others will exert threats on the organization or both. Political, environmental, social, technological and legal (PESTEL) analysis is often carried out by managers to enable them to develop more informed strategies mostly long term plans (Johnson and Scholes, 1988). Both private and public organizations are in a competitive position, either for customers or for resources. It's important for organizations therefore, to understand their competitive positions (Johnson and Scholes, 1988).

Strategic management includes understanding the strategic position of an organization, choices for the future and turning strategy into action. Strategic position is concerned with identifying the impact on the strategy of the external environment, on organizations strategic capability (resources and competencies) and the expectations and influence of stakeholders (Johnson, Scholes and Whittington, 2007).

Deciding on the viable strategies for a firm requires a thorough understanding of the firm`s industry and competition. The operating environment comprises factors that influence a firm`s immediate competitive situation, competitive position, customer profile, suppliers, creditors, and the labor market. Factors that more directly influence a firm`s prospects originate in the environment of its industry, including entry barriers, competitor rivalry, the availability of substitutes, and the bargaining power of buyers and suppliers. The remote industry and operating environment provide many challenges that a particular firm faces in its attempts to attract or acquire needed resources and to profitably market its goods and services (Pearce and Robinson, 2007).

2.3 The concept of strategy

Chandler (1962) defines strategy as the determination of the basic long term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources for carrying out these goals. He puts forward the view that the emergence of strategy civilian organizational life resulted from the awareness of the opportunities and needs created by changing population, income and technology- to employ existing or expanding resources more profitably. Ansoff and McDonnell (1990) state that "a strategy is a set of decision making rules for guidance of organizational behavior. It is an elusive and somewhat abstract concept. Its formulation produces no immediate productive action in the firm and it is an expensive process both in terms of money and managerial time".

According to Pearce and Robinson (2003), by strategy managers mean their large scale future- oriented plans for interacting with the competitive environment to achieve company objectives. A strategy is a company`s game plan. A strategy reflects a company`s awareness of how, when and where it should compete; against whom it should compete; and for what purpose it should compete.

According to Mintzberg and Quinn (1992) we have five definitions of strategy to gain full understanding of the concept. The five definitions are:-Strategy as a plan, strategy as a ploy, strategy as a pattern, strategy as a position and strategy as a perspective. All the definitions should be considered as alternatives or complementary approaches to strategy. They draw our attention to the distinction between conscious and unconscious strategy, and between emergent and planned strategy.

According to Johnson and Scholes (2002), strategy can also be seen as the process of building on or stretching an organization`s resources and competences to create opportunities or to capitalize on them. This is known as strategic sketch. Strategy development by sketch is the leverage of the resources and the competences of an organization to provide competitive advantage and / or yield new opportunities. The strategic decisions are also very likely to affect operational decisions. The strategy of an organization is also affected by the values, beliefs and expectations of those who have power in the organization, and therefore strategy is a reflection of the attitudes and beliefs of those who are influential in the organization.

2.4 Strategic diagnosis

Ansoff and McDonnell (1990) assert that the first step in strategic management is to perform a strategic diagnosis which identifies the type of strategic aggressiveness and organizational responsiveness a particular firm needs to develop in order to meet the future challenges of its environment. Strategic diagnosis is a systematic approach to determining the changes that have to be made to a particular firm's strategy and its internal capability in order to assure the firm's success in its future environment.

This diagnostic procedure is derived from the strategic success hypothesis which states that a firm's performance potential is optimum when the aggressiveness of its strategic behaviour matches the turbulence of its environment, the responsiveness of its capability matches the aggressiveness of its strategy and the components of its capability are supportive of one another. 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 Strategic Responses to Changes in the External Environment

Strategic responses are mainly concerned with decisions and actions meant to achieve business objectives and purpose. After the environmental analysis, the firm will chose a strategy in response to the opportunities and threats it is facing (Johnson and Scholes, 2002). Strategy is a bridge between the firm`s resources and opportunities and risks the firm is facing in the environment. It incorporates the competitive moves and approaches to deliver the best performance and satisfaction to all stake holders.

Ansoff and McDonnell (1990) stated that strategic responses involve changes to the organization's behavour. Such responses may take many forms depending on the organization's capability and the environment in which it operates. Well developed and targeted strategic responses are formidable weapons for a firm in acquiring and sustaining a competitive edge. It's 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 also 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. The results of the strategic activity are new products, new services, new processes, new markets, abandoned markets, new competitive strategies for attacking the markets and new responses to social and political challenges.

