STRATEGIES ADOPTED BY KENYA ELECTRICITY GENERATING COMPANY PLC LIMITED TO ACHIEVE COMPETITIVE ADVANTAGE

BY

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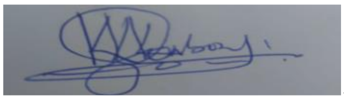
DECLARATION

I declare that this Research Project is my original work and has not been presented for any award in any other academic institution.

Signature……  **……Date……07-12-2020…**

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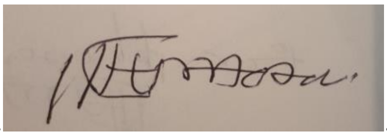
This Research Project has been submitted for examination with my approval as the University Supervisor.

Signature……**……Date….07-12-2020……………....……..**

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DEDICATION

I dedicate this research project to my dear parents, the late Shadrack Ombongi and Prisca Moraa for instilling in me discipline and thirst for knowledge. To my dear wife Emily and our children Gloria, Amos, Melody, and Victor. Thanks for your great support. May you live to attain your dreams.

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I have cited a lot of scholarly work in my literature review and the entire study. Some are drawn from findings and gaps from previous researchers in Kenya and beyond. The scholarly papers, journals, and research work have given me insight and helped to shape this work a great deal. I am greatly indebted to these scholars who have shared their thoughts.

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Finally, to God Almighty I give all the glory for enabling me to carry my studies successfully.

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ABBREVIATIONS AND ACRONYMS

Act…………The Energy Act, 2019

BCG……….. Boston Consulting Group

CS………….. Competitive strategies and competitive advantage

ERB……….. Energy Regulatory Board

GE………….. General Electric

GoK……….. Government of Kenya

ISO…….……International Organisation for Standardisations

KenGen….…Kenya Electricity Generating Company PLC Limited

KPLC…….…Kenya Power and Lighting Company Limited

MD&CEO…. Managing Director and Chief Executive Officer

MoE……….. Ministry of Energy

MW……….. Megawatts

NSE………... Nairobi Securities Exchange

PESTEL …... Political Economic Social Technological Environmental Legal

PLC ……..…Public Limited Company

SWOT…..….. Strengths Weaknesses Opportunities Threats

ABSTRACT

Managers are expected to make decisions on current and emerging issues on behalf of business owners. Their decisions concern prudent use of resources in a dynamic environment and are aimed at profit maximization and value creation to shareholders. To accomplish this task, they are led by the company's strategic plans, vision, mission, and company values. To succeed, they must be cognizant of the forces of competition in the operating environment. To respond to the dynamic environment they must formulate good strategies, action the intentions, and conduct reviews to gauge performance. The study objectives were to establish Strategies adopted by Kenya Electricity Company PLC Limited to achieve Competitive Advantage, and also to identify factors that influence the choice of Strategies at KenGen PLC Ltd which lead to Competitive Advantage. The study was anchored in three Strategic Management theories namely; Resource Based theory, Porter's Generic Competitive Strategies theory and Knowledge Based theory. The study adopted a case study because of its ability to supports an in-depth investigation of a topical issue namely Strategies adopted which has a bearing on the success of any organization in a competitive environment. The case study was on KenGen PLC Ltd a leading power generation company in Kenya currently commanding 62% market share. The researcher collected qualitative data from KenGen's top management responsible for Strategy in their divisions and departments which in effect contributes to overall company Strategy, and the aim was to capture their experience and perception of the topic using an interview guide. Secondary data was collected from company documentation. Data obtained was analysed using content analysis. The study found out that Strategies adopted by KenGen were a result of the unique resources and attributes within the organization. Dealing with a unique product and in a regulated environment, the findings point to KenGen enjoying cost leadership by producing power at lowest cost utilising its generation mix. The company has differentiated itself by engaging in power generation using the various modes and with time gained experience and reputation. The company has maintained focus by mobilizing resources, building, commissioning and operating power plants being guided by national government least cost development plan. The factors that influenced choice of Strategies were the government through the ministry of Energy, KenGen Strategic plan, new legislation, governance leadership and culture, emergent issues, research, innovation and technology; collaboration and partnerships. Because the current research sampled top management in KenGen PLC Ltd, it recommends future studies to consider middle and lower management in the same organization. It also recommends further studies in the private sector power generation in Kenya, and the entire power generation sector in Kenya to obtain a holistic view.

Key Words: *Strategy, Competitive Advantage, KenGen PLC Limited.*

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Managers run businesses on behalf of their owners and are expected to make decisions on current and emerging issues which entail prudent use of resources in the operating environment (Pearce and Robinson, 1994). To make such decisions they must be cognizant of the company vision, mission, policies, and strategic plans, and align all undertakings to achieve these intentions. The managers must understand the organization very well and provide direction in form of well-thought Strategies suitable for the dynamic environments. Therefore the actions of managers should be consistent with the expectations of management. To respond to the dynamic environment managers must formulate Strategy, action the intentions, and conduct reviews to gauge the performance of adopted strategies (Ansoff and McDonnel, 1990). Harvey (1988) states that whereas Strategy formulation is easy, the biggest challenge is implementation, monitoring, and evaluation whose objective is to obtain Competitive Advantage. Kiruthi (2001) alludes that carefully implemented Strategies guarantee success whereas poorly implemented Strategies assure failure. Porter (1979) adds that the business must be alive to threats and competition in the operating environment and must adopt corresponding Strategies to combat them.

The current study relied on three Strategic Management theories, namely; Resource-Based theory, Porter's Generic Competitive Strategies theory, and Knowledge-Based theory. The Resource-Based theory stresses the leverage of an organization's robust internal resources to obtain Competitive Advantage. It identifies internal capabilities and resources terming them valuable, scarce, distinctive, and not substitutable (Wernerfelt, 1984). Firms that fully understand and maximize their capabilities and internal resources can create value for their business which is a driver for competitiveness (Barney, 1991: Awino, 2013). Porter's Generic

Competitive Strategies theory states that an organization can succeed by adopting a choice of Strategy or Strategies like Cost leadership, Differentiation, and Focus, and leverage them to succeed over peers. It must look inwardly and identify areas it is strong at, and utilize them to create sustainable competitive advantage. Knowledge-Based theory alludes that Knowledge is an important factor of production just like Entrepreneurship, Labour, Capital, and Land. When utilized well it has the potential of giving customers more perceived and actual value compared to their competitors.

The Energy industry in Kenya has expanded rapidly post-independence, largely being supported by industry-friendly policies, attracting investors who use power to drive their processes. Kenya Electricity Generating Company (KenGen) PLC Ltd started its operations as the sole electric power generator, with a near-monopolistic outlook adopting simple Strategies. With the demand for more power fuelled by a thriving economy, the government enacted legislation to liberalize the power sector and allowed entry of multiple players to the market. This has impacted KenGen PLC Ltd business model and challenged it to rethink it alongside the need to diversify its revenue streams. The need has been to venture into virgin markets, embrace joint venture, and partner with other power utilities. The current focus is on multiple revenue streams, create wealth for shareholders, and survive in a turbulent economy. With this elastic market, KenGen PLC Ltd is challenged to re-look at its business model and operation strategies with a view not only to remain in business but also to improve its processes.

1.1.1 The Concept of Strategy

The term Strategy has genesis from military cycles and was commonly used to denote tactics used by an army to face, engage, and fight an opposing enemy (Tzu et al, 2012). With time, the term was used to signify methods used in scheduling and planning events, projects, or governing people (Roberts, 2019). Nowadays, the term strategy as used in the business setup means the effective and efficient use of scarce resources to obtain maximum benefits.

Strategy identifies the long term goals of the organization, sets in motion actions to be done, and allocates the required resources and timelines. Chandler (1962) identifies Corporate Strategy as the formulation of a firm's long-term goals, plans, and resources aimed at achieving set goals. To Ansoff (1965), Strategy sets the roadmap for the selection and adoption of the most promising opportunities among others. Rogers (2006), says Strategy allocates rare resources to gain maximum benefits, set objectives, and utilize emerging opportunities at minimal risk. Drucker (2012) defines Strategy as a firm's inaugural step towards obtaining its prime objectives. It is a well thought and deliberate way to simplify its key objectives, make strategic decisions, and monitor the outcomes. Aosa (1992), links the influence of competitor action to an organization's strategy, he expounds that Strategy can only be reasonable if the market where it is applied is known.