2.5.1 Marketing Strategy

Kottler (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 excellent way to analyze marketing as a strategic response is to use the product- market Expansion Grid 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. Through market penetration strategy, the company considers whether it could gain more market share with its current products in their current market.

Through market development strategy, the company considers marketing current products, often with cosmetic modifications to customers in new markets by for example, adding channels of distribution or by changing the content of advertising or promotion.
Through product development strategy, the company considers 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 Divesture Strategy

Divesture involves the sale of a firm or a major component of a firm. Companies must not only develop new businesses, but also carefully prune, harvest or divest tired and weak businesses or products in order to release needed resources and reduce costs.
Kotler (2000), suggests that managers should focus on the company`s growth opportunities, not fritter away energy and resources trying to salvage hemorrhaging 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 makes sense when good opportunities can be found outside the present business. Kotler (2000) states that a good opportunity is the one in which the industry is highly attractive and the company has the mix of business strengths to be successful.

Three types of diversification are possible viz: - concentric, horizontal and conglomerate diversification strategies. A company using concentric diversification strategy could seek new products that have technological and/or marketing synergies with existing product lines even though the new products themselves may appeal to a different group of customers.

On the other hand, a firm may apply horizontal diversification strategy and search for new products that could appeal to its current customers even though the new products are technologically unrelated to its current product line. 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 and 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 and developments in telecommunications are the most important aspects of information technology that have transformed the business environment and process. 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 is the set of important assumptions (often unstated) that members of an organization share in common. An organization`s culture is similar to an individual`s personality- and intangible yet ever present theme that provides meaning, direction and the basis of action. Insightful leaders nurture key themes or dominant values within their organizations that reinforce the competitive advantages they possess, such as quality, differentiation, cost and speed.

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 behaviors, work practices and operating styles. The most typical beliefs that shape organizational culture include a belief in being the best, a belief in superior quality and services, a belief in the importance of people as individuals and a faith in their ability to make a strong contribution, a belief in the importance of the details of execution, thus nuts and bolts of doing the job well, a belief that customers should reign supreme.

Ansoff and McDonnell (1990), characterize organization leadership as general management capability. They define general management capability as the propensity and ability of the general management to engage in behavior which will optimize attainment of the firm`s near and long term objectives. They see general management's role as that of a developer of the firm`s future. The successful performance of this role requires a climate within the firm which welcomes and seeks change, a competence to anticipate, analyze and select attractive opportunities. They recognize that general management capability is determined by qualifications and mentality of key managers, social climate (culture) within the firm, power structure, systems and organization structure and capacity of general management to do managerial work.

2.5.6 Competitive Strategy

Porter (1980), states that the goal of competitive strategy for a business unit in an industry is to find a portion in the industry where the company can best defend itself against the five competitive forces viz:- threat of new entrants, threat of substitution, bargaining power of buyers, bargaining power of suppliers and rivalry among current competitors.

These five forces constitute the industry structure and it is from industry analysis that a firm determines its competitive strategy. He has indentified three potentially successful generic strategy approaches to outperforming other firms in an industry as: - Overall cost leadership, Differentiation and focus. A firm that is formulating its strategic response to changes into its environment must decide first on core idea or a generic strategy about how it can best compete in the market place. This is its strategic orientation.

2.5.7 Integration Strategy

Business sales and profits can be increased through backward, forward, or horizontal integration within the firm's industry. Kotler (1997), stated that using backward integration strategy, a firm may acquire one or more of its suppliers to gain more control or generate more profits.

Using forward integration strategy, a firm might acquire some wholesalers or retailers, especially if they are highly profitable. Lastly, a firm using horizontal integration strategy might acquire one or more competitors provided the government does not bar the move.

2.5.8 Organizational Structure

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

Today and tomorrow organization structure reflects an external focus, flexible interactions, interdependency and a bottom-up approach (Pearce and Robinson 2003). One of the strategic responses to environmental turbulence is restructuring. At the heart of restructuring is the rationale that some activities within a business' value chain are more critical to the success of the business` strategy than others.

Business Process Re-engineering (BPR) popularized by consultants Hammer and Champy (1983) is one of the more popular methods by which organizations have undergone restructuring efforts to remain competitive. BPR is intended to reorganize a company so that it can best create value for the customer by eliminating barriers that create distance between employees and customers. It involves fundamental rethinking and radical redesign of a business process to achieve dramatic improvements such as cost, quality, service and speed.