Strategy and Structure complement each other, and no business has ever thrived without both. Chandler (1962) said that "Structure follows Strategy". This means that Strategy must have firm Structures to support it. In the initial stages, firms adopt simple Structures and Strategies, before graduating to complex ones. With time and faced with changes in the operating environment they must evaluate existing Structures and Strategies to meet those challenges and survive. The operating environment influences the Strategy to be adopted. To align Strategy to an evolving new Structure is called Structural Fit.

Strategies guide and support decisions for the three levels of management. Corporate Strategies are made by top management and are long term in nature. They are in tandem with organizational vision and mission. They determine the direction the company will take, and its reaction to the changing environment. Top leadership have a responsibility to formulate

Strategy, implement, review, and apply lessons learned from the Strategy, being sensitive to the internal and external operating environment. Business level Strategies are medium-term and are drawn from Corporate Strategy. They are for specific business units and utilize a particular niche the company is strong at. Functional Strategies are for short period and are operational in nature. They are formulated by functional heads and are subsets of the business strategy, and are implemented by staff on the shop floor.

1.1.2 The Concept of Competitive Advantage

An organization is said to enjoy Competitive Advantage if it can repeatedly produce quality goods and services effectively, and efficiently compared to its competitors. The aim of any actions and decisions it takes are meant to ensure it succeeds and remain in business. Porter (1987), states that when a firm creates value for its users then it is said to gain a Competitive Advantage. If the business pursues a Cost leadership Strategy, it must produce goods and services at the lowest cost than peers in the same industry. To gain Cost advantage, it must adopt suitable technology, use cheap raw materials, and utilize economies of scale. If it adopts a Differentiation Strategy to achieve Competitive Advantage, then it must offer its clientele a distinct product or service which is unique and different from its competitors. Focus strategy aims at producing goods and services for a specific consumer group. The onus is on management to adopt factors it requires to attain a competitive advantage.

Competitive Advantage is the benefits a firm possesses which if utilized well are likely to give it an upper edge over rivals when competing for products or services under similar conditions. A business can enjoy a Competitive Advantage if it can attract and retain customers more easily than competitors (Thompson &Strickland, 2007). A firm with the ability to deliver identical gains as rivals at a bargain (cost advantage), or if its benefits go beyond competing products and services (differentiation advantage), then it is said to experience a Competitive Advantage. Organizations pursue Competitive Advantage policies when they produce quality products and services and sell in the market at high prices. Porter (1985) says that productivity growth should be the focus of national strategies. If the firm can gain leadership continuously, then it achieves a sustainable competitive advantage. This could be due to core competencies inherent in the organization used for its benefit. To Prahaland and Hamel (1990), core competencies are specialized skills, expertise, or abilities a firm enjoys emanating from its internal resources. Core competencies cannot be duplicated easily by competitors, and when effectively used, they can lead to access to wider markets and increased customer benefit.

Competitive Advantage can benefit a firm over its rivals in a certain industry or market (Kay, 1993). This can be done if it can eclipse current and perceived rivals staying ahead of them. Pearce and Robinson (1997) state that, an organization with a strategy to manipulate resources under its direct control to its benefit is likely to gain a competitive advantage. Barney and Hesterly (2008) indicate that a business can experience a Competitive Advantage by outperforming its rivals and creating economic value. Clegg and Carter (2011) further indicate that competitive advantage will ensure the business sustain its niche for the long haul.

Fahey (1989) describes Competitive Advantage as items that favourably set apart a company or its tools of the trade from its rivals, from the perspective of customers or final consumers. Barney (1991) opinions that an organization can achieve greater advantage and be ahead of its competitors if it adopts a value-adding strategy presently unused and not easily duplicated by competitors. Thompson and Strickland (1998) state that for a strategy to do well, it must be aligned with Competitive Advantage. Bharadwaj (1993) says the Competitive Advantage is attained from a company's internal resources and capabilities utilized by itself. To transform the available skills and resources into competencies require conditions that benefit the customer and need several methods. The choice of Differentiation, Cost leadership, or Focus Strategy is tied to the organization's flexibility to adopt unique competencies. This will enable the firm to execute above the average industry performance or expectation.

When an organization nurtures some unique competencies, it will give it an edge over its competitors. The attributes could be access to natural resources like rare mineral resources, cheap power, highly skilled and trained staff. The use of newer technology like robotics and information communication technology for product or service conception, manufacture, and usage like treatment can give a firm an upper edge. Embracing modern technology in internal processes from input to output of the value chain has the potential of giving the firm an upper edge. Information communication technology is now an integral part of modern businesses as it can give it an edge over their competitors if adopted from the beginning (Porter, 1985).

For firms to gain Sustained Competitive Advantage they must continue and maintain gains made regardless of rivals and new entrants. An organization being a leader in the market today, doesn’t guarantee it will remain so forever. The firms must formulate clear goals, strategies, and objectives to enable the attainment of sustainable competitive advantage.

1.1.3 The Energy Sector in Kenya

The Kenyan economy has grown tremendously since pre-colonial times and is ranked ninth in Africa (International Monetary Fund, 2019). The driver to this economic growth has been a vibrant energy sector composed of public and private utilities supported by enabling government legislation. Other sectors contributing to economic growth are tourism, agriculture, education, infrastructure, manufacturing, and the robust financial sector.

The history of Kenya’s power sector goes back to 1922 when East Africa Power and Lighting Company (EAP&L) was formed. This was after the merger of Mombasa Electric Power and

Lighting Company, and, Nairobi Power and Lighting Syndicate, the inaugural utility which started operations in the Kenya colony in 1908. In 1954, Kenya Power Company an offshoot of EAP&L was formed and tasked to build a transmission line linking Tororo in Uganda with Nairobi in Kenya to improve power connectivity. When Kenya, Uganda, and Tanzania gained independence in the 1960s they adopted this new entity to spearhead power operations to spur their economic growth under the umbrella of the East African Community.

With most of its operations domiciled in Kenya, the EAP&L Company was rebranded Kenya Power and. Lighting Company (KPLC). To support the budding economy, the government kick-started reforms in the power sector in 1996. The Electricity Regulatory Board (ERB) was formed in 1997 as the power sector regulator after enactment of the 1997 Power Act, while the Energy Tribunal was formed to handle disputes among power sector players. The reforms further led to the unbundling of KPLC into two entities. Kenya Electricity Generating Company (KenGen) a power generation entity inherited all power plants. It was also given a new mandate to establish new power plants and drive the power generation agenda for the nation. Currently, KenGen leads power production sector with a 62% stake, Independent power producers (IPPs) command the rest. KPLC is tasked with streamlining power transmission and distribution. The reforms resulted in the formation of the Rural Electrification Authority to extend electricity to rural areas formerly not connected.

The reforms in the energy sector were aimed to create structures and develop strategies to better guide the processes of the important sector. It was also to assign responsibilities, accountabilities, and deliverables for each player in the sector. Sessional paper Number 4 of 2004 had led to the formation of Geothermal Development Company to carry early geothermal development, and the Kenya Electricity Transmission Company to develop power lines above 132kV. Currently, Kenya Power Company purchases bulk power and distributes it countrywide. The Kenya Nuclear Electricity Board (KNEB) is tasked to develop a framework and implement a national nuclear programme to revamp the energy sector.

Kenya has three prime power sources, Biomass 68%, Petroleum 21%, and Electricity 9% of the total energy consumed (IEA report, 2015). Biomass from charcoal and wood fuel is facing the threat of unsustainability due to reduced forest cover, occasioned by human encroachment in forested areas and climate change. Kenya heavily relies on petroleum products for domestic and industrial use in Automobiles, the Aviation industry, and the recently commissioned Standard Gauge Railway. The nation's challenge is over-dependence on petroleum products to run the economy due to unstable global prices. The fluctuation is dictated by the Organisation of Petroleum Exporting Countries (OPEC). Although Kenya has pockets of oil and gas exploration ongoing in Turkana Country and the Coastal Strip, they are not yet ascertained and exploited for commercial purposes.

In the year 2007, the government launched Vision 2030 a blueprint with Social, Political, and Economic pillars as enablers of economic growth. The vision's objective was to transform the nation to achieve middle-income status by 2030 and with a projected annual Gross Domestic Product (GDP) growth of 10%. This increase is estimated to be between 11.9% and 15.3% per annum by 2030 and a peak demand of 15,000 MW.

In 2017, the government launched the Big Four Agenda as a stimulus for economic growth. The Agenda comprises Enhancing Manufacturing, Food security, Universal health coverage, and affordable housing. The nation's vision is interconnection to the Eastern African power pool (EAPP) serving East and Central African countries. The aim is to increase volume and reduce costs. The new Energy Act 2019 provides major sectoral reforms with the harmonization of energy management functions. Unlike the previous act which gave nearmonopoly to some entities, the current act allows entry of other players' thus offering stiff competition to the current players.