2.5.9 Strategic Alliance

Strategic alliance is formal agreement between two or more separate companies in which there is strategically relevant collaboration of some sort, joint contribution of resources, shared risk, shared control, and mutual dependence.

Organizations adopt strategic alliance as an initiative when responding to external environmental changes within their operating environment. Often, alliances involve joint marketing, joint sales, distribution, joint production, design collaboration, joint research or projects to jointly develop new technologies or products. The relationship between partners may be contractual or merely collaborative.

CHAPTER THREE RESEARCH METHODOLOGY

3.1 Introduction

This chapter highlights the methodology that was adopted in order to meet the objectives of the study. Included in the chapter is research design, population, sample design, sample size, data collection and data analysis.

3.2 Research Design

The research design was a cross sectional survey. Cross-sectional surveys are used to gather information on a population at a single point in time. A cross-sectional survey collects data to make inferences about a population of interest at one point in time. Cross-sectional surveys have been described as snapshots of the populations about which they gather data.

A cross sectional survey was appropriate because it was an attempt to collect data from members of a population in order to determine the status of that population with respect to one or more variables. This was the best method as the study sort to find out the strategic responses by real estate firms in Nairobi, Kenya to changes in their environment.

3.3 Population

The population of the study was all the registered real estate firms. In July 2012, there were 255 registered real estate firms in Nairobi. Registered Estate Agents (REA) were members of the Estate Agents Registration Board (EARB) whose registrar was appointed by the minister for lands. It had its offices at Ardhi House and was governed by an act of parliament Cap 533 of the laws of Kenya. The companies are listed on Appendix III

3.4 Sample Design

Simple random technique was used to establish the sample. By use of Slovin's formula, a sample from the population would give the desired degree of accuracy. The formula also gives the size of the sample. The formula is

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

n = Number of samples

N = Total population

e = Error tolerance

(http://www.ehow.com/way_5475547_slovins-formula-sampling-techniques.html)

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

3.5 Data Collection

Primary data was collected through a semi- structured questionnaire. The questionnaire was developed by use of relevant literature review and personal intuition. The questionnaire consisted of both open and closed ended questions. The questionnaire was a drop and pick method to all the 72 real estate firms. There was only one respondent for each firm who was the Chief Executive Officer or a senior manager familiar with the firm's strategy.

The questionnaire had three sections. Section one focused on organizational profile, section two focused on various external environmental changes facing the real estate firms and section three sort to establish what strategies the particular firms had employed to respond to the external environmental changes.

3.6 Data Analysis

The data collected was checked for accuracy, usefulness and completeness. The data was tabulated and recorded. The data was then coded and entered into the computer to facilitate analysis. Since the data was predominantly nominal data, a simple category scale (dichotomous scale) was used as a measurement scale.

The data collected was then analysed by creating descriptive statistics namely frequencies and percentages. The data was then presented by use of tables from which inferences and interpretation were made. Frequency tables were used for visual display. The percentages were computed to determine the external environmental changes facing real estate firms and the strategic responses adopted.

For the intensity of competition and bargaining power of customers and suppliers, the scale of 1 to 5 was used whereby 1 represented a percentage of (0-20), 2 (21-40), 3 (41-60), 4 (61-80) and 5 (over 81).

CHAPTER FOUR DATA ANYLYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter deals with the analysis of data collected through questionnaires. Results have been summarized and presented by the use of frequency tables and percentages. The research aimed at establishing the strategic responses to changes in the environment by real estate firms in Nairobi, Kenya.

The chapter used cross sectional survey design and questionnaire with both structured and unstructured questions were used as the instrument of the data collection. The research targeted 72 real estate firms which were operating in Nairobi. All the 72 firms responded. The response rate was therefore 100%. The respondents were either the chief executive officers or the senior managers of their respective firms.

4.2 The respondents' profile

The questionnaires had questions on the number of years the company had been operating, the line of business transacted and the geographical areas covered. The results were tabulated using frequency and percentages as shown in the following tables.

From the data presented by table 4.1, majority of the firms have been in operation for a period of two to five years represented by 36.11%. Firms which had been operating between six to ten years were represented by 27.78%. There was no firm in operation for less than 2 years. Firms which had been operating for over 21 years were represented by 11.12% and these were only 8 firms.