1.1.4 Overview of Kenya Electricity Generating Company (KenGen) PLC Limited

Kenya Electricity Generating Company PLC is a public utility company that generates bulk electric power from its plants. The company traces its roots to the Kenya Power Company (KPC) formed in 1954 as a subsidiary of East Africa Power and Lighting Company. KPC later renamed Kenya Power and Lighting Company in 1983 since it largely operated in Kenya. Due to power sector reforms, KenGen opened its doors in 1998.

In 2006 the Government offloaded 30% of its shareholding in KenGen through an initial public offer (IPO) leading to its listing at Nairobi Securities Exchange. The IPO was a great success with an oversubscription of 337%. To mob more resources and support its strategy the company issued a public infrastructure bond offer (PIBO) in the year 2009 which raised sh25.2 billion and was oversubscribed by 66%. KenGen raised sh26.5 billion through a rights issue in the year 2016 which was 92% of the original target. (www.kengen.co.ke).

KenGen has a generation mix of 818MW Hydro, 707.3MW Geothermal, 254MW Thermal, and 26MW Wind. The firm reliance on Hydropower plants is threatened by increased human encroachment at its water catchment areas and the unpredictable harsh weather. This has forced the company to rethink its strategy. To meet this challenge, KenGen introduced has adopted geothermal expansion strategy in its 2008 strategic plan (KenGen, 2009).

KenGen largely uses a cost leadership strategy in its operations. This is clearly in its vision "*To be the market leader in the provision of reliable, safe, quality and competitively priced electric energy in the Eastern Africa region".* The firm has differentiated itself by solely engaging in power generation gaining expertise in the field. It adopts a differentiation strategy emphasizing the least cost projects. KenGen has embraced a Balanced Score Card and Business Process Automation to boost its processes. The company has honed its business strategy emerging the largest power generator in East Africa and has pioneered geothermal wellhead technology. KenGen is Africa's leading geothermal power generator and 9thworldwide and has achieved the rare feat to have sunk the largest geothermal well in Africa rated 30MW.

KenGen earns carbon credit from a clean development mechanism by investing in carbon emission reduction projects. To tap value addition from its staff, the firm encourages innovation through its annual G2G innovation seminar. As a good corporate citizen, the firm implements a community resettlement action plan for people affected by its operations, offers education scholarships, and responds to both local and national corporate social responsibility initiatives. Recently the company adopted diversification of its revenue streams. In addition to traditional power generation, the firm now engages in geothermal consultancy, steam sales, technical services, and commercial drilling for clients in Ethiopia and Djibouti. Company functions are guided by a strategic plan and both local and international quality and environmental standards.

1.2 Research Problem

Strategies are drafted, implemented, and evaluated by organizations to guide their processes. When strategies are unique to a firm such that they cannot be duplicated by rivals, then they have the potential of giving it an upper edge over its peers (Barney, 1991). Thompson and Strickland (1997) say the firm must study its industry and its competitors and then select competitive strategies to position itself for the long haul. Identification and implementation of strategies to achieve Competitive Advantage is the cornerstone of strategic management.

In the 1960s KenGen operated in a near-monopolistic environment, being the largest power producer. Economic growth and rising demand for power, has forced the company to aggressively seek alternative funding for its projects instead of relying on the exchequer. The company has listed in the Nairobi Securities Exchange and has raised funds through its Initial Public Offer (IPO), Public Infrastructure Bond (PIBO), and a Rights Issue all aimed at boosting its power generation capacities. With the enactment of the new Petroleum and Energy Act 2019, and the liberalization of the Kenya power sector, the company now faces challenges on the sustainability of its business model.

Several past studies have been done on competitive advantage. Letting (2003) looked at the relationship between technology and competitive advantage, Kimani (2007) studied sources of competitive advantage for Sacco in the public transport sector, Karanja (2011) examined the link between innovative strategies and competitive advantage at United Bank of Africa Limited. Omwanza (2012) studied strategies applied by Multinationals pharmaceutical corporations in Kenya to attain sustainable competitive advantage. Kathure (2018) examined strategies employed by Keroche Breweries to gain a competitive advantage. Kamau (2019) investigated Strategies adopted by the Vision Institute of Professionals to achieve a competitive advantage.

Collectively these studies show companies develop strategies to achieve competitive advantage. However, firms employ different strategies to achieve Competitive Advantage. KenGen, as indicated earlier, is operating in a very tight setup and is therefore expected to employ strategies to enable it to achieve a competitive advantage. Specifically, the research sets out to answer the following questions, “What strategies has KenGen PLC Ltd employed to achieve competitive advantage?” and “What factors influence the choice of strategies at KenGen leading to competitive advantage?”

1.3 Research Objectives

The research has two objectives.

1. To establish strategies adopted by Kenya Electricity Generating Company PLC Limited to achieve Competitive Advantage.
2. To identify factors that influence the choice of strategies at Kenya Electricity Generating Company PLC Limited to gain Competitive Advantage.

1.4 Value of the Study

Practitioners like KenGen top management and managers in other organizations will find the study useful. The findings will spur the crafting of better strategies, make better decisions in planning and review of their business plan and business models.

Police makers in government and its departments will find the study useful as management strategies adopted impacts their dealings with the company.

Other companies, whether state-owned or private companies will benefit from the study since they apply the tenets of strategic management and the principles of competitive advantage.

The study will be of interest to academicians wanting to expand their understanding of strategies used to achieve a competitive advantage in a leading power generation company. The study findings will trigger more research in gaps identified from the study. The research will thus add contribute to the existing pool of knowledge on strategic management

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter gives an overview of literature from previous research on strategies and competitive advantage. The theoretical foundation discusses theories the study relies on. The link between strategic options and competitive advantage is explained in detail. Next empirical studies and knowledge gap is examined and finally, a conclusion wraps the chapter.

2.2 Theoretical Foundation of the Study

Strategic management is anchored in theories that explain its origin, evolution, principles, and application (Omalaja and Eruola (2011). David (2005) explains theories of strategic management arise from a systems viewpoint, contingency approach, and information communication approach to corporate management. According to Harshim (2005), the most familiar trategic management theories are profit-maximizing and competition-based theory, resource-based theory, survival-based theory, resource dependence theory, Knowledge-based theory, contingency theory, and agency theory.

This study will use the Resource-Based Theory, Porter's Generic Theory of Competitive Advantage, and Knowledge-Based Theory. The Resource-Based Theory looks at internal attributes (resources, capabilities, and systems) of the business which has the potential to achieve competitive advantage. Although we have minimal external interactions to think about this is within the organization. Thus we have justification to adopt the Resource-based theory as the main research focus.

2.2.1 Resource-Based Theory (RBT)

The Resource-Based Theory draws from the management premise that a firm's competitive advantage lies in its internal resources and capabilities and not it's positioning in the external environment. Wernerfelt (1984), says that the mixture of resources and capabilities which can give a firm an edge over its peers must be valuable, rare, inimitable, and not substitutable. The theory has an origin from studies on the growth of firms by Edith Penrose (Penrose, 1959), and was introduced to mainstream Strategic Management by Birger Wernerfelt in the 1980s (Wernerfelt (1984). Barney (1991) notes that Prahalad and Hamel were among the famous scholars who popularized the theory. The study of a firm's Competitive Advantage using resource-based theory brings out the deep realization of its internal resources and capabilities, which are important drivers of competitiveness (Barney, 1991: Awino, 2013). Barney (1995) affirms that competitive advantage lies in the unique capabilities and resources that a company possesses, rather than scanning the external setup for opportunities and threats. The theory predicts certain internal resources owned and controlled by the firm can generate competitive advantage leading to excellent performance (Ainuddin et al, 2007). Some of the company's resources are the strategic plans, assets, capabilities, knowledge, and information accumulated over time harnessed for its advantage.

A firm must understand internal resources contributing to its efficiency and effectiveness (Powell, 2001). It must examine its processes, assets, and capacity about its internal environment. It must identify unique resources, abilities, or attributes known to itself which cannot be imitated. Wernerfelt (1984) alludes a firm can realize high efficiency when using its resources which even if a competitor acquires and use, will get low returns because of resource barrier known within itself. Resource-Based View of a firm outlines its capability to achieve competitive advantage if its resources can be exploited to its advantage and cannot be duplicated by rivals. The resources are rare, unique, and cannot be imitated nor substituted.

The resource-based theory makes two assumptions. Resources are not uniform in type, quality, or quantity as distributed in firms. This attribute allows for different resource attainment. Second, resources are assumed to be not perfectly mobile. Thompson *et al* (2007), say that for a resource to qualify as an effective strategy, it must pass the tests of durability, superiority, which cannot be imitated and must be sustainable. When a resource cannot be duplicated it can then surely sustain profits over time.

2.2.2 Porter's Generic Competitive Strategies

A business strategy aims to achieve and maintain an organization's competitive advantage. It seeks to satisfy customers by prudent utilization of the firm's resources and abilities. Porter (1979), formulated the theory of competitive advantage which identifies strategies that a firm can embrace to obtain a competitive advantage. The generic strategies of cost leadership, differentiation, and focus can be used to gain and obtain a competitive advantage over peers.

Differentiation strategy seeks to create a unique business proposition that adds value to the firm. It allows it to stand out among competitors by creating products and services with unique features to match customer needs (Dirisu *et al*, 2013). It does this by offering unique products and services at a premium cost. This is often driven by the firm's ability to create products that cannot be imitated by rivals. Differentiation strategy manifests itself in new product design, high-quality products, and unique product features. Porter (1979), states that differentiation is portrayed by product design, customer service, branding, and technology. Also, (Mintzberg, 1988) says differentiation strategy can be exhibited through superior design, differentiated price, high quality, and image and support.

Cost leadership strategy enables a business to achieve a competitive advantage over competitors by gaining market share because of reduced costs. This can be achieved by controlling overheads, economies of scale, and process enhancement. The result is operational efficiency. Cost leadership strategy enables the firm to supply products and services at a reduced cost than rivals thus achieving prime sales at good prices to the target market. By adopting a cost leadership strategy, a firm can produce products matching customer requirements. Fast food outlets and school uniform stores have excelled in cost leadership.

Companies that use focus strategy, commit to supplying products to a niche market with specific needs, exerting all efforts to satisfy and serve it fully. The aim is to gain market leadership not by efficiency but by effectiveness. The strategy is used in small firms with fewer resources or highly-skilled products serving clientele willing to pay for these resources. Examples are high-end shops selling jewelry, sports cars, or luxury watches. Examples are luxury car dealers like Mercedes Benz or Ferrari tailor-made for special customers. A focus strategy looks at a narrow scope that is competitive in an industry. It selects the target segment and aligns itself to serve that industry segment. There are two versions of focus. Differentiation focus which targets a narrow segment and offers unique products. Cost focus which identifies a narrow segment and offer products with cost advantage (Porter, 1985).

According to Caxton (2015), firms served by focus strategy experience a high degree of customer loyalty which discourages competitors. The narrow market focus leads to lower volumes and less supplier bargaining power. The strategy has a risk of imitation which can drive a firm from a business. Hassan (2015) states this strategy encourages personalized relationships due to its narrow focus. He further states it requires specialized skills to satisfy the clientele served.

2.2.3 Knowledge-Based View/Theory

This theory considers knowledge owned by the organization and its staff utilized in their processes and systems as the most important form of strategy for gaining competitive advantage. It deviates from the original notion alluding that entrepreneurship, labour, capital, and land are the most important factors of production. Knowledge is added as the 5th factor because of its deterministic nature and is an important driver for achieving competitive advantage (Cheruiyot, Jagongo & Owino 2012; Low and Ho, 2015). Knowledge-based resources are complex and cannot be imitated. Knowledge is instilled in the work culture, practices, policies, systems, and the staff themselves. Whereas Resource-Based Theory treats knowledge like another resource, Knowledge-Based Theory goes deeper to the different types of knowledge and how they can be harnessed to achieve competitive advantage for the firm.

There are two types of knowledge Explicit and Tactic. Explicit knowledge is learned and documented in books. Tactic knowledge is owned by an individual and is seen by the extra care and expertise when at use. Tactic knowledge cannot be copied thus it creates a competitive advantage These views are held by Ding, et al (2015), who says the transfer of tactic knowledge is depended on parties involved. Holden and Glisby (2010), while quoting Nonaka and Takeuchi (1995), says the reason why Japanese businesses succeeded in the 20th century was because of skills in creating and nurturing tactic knowledge and tapping it such that others couldn't copy, thus they outsmarted many European and western countries.

2.3 Strategy in Organizations

Strategies are laid down plans by a firm to achieve target objectives. Strategies help firms achieve their mission, vision, and policies guiding them (Hodgkinson et al, 2009). Strategies are crafted by top-level management to guide the business and are implemented by middle-level and low-level management. A collection of strategies form a strategic plan which has a timeline and requires resources and leadership to achieve.

Most companies have 3-levels of strategy namely Corporate, Business, and functional levels in hierarchical order. Corporate-level strategies are made by top management and determine specific targets the business would like to achieve. These strategies are broad and long term affecting the entire business. Diversification, growth, stability, and retrenchment are examples of corporate strategies. Business level strategies are geared towards customer satisfaction (Brown, 2005) and are more focused than corporate strategies. If a company's corporate strategy was to increase market share, then its business strategy could be by increasing marketing strategies or aggressive marketing. Functional level strategies guide day to day operations by allocating and maximizing allocated resources. Examples are the Research strategy, Human resource strategy, production strategy, and Finance strategy.

For firms to remain in business they need to craft, implement, evaluate, and adjust to strategies that fully react to their internal and external environments. This will enable them not only to survive and grow but give them a competitive advantage. All organizations small or big require strategies like a rudder guides a ship at sea or oxygen is vital to body organs.
For firms to survive they need to formulate strategies responding to their operating environment. Porter (1979) came up with three generic strategies of differentiation, cost leadership, and focus. Companies that adopt differentiation strategy nurture or come up with a unique or rare product/service better than their rivals. A good differentiation strategy creates repeat buying and brand loyalty. A sign of cost leadership is when a company offers products/services at the lowest cost of production at a profit than its competitors. Some factors affecting cost leadership are experience, volume, efficiency, and scope, Focus strategy works best when a company identifies a small market segment or niche and offers product unique to satisfy this niche customer. Examples are; executive banking for high worth customers or members' only sports clubs, and luxury and expensive car brands like Mercedes Benz for wealthy clientele.

Good strategies maximize the prudent utilization of scarce resources like time, finances, and staff. Therefore the most deserving and promising ventures are allocated first. This can be done by doing a SWOT analysis, BCG Matrix analysis, or PESTEL analysis. Good strategies always lead to growth, profitability, and wealth creation.

2.4 Competitive Advantages in Organizations

A competitive strategy can only be practiced by one firm to its advantage and unknown by its competitors nor can it be replicated (Porter, 1980). To succeed a firm needs to know its customers, their requirements, and chart the best way to serve them. Organizations also need to understand and prudently use resources at their disposal to their advantage. They can invest in research &development to come up with products and services to best serve their customers. They can also leverage unique attributes like problem-solving.

The bottom-line for an organization to achieve a competitive advantage is being good in its business, and keep on perfecting than its rivals. Companies need to fully utilize available resources and skills for their advantage by adopting Focus, cost leadership, and differentiation strategies to gain competitive advantage (Porter, 1980).

Business firms should scan external and internal environments for opportunities that they can leverage to their advantage. Just because an organization is profitable or can grow shareholder wealth today does not mean it shall remain so in the future (Porter, 1985). Firms should be aggressive in their approach in internal and external environments. They should learn from where others have ventured and failed, do reverse engineering, learn new technologies, and explore how to they can adapt them to boost their business.

2.5 Strategies and Competitive advantage

To survive in an ever-changing environment, firms must be flexible in their operations and they must adopt strategies leading to competitive advantage (Ansoff and McDonnel, 1990). They must craft strong corporate-level strategies that lead to business strategies and finally to functional strategies. Research shows that the presence of generic strategies enables a company to obtain better results (Hambrick, 1983; Miller & Friesen, 1986). As observed by Allen (2007), the lack of strategy could be the main reason why several Japanese firms failed in the past. According to Allen (2007), famous Japanese brands like Sony, Honda, and Mitsubishi have become world-famous because of their elaborate well-crafted strategies. Porter (1987) alludes that cost leadership strategy can be imitated as the best practices leading to cost efficiency/reduction is enabled by the use of modern technological innovations. Differentiation strategy cannot be easily duplicated because it utilizes products and services seen to be different from rivals, thus leading to sustainable competitive advantage.