Table 4.1 Years of Business Operations

Years in operation	Frequency	% of Responses
0-2years	0	0
2-5 years	26	36.11
6-10years	20	27.78
11-15 years	11	15.28
16-20 years	7	9.72
21-25 years	4	5.56
Over 26 years	4	5.56
TOTAL	**72**	100.00

Source: Survey data

From the data presented by table 4.2 on the lines of business transacted, the research established that property management had the majority represented by 36.31% followed by property sales represented by 29.76%. The respondents in table 4.2 exceed 72 because some respondents had more than one response.

From the data presented by table 4.3, the research established that majority of firms transacted business within the metropolitan area which represented 23.01% and also along Mombasa road to Kitengela which also represented 23.01%. Only 1.77% operated within central business district

Table 4.2 Line Of Business Transactions

Description of response	Frequency	% of Responses
Property Sales	50	29.76
Property Management	61	36.31
Property Development	20	11.90
Property Valuation	37	22.02
TOAL	***168**	**100.00**

Source: Survey data

* The total responses exceeded the population because some respondents had more than one response.

Table 4.3 Areas Covered in Business Operations

Description of response	Frequency	% of Responses
Metropolitan Area	26	23.01
Along Super highway	22	19.47
Upto Limuru	11	9.73
Upto Ngong	15	13.27
Upto Ongata Rongai	11	9.73
Upto Kitengela	26	23.01
Central Business District	2	1.77
TOAL	***113**	**100.00**

Source: Survey data

* The total responses exceeded the population because some respondents had more than one response.

4.3 Environmental Changes

The respondents indentified post election violence (PEV), elections uncertainty, new constitution, change in government, tribalism, coalition government and constituency development fund (CDF) as some of the political changes (Table 4.4)

Table 4.4 Political Changes

Description of change	Frequency	% of Responses
Elections Uncertainty	11	9.73
House Demolitions	4	3.54
Change in Government	11	9.73
Government Regulations	4	3.54
New Constitution	11	9.73
Post Election Violence (PEV)	35	30.97
Registration of Professional Bodies	2	1.77
Scarcity of Land	4	3.54
Inadequate land policies	4	3.54
Constituency Development Fund (CDF)	7	6.19
Corruption in Government	4	3.54
Tribalism	7	6.19
Coalition Government	7	6.19
Inflated number of MPs	2	1.77
TOTAL	***113**	**100.00**

Source: Survey data

* The total responses exceeded the population because some respondents had more than one response.

On the economy, the respondents indentified high interest rates, inflation, improved infrastructural development, high cost of living, diaspora investment, corruption and availability of credit as some of the economic changes (Table 4.5)

Table 4.5 Economic Changes

Description of change	Frequency	% of Responses
High Interest Rates	44	29.73
Infrastructural development	20	13.51
Availability of credit	9	6.08
Weather	2	1.35
High cost of living	15	10.14
High rate of defaults	2	1.35
High demand for housing	2	1.35
High Inflation	26	17.57
Corruption	9	6.08
High Taxes	2	1.35
Demand for land	2	1.35
KRA Taxation on Real Estate	2	1.35
Diaspora Investment	11	7.43
Lack of proper planning	2	1.35
TOTAL	***148**	**100.00**

Source: Survey data

* The total responses exceeded the population because some respondents had more than one response.

On social and demographic changes, rural urban migration was the biggest change that occurred with 27.78% response. This had caused high demand for housing resulting into increased rents per unit, demand for land and subsequently increased number of estate agents firms within the city. Negative ethnicity was also established as a change with a response represented by 20.83% (Table 4.6)

Table 4.6 Social And Demographic Changes

Description of change	Frequency	% of Responses
Negative ethnicity	15	20.83
Diaspora marketing	5	6.94
Generation differences	5	6.94
Tastes and culture	5	6.94
Rural urban migration	20	27.78
Population growth rate	8	11.11
Mushrooming of slums	3	4.17
Change in family size	3	4.17
Growing middle income blacket	8	11.11
TOTAL	**72**	**100.00**

Source: Survey data

On information the technology, internet connectivity, website, mobile telephoney, face book and property software systems were identified as the major changes that had impacted the business environment through improved operations and efficiency (Table 4.7)

Table 4.7 Information and Technology

Description of change	Frequency	% of Responses
Mobile telephony	7	8.43
Internet connectivity	30	36.14
Website	20	24.10
E-banking	2	2.41
Face book	7	8.43
Twitter	4	4.82
Property Software	7	8.43
E-mail	2	2.41
E-commerce	2	2.41
M-pesa	2	2.41
TOTAL	***83**	**100.00**

Source: Survey data

* The total responses exceeded the population because some respondents had more than one response.