Dumitrescu and Scalera (2012) in their research on strategies of Multinationals, found that innovation, cost reduction, and market conditions were key components enabling successful internal strategy. They discovered that strategic alliances and diversification were widely used when venturing into a foreign market and its development.

Organizations can adopt grand strategies when operating in a dynamic environment. They include market development, joint venture, diversification, innovation, turnaround, divesture, product development. Integration and liquidation. Market development entails a firm selling its products to a virgin market, while product development is making new products or modifying existing ones for current customers or new customers. A joint venture is an agreement between two companies to work together towards a common goal after attainment of the goal the venture is dissolved.

2.6 Factors that Influence Choice of Strategy

Strategic choice is the process of selecting the most suitable strategy or strategies from alternatives. The selection of strategy is guided by experience and training, resources available, and the operating environment. Strategic choices are done by top management based on resources and timelines. They are then cascaded to middle and lower management for implementation, monitoring, and evaluation.

Factors that can influence the choice of strategy in a business are the type of business the firm is engaged in, the level and intensity of competition, product life cycle, government regulation, risk appetite and experience of top leadership, organizational culture, and its politics. Other factors could be certain changes in the operating environment like recession, natural calamities, technological changes, and skillsets of its staff. Mintzberg alludes performance of past strategies guides the selection of new strategies to be adopted.

Some tools are used in the selection of choice of strategy. Some of these include company vision, mission, its objectives, BCG matrix, GE nine-cell model, SWOT analysis, and PESTEL analysis

2.7 Empirical Studies and Research Gaps

Several scholars have researched strategy and competitive advantage, in Kenya and beyond. Internationally, Wang et al (2011) examined the types of competitive advantage and analysis, says the important competitive advantage of an organization is influenced by internal factors. The study recommended proper management action through the structure, culture, people, and processes in a company. Diab (2014) carried out research on application of competitive dimensions to achieve a competitive advantage in Jordanian private hospitals using statistical descriptive methods. The study found out the extensive use of competitive dimensions like cost, quality, flexibility, and delivery led to the attainment of competitive advantage. However, the use of these dimensions was in varying degrees, with priority being quality, flexibility, and delivery. The study recommended further studies on new competition dimensions and the same level of competition dimensions.

Alshubaily and Altameem (2017) did a study on the Saudi banking sector on the role of a strategic information system to achieve a competitive advantage. From the study, the use of strategic information systems led to increasing information quality, operational efficiency, and innovation which played a significant role. They recommended further research on the consequences of a strategic information system as a tool to achieve competitive advantages in the public sector, and the use of strategic information systems in e-governance or e-commerce.

Asante and Adu-Damoah (2018) researched on impact of sustainable competitive advantage on a firm's performance with a focus on Coca Cola, Ghana. The study established that resources and competitive environment are directly related to the firm's performance and that human resources strategy and a firm's performance are positively related. They recommended a study on its major rival Pepsi-Ghana and other beverage companies to rule out bias, and further broadening the population to cover more regions to reflex national status.

Karani (2009) conducted a study on Strategy implementation in KenGen. Study findings indicated strategy implementation requires a variety of practices to translate organization plans into action, which were unique to the company, operating environment, and the type of business. The study is qualitative dwelt on reasons why, how, and what of strategy implementation. The study recommended future studies on strategy implementation using quantitative methods, and other methods like performance management. It also recommended the evaluation of the transformation initiative being adopted then. Ogori (2010) carried a survey study of strategies adopted by commercial banks to achieve a competitive advantage. Findings from the study point to the use of resources and capabilities to achieve a foothold in the market based on low cost and differentiated products. The study was done in the financial sector and recommendations of the same studies in related and other sectors of the economy were encouraged. A further undertaking of core competencies was encouraged.

Kamau (2019) investigated strategies adopted by the Vision Institute of Professional Studies to gain a competitive advantage. The study found out that strategies like effective pricing, quality customer care, differentiation, diversification, and marketing largely influenced competitive advantage. However loss of qualified staff, financial risk, and reduced market share affected their market position. The study recommended further studies on the same institution on tools to effectively measure strategies and better utilization of resources.

Overall it can be noted that the various researchers used different methods and research designs to investigate strategy and competitive advantage arriving at different outcomes.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the research methodology adopted by the study. The research design adopted for the research is introduced. Our discussion of data collection elaborates on the type of data, data instruments, and data collection methods. We finally outline how data from the research will be analysed.

3.2 Research Design

The research design employed was a case study. This is because of its versatility for in-depth investigation of occurrences and specific situations. The study focused on Strategy a specific topical issue which is a huge determinant to current operations and impacts the success of any organization. The case study relied on first-hand primary data which is qualitative. Secondary data collection was from journals, annual reports, and other documentation. In using a case study we organize data and focus on an identified aspect selected from a wider scope and study it in detail to establish a causal effect (Kombo &Tromp, 2006).

A case study was adopted because of its ability to keenly segregate and obtain much information about a small subject or area. We selected KenGen PLC Ltd as an entity operating within a defined location and chose to interrogate select interviewees from top management who understand Strategy and the direction the company wants to take very well. Case study designs have been used successfully by Karani (2009), Karanja (2012), Chege (2014), and Kathure (2018).

Previous researchers have adopted different research design methods like longitudinal surveys and cross-sectional surveys to investigate the link between strategy and competitive advantage, arriving at various findings. The current study has adopted a case study to compare research findings and enrich the body of knowledge

3.3 Data Collection

The researcher collected qualitative data gauging the views and perceptions of interviewees. Primary data was obtained from KenGen PLC Ltd divisional directors and departmental managers who are responsible for Strategy in their areas. Secondary data was obtained from existing documents and official records within the organization, newspapers, company websites, and internet sources being a public listed company.

The research instrument used to collect primary data was an interview guide. The guide had structured questions geared to obtain specific information on strategies adopted by KenGen PLC Ltd to achieve a competitive advantage. The researcher examined similar studies done and discussed the draft interview guide with the research supervisor, and some of the managers working for KenGen PLC Ltd and further refined it.

The data collection methods for primary data were notes taken and observation during face to face meeting using the interview guide. We also recorded some conversations of interviewees who gave consent. The researcher collected secondary data from journals, manuals, periodicals, annual financial reports, and other written data in hard copy or electronic form.

3.4 Data Analysis

Data analysis searches for themes, patterns, or important meanings from the research topic and relies on what the researcher has seen or heard (Swanson & Holton, 2005). We conducted a qualitative study using an interview guide. Data was sought from top management using face-to-face interviews, online teams meeting, and telephone interviews.

Top management was chosen because they understand strategy and structure whose performance impacts competitive advantage.

Collected data was qualitative, and was analysed using content analysis. Unlike quantitative data-driven by figures and numbers, the content analysis uses patterns and groups of similar trends. Kothari (2004), alludes content analysis uses classification sets for easier and effective inference of data from context. He further states it enables data to be organized by splitting into small manageable units, synthesized, patterns observed keenly and their meaning can be interpreted. Cooper and Schiindler (2006) in their research indicate that content analysis is flexible for analysing open-ended questions thus allowing a systematic, qualitative, and objective description of communication content. Qualitative data needs creativity because it requires the categorization of raw data into units whose content interpretation will be understood by all.

CHAPTER FOUR

DATA ANALYSIS, RESULTS, AND DISCUSSION

4.1 Introduction

This chapter presents the analysis of data, results, and discussions in line with the study objectives. The study objectives were to establish Strategies adopted by KenGen PLC Ltd to achieve Competitive Advantage and to identify factors that influence the choice of Strategies by KenGen PLC Ltd leading to Competitive advantage.

Primary and secondary data from the research was analysed using content analysis. This method allowed collected data to be evaluated to ascertain its relevance, credibility, consistency, and adequacy. Key themes, patterns, arguments, and concepts, were interpreted and deductions arrived from the case study.

The study reveals that strategies adopted and the choice of strategy is key to KenGen in carrying out its operations. The company formulates, continually monitors, and evaluates performance. The firm responds to emergent strategies and provides mitigation measures. All its actions are geared towards meeting operating environment challenges and creating value for stakeholders as it seeks to achieve a competitive advantage.

4.2 General Information on Interviewees

The interviewees were top-level management staff who guide strategy within the organization. They included divisional directors and departmental managers. Below are the findings based on position, division, years of service, and structural changes that have occurred in the last five years.

4.2.1 Position of Interviewees

The study targeted to collect primary data from three tiers of staff namely: the Managing Director and Chief Executive Officer (MD & CEO), divisional directors, and departmental managers. This target group was chosen because they own, direct, monitor, and evaluate company strategy which determines the performance of the organization among its rivals.

The research interviewed interviewees from two of the three target tier staff, giving a 66.67% response rate. One tier was not interviewed because of work exigencies during the research period. Mugenda and Mugenda (2003) eludes that for investigation and reporting a 50% response rate is sufficient, 60% is good and 70% and above is excellent. Based on the above criterion, the study response was good.

Table 4.1 Position of Interviewees

	Position of Interviewee	Target tier response (1=Yes, 0=No)	Actual tier Response (1=Yes, 0=No)
1	MD & CEO	1	0
2	Divisional Directors	1	1
3	Divisional Managers	1	1
	Percentage response		**67.67%**

(Source: Survey data, 2020)

4.2.2 Division of the Interviewees

The study had proposed to interview interviewees from the ten divisions in the company. The researcher obtained a consent letter from KenGen management allowing data collection. The researcher made personal visits, phone calls, and wrote emails to the target group in the organization for the interview. The researcher also followed up with bookings convenient with the interviewee. All ten divisions were represented giving a 100% response rate. This spreads gives assurance that strategy is understood and embraced in the organization.

Table 4.2 Division of Interviewees

	Division of Interviewee	Target interviewees (1=Yes, 0=No)	Actual Interviewees (1=Yes, 0=No)
1	MD & CEO office	1	1
2	Strategy & Innovation Division	1	1
3	Geothermal Development Division	1	1
4	Finance and Information Communication Technology Division	1	1
5	Human Resources and Administration Division	1	1
6	Operations Division	1	1
7	Business Development Division	1	1
8	Supply Chain Division	1	1
9	Company Secretary and Legal Affairs Division	1	1
10	Regulatory and Corporate Affairs Division	1	1
	Percentage response		**100%**

(Source: Survey data, 2020)

4.2.3 Years of Service

Of the 13 interviewees interviewed, 6 had worked for KenGen for between 11-15 years, 4 had worked for between 16-25 years and 3 had served the company for more than 26 years. The more years an individual works for an organization the greater the experience and exposure to changes in organizational structures and the strategies supporting it. Thus the interviewees could be relied upon to provide reliable information based on the knowledge gained over time. Being in top management, was an advantage as they were responsible for strategy formulation, implementation, monitoring, and evaluation over time.

Table 4.3 Years of Service

	Years of Service	Interviewees	Percentage response
1	0-15 years	6	46.15%
2	16-25 Years	4	30.77
3	26 years and above	3	23.08
		13	**100.00%**

(Source: Survey data, 2020)

4.2.4 Status of Organization Structure in the last five years

A majority of the interviewees confirmed that the Organization Structure had not drastically changed in the last five years. However they said due to emerging needs, new departments and sections had been created while others were merged to support the business. Some of the new structures were anticipated, resources planned, and allocated in line with the strategy, while for others it was in response to unforeseen needs requiring the application of response strategies.

The Supply Chain division was created as an autonomous entity to comply with new government legislation. Initially, Supply chain was a department within Finance, Commercial, and ICT division. The innovation department was created and is now part of the Strategy and Innovation division. This was to tap innovative ideas, evaluate, incubate, and spearhead their implementation. The Protocol and Events department was created in the MD & CEOs office. The Business Process Improvement department and Community Affairs department was created in the Corporate and Regulatory Services Division. In the Operations division, the Electricity Dispatch department was created.

4.3 Strategies adopted by KenGen PLC Limited to achieve Competitive Advantage

KenGen PLC Ltd has a very rich history stretching back over 60 years. The company started operations as a private firm, the government having 100% ownership then. The government shed 30% ownership to private investors to make it a partially-private company (revamped Horizon II G2G Strategy, 2016). With the market expansion, entry of other players, and the ever-changing operating environment, the company has been challenged to rethink its business and employ various strategies not only to remain in business but to gain a competitive advantage. The research findings below discuss some of these strategies.

From research findings, KenGen management has given Strategy very high priority with a vibrant Strategy Committee sitting in KenGen Board of Management (Integrated annual report and financial statements for the year ended 30 June 2019). The other Board committees are the Audit Risk and Compliance Committee, Human Resource and Nomination committee, Procurement Governance Advisory committee, and Finance Committee. Within management, the Strategy and Innovation Division handles the core functions of Strategy and is headed by the Strategy and Innovation Director.

4.3.1 Differentiation Strategy

Research findings show KenGen PLC Ltd has differentiated itself by dealing with a unique product which is power generation. It has over 30 power generation plants spread in the country with an installed capacity of 1,810.4MW. Over time it has gained market leadership because of its unique capabilities and resources used. The company has a footprint in six operational areas spread throughout the country. The company uses four power generation modes namely Hydro, Thermal, Geothermal, and Wind.

4.3.2 Cost Leadership Strategy

Findings from research reveal that the company has been able to maintain cost leadership compared with its peers by negotiating the tariff for its power plants and keeping its costs of production at a minimum thus being able to sell its products at a low cost. By maintaining a portfolio of various generation modes, it assures its single buyer of product availability as and when needed. The company is guided by the government's Least Cost Power Development Plan (updated least-cost power development plan study period 2017-2037, June 2018). The plan is a masterpiece with load forecast, committed generation projects, and expansion programmes with a transmission system whose aim is secure, adequate, and cost-effective power for the period 2017-2037 (Least cost power development plan 2017-2037).

4.3.3 Organizational Strategy

The research found out that to meet the challenges of rising power demand and fierce market competition, KenGen engaged a consultant to relook its processes and the outcome was a new structure adopted in the year 2007. This structure-borne from the efforts by McKinsey and KenGen staff was a “generation to generation” or “good to great” commonly known as the ‘G to G “ transformation strategy. The strategy was anchored in three pillars namely Capital Planning, Regulatory Management, and Operational Excellence (KenGen management report 2007). The overall vision of the strategy was to deliver 2000MW over 10 years in line with the nation’s Vision 2030. To achieve this the company established three horizons.

In Horizon 1 covering the years 2008 to 2012, the company intended to stabilize the electricity situation in the country. This was through the improvement of efficiency to boost supply, deliver ongoing projects, manage peak demand and emergency power, and future projects. This has largely been achieved after the commissioning of various pipeline projects in hydro power plants like Sondu Miriu and Sang'oro projects and thermal projects at Kipevu power plants.

Horizon 2 covered the year 2013 to 2018 and it aimed to create sustainable power growth in the country. This was to be achieved by delivering projects in time, grow supply ahead of demand, and optimize the business portfolio. Research findings revealed this has been attained as evidenced from the successful commissioning of the geothermal 280MW projects comprising Olkaria IV and 1AU, and the 27MW Ngong' wind farm expansion.

The horizon 3 projects were planned to span beyond the year 2018, and were aimed at exploring expansion opportunities. This was to be achieved through driving expansion beyond Kenya, establishing a strong African footprint, and being a leader in technology and innovation. Research findings revealed that this was the state at which the company was currently in. Study findings showed that locally the company was involved in provision of RIG, services and geoscientific works for Akiira a private company in Kenya. Also another Kenya company Olsuswa had enlisted the services of KenGen to conduct detailed geoscientific survey on barrier volcanic complex (BVC). Research study findings revealed that outside the borders of Kenya, the company had been engaged by an entity called Tulu Moye to offer Rig and drilling services for geothermal wells in Ethiopia. In the country of Djibouti KenGen had been enlisted by a company called Isor to offer well logging works. There were other engagements with the governments of Rwanda, Uganda and Tanzania to offer various services in the power sector.

4.3.4 Operational Excellence Strategy

One of the three G2G strategic pillars for organizational health is Operational Excellency known as (OPEX). This strategy aims to ensure the company's operations are conducted efficiently with near minimal wastages, to support the company mission of quality reliable cheap power.

The original G2G Transformation Strategy (2007) had set to achieve OPEX and has succeeded by optimizing maintenance practices like the SCADA project linking the major hydropower plants which were implemented successfully in 2008, There have been upgrades of various systems and subsystems within various existing power plants aimed and improving machine availability; planned and annual maintenance schedules which have been successfully adhered to; reduction of operational and overhead costs meaning from fuel and maintenance costs and improvable of key processes that impact operational effectiveness like procurement processes. The company adheres to a strict maintenance programme for planned work and has established framework contracts with various original equipment manufacturers for technical support and spares for its power generating plants.