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

On the overall attractiveness of the real estate industry, 100% of the respondents agreed that the industry was attractive (Table 4.8)

Table 4.8 Industry Attractiveness

Industry Attractiveness	Frequency	% of Responses
Attractive	72	100
Unattractive	nil	
TOTAL	**72**	**100**

Source: Survey data

4.4.2 Intensity of Competition

The intensity of competition amongst existing players in property sales was established to be high and this was represented by 40.28% of the respondents. This is evident based on the high rate of sale of properties both in the urban and peri-urban areas. In regard to property management, 41.67% of the respondents find competition to be high. 26.39% of the respondents find property development to have high competition and lastly, only 26.39% who find valuation of properties to be having high competition (Table 4.9)

Table 4.9 Competition amongst Operating Real Estate Firms

Competition Level	**Property sales**		**Property Mgt**	
in %	Frequency	% of Responses	Frequency	% of Responses
0-20	7	9.72	5	6.94
21-40	7	9.72	3	4.17
41-60	11	15.28	15	20.83
61-80	18	25.00	19	26.39
OVER 81	29	40.28	30	41.67
TOTAL	**72**	**100.00**	**72**	**100.00**

Property Development.		Property Valuation	
Frequency	% of Responses	Frequency	% of Responses
14	19.44	10	13.89
14	19.44	5	6.94
17	23.61	19	26.39
10	13.89	19	26.39
17	23.61	19	26.39
72	**100.00**	**72**	**100.00**

Source: Survey data

4.4.3 Bargaining Power of Customers (Purchasers /Tenants)

Bargaining power of customers is strong for the registered estate agents and weak for the unregistered estate agents. This is due to the realization that customers loose money when dealing with unregistered estate agents (Table 4.10)

Table 4.10 Bargaining Power of Customers (Purchasers / Tenants)

Bargaining Power Level	**Registered Estate Agents**		**Unregistered Estate Agents**	
in %	Frequency	% of Responses	Frequency	% of Responses
0-20	7	9.72	16	22.22
21-40	5	6.94	16	22.22
41-60	14	19.44	16	22.22
61-80	14	19.44	11	15.28
OVER 81	32	44.44	13	18.06
TOTAL	**72**	**100.00**	**72**	**100.00**

Source: Survey data

4.4.4 Bargaining Power of Suppliers (Vendors/Landlords)

Bargaining power of suppliers is strong for the registered estate agents and weak for the unregistered. Investors and property owners have more confidence dealing with registered firms who's CEOs and senior managers are members of the Estate Agents Registration Board (EARB).

Table 4.11 Bargaining Power of Suppliers (Vendors / Landlords)

Power Level in %	**Registered Estate Agents**		**Unregistered Estate Agents**	
	Frequency	% of Responses	Frequency	% of Responses
0-20	7	9.72	23	31.94
21-40	7	9.72	17	23.61
41-60	19	26.39	13	18.06
61-80	9	12.50	12	16.67
OVER 81	30	41.67	7	9.72
TOTAL	**72**	**100.00**	**72**	**100.00**

Source: Survey data

4.4.5 Entry Barriers

Barriers of entry for new players into the industry were established to be low with 51% of the respondents establishing this fact (Table 4.12).

Table 4.12 Entry Barriers

Entry Barriers	Frequency	% of Responses
High	35	49.00
Low	37	51.00
TOTAL	**72**	**100.00**

Source: Survey data

4.5 STRATEGIC RESPONSES

4.5.1 Organizational Restructuring

It was established from the study that some firms had undertaken various organizational restructuring processes. Such processes included business process re-engineering (BPR), downsizing, strategic alliance and dropping off products or product lines as shown in table 4.13

Table 4.13 Organizational Restructuring

Description of response	Frequency	% of Responses
Business Process Re-engineering	13	18.06
Downsizing	8	11.11
Strategic Alliance	12	16.67
Divesture	39	54.17
TOTAL	**72**	**100.00**

Source: Survey data

It was further established that most of the firms had undertaken outsourcing of certain core functions which include property cleaning and repairs and security services. They had also undertaken outsourcing of certain non core functions such as payroll processing, bookkeeping and accountancy, deliveries and training (Table 4.14).

Table 4.14 Outsourcing

Description of response	Frequency	% of Responses
Cleaning and Repairs	24	23.30
Security Services	26	25.24
Payroll Processing	8	7.77
Book Keeping & Accountancy	14	13.59
Deliveries	14	13.59
Training	17	16.50
TOTAL	***103**	**100.00**

Source: Survey data

* The total responses exceeded the population because some respondents had more than one response.

4.5.2 Marketing

From the study, it was established that 73.61% of the respondents had introduced new products or new features to the existing products to address needs such as tastes and preferences for customers who rent out houses and those who buy or sells land and landed property. In regard to opening up of new branches, 58.33% of the respondents had opened new branches in other towns outside Nairobi as an expansion program to tap new markets that were coming up (Tables 4.15 & 4.16).

Most of the respondents had developed new channels of distribution such as internet (57) media (44) and networking (52). However, only 2 firms had ventured into exhibitions, co-agency, field agency and one on one as channels of distribution. Some firms had also undertaken diversification as shown on tables 4.17, and 4.18.

Table 4.15 Introduction of new products

Response	Frequency	% of Responses
YES	53	73.61
NO	19	26.39
TOTAL	72 .	**100.00**

Source: Survey data

Table 4.16 Opened New Branches

Response	Frequency	% of Responses
YES	42	58.33
NO	30	41.67
TOTAL	72	**100.00**

Source: Survey data

Table 4.17 Distribution Channels

Response	Frequency	% of Responses
Internet	57	34.97
Media	44	26.99
Networking	52	31.90
Referrals	2	1.23
One on one	2	1.23
Field Agents	2	1.23
Co-Agency	2	1.23
Exhibitions	2	1.23
TOTAL	***163**	**100.00**

Source: Survey data

* The total responses exceeded the population because some respondents had more than one response.

Table 4.18 Diversification

Response	Frequency	% of Responses
YES	29	40.28
NO	43	59.72
TOTAL	**72**	**100.00**

Source: Survey data

4.5.3 Government Regulations /Legislation

51.4% of the respondents found the various legal and legislative requirements not to be burdensome and only 16.67% of the respondents found them to be burdensome (Table 4.19).

Table 4.19 Government Regulatory Compliance

Description of change	Frequency	% of Responses
Very Burdensome	0	0.00
Burdensome	12	16.67
Fairly Burdensome	23	31.94
Not Burdensome	37	51.39
TOTAL	**72**	**100.00**

Source: Survey data

4.5.4 Customer service

It emerged that most of the companies conducted regular customer satisfaction survey (52), they had customer complaints handling system (48) and sent statements to their customers (57)

Table 4.20 Customer Service

Description of Response	Frequency	% of Responses
Customer satisfaction survey	52	33.12
Complaint handling system	48	30.57
Statements to customer	57	36.31
TOTAL	***157**	**100.00**

Source: Survey data

4.5.5 Information Technology

Most of the firms had computerized their core business processes which included property sales, property management, property development and property valuation. They had computerized in areas of clients' statements (27), all clients' data base (29), issuing of receipts of payments (18) and company website (22)

Table 4.21 Computerization of Business Processes

Computerized functions	Frequency	% of Responses
Clients statements	27	18.75
Issuing of receipts	18	12.50
Payroll	22	15.28
All clients data base	29	20.14
All Property dealings	26	18.06
Company website	22	15.28
TOTAL	***144**	**100.00**

Source: Survey data

* The total responses exceeded the population because some respondents had more than one response

4.6 Discussion of Findings

4.6.1 Link to Theory

From the literature review, Porter (1985) stated that strategy is concerned with positioning a business to maximize the value of the capabilities that distinguish it from its competitors. This correlates with what the study found that real estate firms in Nairobi have positioned their operations within areas along major roads such as Thika super highway, Mombasa road to Kitengela, Ngong road and Waiyaki way to Limuru. It was found that they conduct businesses in these areas which they find to be more competitive in order to maximize the value of their capabilities.

According to Johnson and Scholes, (1988), the organization exists in the context of a complex political, economical, sociological, technological, environmental and legal environment. The environment changes and is more complex for some organizations than in others. The findings of this study correlates with this prior literature in that there were political changes that were established which include post election violence, election uncertainty, change in government, new constitution, constituency development fund and coalition government. Economic changes that were established include high interest rates, high inflation and high cost of living. On sociological changes, it was established that rural urban migration, negative ethnicity, diaspora marketing, generation differences and tastes and culture were major changes. On the technological changes, the study established that internet connectivity, website, mobile telephony, face book and property software were the major changes.