The revamped G2G strategy (2018) seeks to improve OPEX by USD 16-26 min yearly through operation and maintenance savings, adding more generation and fill follow to ensure adjustments are reduced. The aim is to grow the Return on invested capital (ROIC) from 8.9% to 10%. There is also a plan to achieve the best fleet availability for energy plants. The research found some of the measures envisioned are the use of autonomous maintenance, an increase of response time, and control of all wellhead plants from a control centre. It was recommended to have a dedicated team to plan, carry out and evaluate results

4.3.5 Expansion and Diversification Strategy

Findings from the research confirm that the company has an ambitious program to expand its activities. To meet the growing power demand, the Company has a plan to expand its power generation mix in hydro, geothermal, wind, and solar. KenGen's current focus is a geothermal expansion which is the least cost and more reliable than the intermittent wind and traditional hydropower plants.

Recently the company adopted a diversification strategy. Using this strategy, the company aspires to obtain 50% of its revenue from non-electric power sources by 2025. To meet this ambitious objective, it aspires to explore other sources of revenue using its core competencies and resources domiciled within. This is the highly qualified staff who can provide consultancy in exploration for new geothermal fields and existing fields for clients. The company can also offer drillings, generation plant operation, and maintenance services to those who require. Some of the contracts already bagged are the Tuli Moye drilling in Ethiopia and the current exploration works at Aluto for geothermal resources being done by KenGen staff. The company has embraced a joint venture and its partnering with Shandong of China to carry out drilling operations in Djibouti.

4.3.6 Knowledge-based Strategy

Knowledge is at the core of the activities of KenGen. The company has in-depth people skills used in its operations which it has horned over time. It has scientists who are experts in the exploration of a geothermal resource like geophysics, geologists, and geochemists. It has experts in drillings, Steamfield gathering, and reservoir monitoring. From research, it was established,

Through its annual innovation seminar, the company encourages a relook at its processes to find both short term and long term solution to current issues.

4.4 Factors that influence the Choice of Strategies at KenGen PLC Limited

Various factors influence the choice of strategy in KenGen. Among them are the Ministry of Energy guidelines, the KenGen strategic plan, new legislation, governance, leadership and culture, Emergent issues, Research Innovation and technology, and collaboration and partnerships.

4.4.1 Ministry of Energy

The interviewee indicated that the government of Kenya through the ministry of energy (MoE) is tasked with the formulation of policy and plans to guide the exploitation of energy resources in the country. This is in line with the national government's vision 2030 whose pillar Industrialization is driven by energy. The government's commitment to providing cheap power makes KenGen align its vision and mission to that end. KenGen has adopted the government's least-cost power development plan: 2017-2037 which provides a guideline on power generation expansion, transmission infrastructure, and resources required to effect this. The interviewees confirmed that the Ministry of Energy on behalf of the government signs a performance contract with the KenGen board. The board through the strategy committee formulates strategies to achieve the set targets. The board signs a performance contract with management led by the MD & CEO who in turn cascades corporate goals to divisional directors. The chain goes down to managers till the shop floor such that every person is aware of what is expected of them.

The ministry has a monitoring and evaluation arm which checks the performance of the Strategy against the required expectations. The evaluation exercise then informs whether to maintain or adjust the current strategy being cognizant of the operating environment too.

4.4.2 KenGen Strategic Plan

Research findings revealed that since inception a key pillar which guides the intentions of KenGen is its strategic plan. The strategic plan is drawn bearing in mind the vision, mission, objectives and core values of the company. The strategic plan outlined how various resources where combined within the constraints of time.

Findings from the study revealed that KenGen Strategic plans covered a period of 10 years with a shorter review periods to monitor the effectiveness. The major components of this strategic plan were overall goals which were split into smaller goals to enhance better monitoring and evaluation. The strategic plan had specific tasks assigned to various departments and individuals with specific budget and timelines allocated.

Study findings point to the benefits of reviews which help the company make necessary adjustments and strategic decisions on the various projects. The key determinants was to create value to the shareholders of the company.

4.4.3 New Legislation

The interviewees alluded that KenGen as a good corporate citizen must comply with national and county legislation in regions where it conducts business. Chief among this is the Kenya Constitutional which was promulgated in 2010. The constitution sets out the relationship between various state entities with each other, the national and country governments.

The company complies with the Public Procurement and Asset Disposal Act in all its operations. This is from inception to completion of all its processes. The company has business partners within the country and outside the country. For suppliers outside the country, international business standards and protocols are used.

They gave an example of the recently enacted Energy Act 2019. The act consolidates legislation related to Energy, provide for National and County government functions related to energy, establish energy sector entities, promote renewable energy, utilization of geothermal energy, and regulate midstream and downstream petroleum, coal activities, and electricity. The Act aligns the energy regulatory framework in Kenya to the global landscape, promotes increased competition, and encourages investment in the sector. KenGen has formed a committee to study this legislation and advice on alignment with its provisions.

4.4.4 Governance, Leadership, and culture

Leadership is very important in the current dynamic operating business environment. Organizational culture is composed of important values embraced by members of a particular organization which they share in common. KenGen has got a laid down leadership with elaborate structures with each individual knows theirs. , it requires leaders who understand the changes and who

KenGen subscribes to the Leadership and integrity act as laid down in the constitution of Kenya. Its staff and stakeholders are bound by the Public and state officers' acts.

4.4.5 Emergent issues

The company responds to emergent issues of both local, national, and international concerns. The company through the KenGen Foundation provides supports to communities in its areas of operation. This is in form of scholarships to students, offers free tress seedlings for planting in its catchment areas. The company responds to issues of national nature by supporting the national government in cases like floods and drought. KenGen has been at the forefront to support energy management and conservation measures.

With the recent covid-19 pandemic which has been global, the company respondent by crafting a strategy for business continuity. This was cascaded to all its operation areas and touches the safety of its staff and its stakeholders. The company mobilized resources and contributed to the national kitty to support other Kenyans to combat the scourge.

4.4.6 Research, Innovation, and Technology

The interviewees confirmed that the company allocates adequate resources for research, innovation, and technology. Research is carried out to improve existing business processes and explore new opportunities. The new department of Business Process Improvement is in charge of examining all its business processes, identify bottlenecks, and recommend improvements.

Innovation is encouraged to change certain processes and provide answers to existing challenges. The company has an annual innovation seminar where employees exchange ideas and challenges they face. They also share ideas on how they have addressed them, some of the innovation ideas led to the setting up of a water bottling plant at Gitaru, the detergent plant undergoing construction at Olkaria, and the various success stories of maintenance solutions shared among the employees to be practiced at their plants.

There have been a lot of changes in the technological sector which have a bearing on the energy sector and its business operating environment. The company has adopted robotic underwater inspection for its water tunnels which can be done while the plant is running reducing the normal dewatering of the tunnels and resultant loss of generation during the inspection. This has reduced inspection duration and gives value for money. The company has computerized most of its processes companywide to secure data, improve execution, and for security purposes. The said changes in technology are headed by its ICT section working hand in hand with user departments.

4.4.7 Collaboration and Partnerships

No business entity has ever succeeded alone. Being cognizant of this the company has formed very strong partnerships with stakeholders for business continuity. To supply critical spares and support services, the company has identified and signed framework contracts with key original equipment manufacturers. The company partners with its local communities in its areas of operation. It also partners with the local and national governments in areas of mutual concern.

4.5 Challenges faced by KenGen PLC Ltd in pursuit of Competitive advantage

The interviewees were asked to specify the challenges faced by KenGen in pursuit of a competitive advantage. According to the interviewees, the rapid growth of the economy has necessitated a corresponding growth in the power sector. Though KenGen has put in place measures to cope with this increase, the firm has not managed since the market share has decreased from 80% in 2006 to 62% now in 2020. This is because of the heavy capital investment required and the fact that power plants have a long lead time from feasibility study, mobilizing funding, construction, commissioning, and commercial operation.

The company has to contend with new legislation that affects its operations. Being a public entity there are challenges in procurements of its projects processes which are a bit slow being governed by the Public Procurement and disposal act. The natural resources from which power exploits its generation resources are diminishing. Before when KenGen was the sole geothermal operator they had their exploration and drilling blocks. Due to the liberalization of the sector, there is now competition from other players.

With the continuous generation of power, the power plants despite the maintenance and upgrade regime are also subjected to age. This will mean at some point they need to be retired and new plants are commissioned.

There are challenges to the adoption of new technology. Most of the old generation machines used old technology and most of their parts are obsolete and can no longer be supported. Another challenge is the rapid change in software used in the generation which after some time cannot be supported with new changes in technology. The company is also faced with the challenge of power uptake which is not in tandem with generation. The unstable grid has been a great challenge to KenGen. This is evidenced by numerous breakdowns which leads to sudden stoppage of generation plants.