Ansoff and McDonnell (1990) stated that strategic responses involve changes to the organization's behavour. Such responses may take many forms depending on the organization's capability and the environment in which it operates. Well developed and targeted strategic responses are formidable weapons for a firm in acquiring and sustaining a competitive edge. This correlates with the findings of this study that different real estate firms operated various different activities which they found to be their core business. In so doing, these firms relate themselves to the environment to ensure that they continue to succeed and also cushion themselves against surprises from the environment. The firms operated on one or more activities amongst property sales, property management, property development and property valuations.

4.6.2 Link to Other Studies

Wairegi (2004), found out that strategies adapted by life insurance firms in Kenya have been successful because they have initiatives as new product development, development of new distribution channels, organizational restructuring, investment in human resources, customer service improvement, adoption of information technology and lobbing the government through the Association of Kenya Insurers (AKI). These strategic responses however lack depth. The new products developed are protection rather than investment oriented. The potential of information technology to improve business processes does not appear to have been fully tapped into and the insuring public is not aware of the benefits of life insurance. The industry is not innovative. This study correlates with the findings of this study since real estate firms had responded to external environmental changes through initiatives as new product development, new distribution channels and organizational restructuring. Adoption of information technology in real estate firms was found to be low. These firms had not used the estate agents registration board (EARB) to lobby the government to establish a mechanism to regulate the activities of the unregistered estate agents.

Mutua (2010, found out that Deposits Protection Fund Board (DPFB) had responded well to environmental changes through compliance of Government policies or regulations, seeking autonomy through Kenya Deposit Insurance Act to run its operations without political influence or being under the umbrella state corporation-Central Bank of Kenya (CBK), preparation and maintenance of contingency plans by collecting risk-based premiums from insured depository institutions and through prudent fund investment strategies. Further, they collaborate with CBK for information sharing and risk assessment of member institutions and introduction of an integrated Information and Communication Technology system that will enable the fund meet its current and future challenges. This correlates with this study since the real estate firms have responded to environmental changes through expansion and adherence to government regulations. However, the estate agents registration board (EARB) does not seem to be effective as it has not acted on the unregistered estate agents who are also players in the industry.

Odongo (2008) established that performance of Kenya Tourist Development Corporation (KTDC) in the recent past was poor due to lack of funding by the exchequer, poor management and political interference. He recommended that for KTDC to position itself strategically and have strategic fit in the industry there was need for government funding, review of strategic plan, development of human manpower and form strategic alliances. The findings of this study are that real estate firms have entered into strategic alliances, have not experienced political interferences despite uncertainty on change of government and they are well managed and do not require funding from the exchequer.

Shambe (2003) investigated the role of deposit insurance in Kenya and established that the level of banking sector stability had deteriorated since the introduction of deposit insurance in Kenya due to moral hazard. Moral hazard occurred when protection caused beneficiaries of deposit insurance, i.e. depositors, bank owners, managers and supervisors and even politicians to be careless in their approach to bank soundness. Further, she noted that a good institutional environment was necessary to contain the moral hazard brought about by the introduction of deposit insurance in Kenya. The findings of this study did not establish any moral hazards on the operations of the real estate firms. They also do not enjoy protection from the government.

CHAPTER FIVE SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter aims at establishing the strategic responses to changes in the environment by real estate firms in Nairobi, and in line with the statement of the problem and the objective of the study. It gives the insight into the summary of the major findings, conclusions and recommendations but also highlights the limitations of the study and suggestions for further research.

5.2 Summary of the study

There have been many changes in the external environment. These changes have had a favourable as well as unfavourable impact on the real estate industry. The favourable changes included improved infrastructure in the economy, availability of credit, diaspora investments, information & technology, rural urban migration, growing middle income blacket, new constitution and high demand for housing which had improved business processes and customer satisfaction. The unfavourable changes included post election violence (PEV), election uncertainty, change of government, coalition government and negative ethnicity.

The industry had responded to those external environmental changes through such initiatives as introduction of new products, development of new and convenient distribution channels, opening of new branches, outsourcing of various business services, undertaking business process re-engineering (BPR), downsizing, divesting some business lines, diversification, embracing information technology and customer service. These responses however have not been adopted by some firms which is attributed to the high number of firms (26) which are within two to five years of operation, and also those below ten years (20) and thus the responses lack depth within the industry.

The potential of information technology to improve business functions does not appear to have been fully tapped into as evidenced with mobile telephony (7), M-pesa (2) and property software (7) out of the 72 respondents. The industry is quite attractive with entry barriers perceived to be low, competition amongst the industry players was high and the government regulations were found not to be burdensome.

5.3 Conclusion of the Study

The study has established that the strategies used by real estate firms have been successful because they have maintained them despite many challenging environmental changes such as post election violence, high interest rates, high cost of living, high inflation and rural urban migration. The industry is very attractive and has many entrants who are less than five years of operation. The industry players are both registered and unregistered estate agents.

The study also concludes that the government regulation and legislation is not burdensome to the industry players. The real estate firms have embraced technology as a strategic response to changes in their environment even though this lacks depth. The real estate firms engage in business activities and also transact businesses in geographical locations in which they have a competitive edge and there is competition amongst the players in a particular line of business.

The study concludes that the highest number of players is in the property management. There is strategic alliance amongst the players in way of co-agency. Finally, the study concludes that some firms have divested from some lines of business that were less productive and thus more needed resources could be released towards more productive activities resulting in efficiency and reduced costs.

5.4 Implication of the study

For the real estate firms to continue positioning themselves strategically, the study found that they need to embrace more of information technology and more particularly on property software as this will increase productivity, efficiency and timely service delivery to the customers. The firms should also make use of M-pesa, banks agents and e-banking on rent payments which will greatly ease the burden on tenant from making long ques in the banking halls.

The study also found that there is need for the government to put in place a proper mechanism to regulate the players since the industry has both registered and unregistered estate agents who are competing as well as offering services to the same customers. The study recommends that the estate agents registration board (EARB) should have an updated register of all the registered estate agents individuals with their corresponding trading business names and office locations. This would assist the customers in identifying those firms whose proprietors are not members of the board which is appointed by the government to regulate the practice of the industry.

The general public should be empowered through the necessary machinery on the value of research so that they become more proactive when it comes to accepting and filling in a questionnaire.

5.5 Limitations of the Study

The study focused on establishing the strategic responses to changes in the external environment by real estate firms in Nairobi, Kenya. The environmental changes and the strategic responses in this study were compiled from views expressed by CEOs and senior managers whose firms were operating within Nairobi only. It would have been of much benefit if the views of other stakeholders in other towns and cities were obtained. However, the time and financial factors could not allow.

Secondly, the questionnaire was long and it was therefore time consuming to complete. Some respondents had misplaced the first copy that was issued to them and a second one had to be issued. Therefore, they may have filled in the second copy in a hurry and therefore some of the responses to the questionnaire were likely to be inaccurate.

Some few firms refused to accept the questionnaire for unknown reasons and alterative firms had to be established to ensure that 72 firms accepted the questionnaire.

5.6 Suggestions for Further Research

The study was a cross sectional survey design on strategic responses to changes in the environment by real estate firms in Nairobi, Kenya. It therefore targeted real estate firms in Nairobi only. The study recommends a research targeting firms that operates in other towns and cities. It also recommends a research on firms that offer services to the properties. These firms include cleaning services firms, security companies and repairs and maintenance firms. The study recommends that further studies on a wider focus on individual business lines could be carried out to investigate responses after a certain period of time.

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APPEDIX I LETTER OF INTRODUCTION

Amos M. Njuguna

P.O.BOX 10730-00400

Nairobi

Dear Sir / Madam

I am a student undertaking a degree of Master of Business Administration at the University of Nairobi. As a requirement to complete the program, I will need to submit a project of a management problem. I would like to do a research on the area of Strategic Management and in particular, “Strategic Responses to Changes in the Environment by Real Estate Firms in Nairobi, Kenya”.

I do hereby request for your permission to interview you and for your time.The results will be used solely for academic purposes and a copy of the same will be availed to you on request.

Thank you.

Yours faithfully,

Amos M. Njuguna

Reg.No. D61/75297/2009

APPEDIX II 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)..

SECTON 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	( )	( )	( )	( )	( )

	1	2	3	4	5
(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 (e) 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.

APPEDIX III 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	CANPAN 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 INTERNANTIONAL 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 & REGIONALPROPERTIES 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 2012