4.6 Measures to address the challenges faced by KenGen PLC Ltd in pursuit of Competitive advantage

Some of the suggested measures to address the challenges are given below.

To cope up with the rapidly growing power demand, KenGen has aligned its projects with the national low-cost power development plan which has projections for power sector growth in Kenya. The blueprint has an estimated generation, transmission, and distribution strategic plan. This plan is periodically reviewed and thus the company can align its projects. To meet the procurement challenge KenGen operates its projects and activities on budget and is guided by a procurement plan. The company has very clear long term and short term activities. The company also encourages framework contracts with suppliers of major equipment for spares and technical support. Training of its staff in all aspects is adhered to and regular audits are done to gauge performance and areas of improvement. To secure additional generation resources like drilling blocks and power generation sites, the company has trained its staff in aspects of negotiation and lobbying.

KenGen in its project execution works with Kenya Power and Ketraco who manage the substations and transmission line. The parties regularly do joint power system studies with the view of harmonizing protection settings to avoid unnecessary grid disturbance.

KenGen has ambitious plans not to bank all of its revenue on power generation. The company has adopted a diversification strategy with a clear target to earn 50% of its revenue from non-electricity sources by the year 2025. The company is leveraging internal resources and capabilities to achieve this. The company has bagged drilling contracts in Ethiopia and Djibouti. It’s doing feasibility studies for other countries like Zambia, Rwanda, and Eritrea. The company also is seeking power plant operation and maintenance services for other power utilities both in Kenya and outside.

4.7 Discussions

4.7.1 Link to Theory

From a literature review on Resource-Based Theory, a firm can succeed and gain a competitive advantage, if it recognizes internal resources and capabilities which are unique and utilizes them for its advantage. From the research, KenGen has unique resources that it can use to its advantage. These are the vast tracks of land, the heavy investment in terms of machinery and equipment. Some of the capabilities are the brand name which is ranked 7th worldwide in geothermal power generation and is currently the leading in Africa. The company can also leverage innovative ideas like the new wellhead technology.

The company has footprints that can be linked to Porter’s generic theory of competitive advantage. In terms of cost leadership, KenGen commands 62% of the market and produces power which is cheaper compared with its rivals. The company has large power plants utilizing hydro, geothermal, winds, thermal and currently KenGen partners with Rural Electrification Authority for operation and maintenance of Garissa solar farm. Because of this niche, KenGen’s power can be relied upon and with the company signing long-term power purchase agreements with their single buyer.

From a literature review on Knowledge-based theory, KenGen has used its huge experienced staff and knowledge gained over time to achieve a competitive advantage. The company has been in operation since 1922 gaining experience in power generation and operations. The company has a pool of highly qualified scientists who specialize in research and exploration.

Labour turnover is low meaning a majority of its employees work for many years. The company has a good mentorship program, very good practical training facilities, and practical on the job work. Staff is exposed to both internal and external training. The company has established a centre of excellence for power utilities for East and Central Africa which is recognized by the United Nations.

4.7.2 Link to other Studies

The research aligned itself with previous studies using a case study. For example, Chege (2014) used case study on Nakumatt holdings, and her findings were strategy was used to create superior products resonating to changing customer need. Nyakora (2017 used case study in his investigation on Safaricom and his findings were strategy formulation and resource allocation despite being challenges in the company, top management decision on strategy had given the company a breakthrough in its projects.

The findings above indicate different companies may use the same strategies to achieve various levels of success, all depending on how the strategies are used. This means similar strategies applied in multiple firms cannot achieve the same results. There is another underlying factor that catalyses these strategies. It could be leadership, culture, core values, and other triggers from either the external or internal environment.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter gives a summary of the research findings from chapter four about objectives set out in chapter one. It underlines the importance of the study to stakeholders identified. Limitations of the study are discussed and recommendations for further research are suggested.

5.2 Summary and Findings

The main objectives of the study were to establish the strategies adopted by KenGen PLC Ltd to achieve Competitive Advantage and investigate factors that influence the choice of strategy within KenGen PLC Ltd. The trigger for the research is the perceived competitive advantage that KenGen PLC Ltd seems to enjoy among power generation companies in Kenya notwithstanding the intense competition in the sector. Fifteen interviewees were targeted for the study but only eleven were available for the interview representing a 73.33% response rate.

5.2.1 Strategies that KenGen PLC has adopted to achieve Competitive Advantage

Research findings reveal KenGen has employed strategy to position itself as a dominant force in the power generation sector. The study reveals that strategy formulation, monitoring, and evaluation within the constraints of the current operating environment is an important factor to remain in business. Whereas KenGen PLC Ltd has one overall strategy, it has other strategies employed to achieve Competitive Advantage. This is Differentiation, Cost

Leadership, Organizational, Operational Excellency, Expansion and Diversification, and Knowledge-based strategies.

The study reveals KenGen PLC Ltd stands on the solid foundation of the unique resources and capabilities within its operating environment. These are the land, entrepreneurship, labour, capital, and technology used in its operations.

The company has unique knowledge owned by its people and very special in its operations. It has top-notch scientists experienced in the exploration of power generation resources in geothermal, hydro, thermal, and wind. The company has expertise in drilling, reservoir maintenance, steam gathering, operations, and maintenance of power plants. The company too has gained expertise in capital planning, fundraising, and management of available funds. The company prides itself on robust support systems afforded by its ICT network. The company subscribes to government performance contracting, corporate governance and Balanced Score Card as approved by the World Bank. The company has adopted Integrated Management Systems standards for quality, environmental, and safety systems

5.2.2 Factors that affect Choice of Strategies by KenGen PLC Ltd to Achieve Competitive Advantage

The study reveals that the major factor that influences the choice of strategy within KenGen PLC Ltd is the government regulations through the Ministry of Energy, The KenGen Strategic plan which is a roadmap crafted from the company's vision, mission, and core values guide the firm and influences choice of strategy. New legislation both for the national government, county government, and international protocols and laws to which Kenya as a nation subscribes. Governance, leadership, and culture within the organization have a big bearing on the organization too. The company takes seriously emerging issues that affect its business and allocates resources to tackle them. Research, innovation, and changes in technology are parameters within which strategy works and as such it must respond to them. No company can ever operate and succeed alone, KenGen has formed partnerships with its stakeholders to operate smoothly. The study found out that these strategies have been carefully developed to give the company competitive advantage.

The study found out that KenGen's business rivals are the small privately-owned hydropower plants serving the tea sector, OrPower which operates within the Olkaria Geothermal field, Thika power and Tsavo Power which are thermal power plants. Turkana Windfarm is also a serious competitor and emergency power plants which are contracted by the national government in case of serious projected power shortage.

5.3 Conclusion

The main focus of the study was the strategies adopted by KenGen PLC Ltd to achieve Competitive Advantage. From research findings, it can be concluded that KenGen formulates strategy that guides its processes anchored in a strategic plan. However in response to the dynamic environment, sometimes the company crafts emerging strategies to mitigate changes in its operating environment. This could be short term to address situations and issues. Some departments have been added and others enjoined to improve services and attain specific objectives. For instance, in March 2020, the company crafted a strategy to combat covid-19 a worldwide pandemic that affected many businesses. This was not anticipated prior but it guided how the company responded to this unique situation by making plans and allocating resources to ensure business continuity. Instead of relying on one major source of revenue, the company has diversified to other sources and has an ambitious plan to get 50% of its revenue from non-electricity sources by 2025. The researcher concludes that the company is responding well to challenges in its operating environment affecting its strategy and structure.

5.4 Recommendations.

For any participants in the power generation sector to grow and attain gain competitive advantage, good strategies are critical. Developing strategies focusing on the resources and capabilities available to the company, leveraging on the inherent strength developed over time, and specific knowledge in its people can give any company a competitive edge.

The power generation sector is a key determinant of economic development for any country. When electric power is affordable, reliable, and environmentally friendly in its extraction, it becomes more attractive and appealing to up takers and consumers. This is the reason the government has a major stake and made major investments in the industry. This study gives a synopsis to policymakers on the trigger for the success of the sector. Availing guarantee investment instruments required for power generation will encourage the growth of the sector. Partnering with other power generation utilities in the world will lead to the acquisition of best practice skills, experience, and expertise which be beneficial to our Kenyan power generators.

The study identifies and recognizes the critical role played by top management in KenGen PLC Ltd in driving the strategic management agenda.

5.5 Limitations of the Study.

The research experienced some limitations when carrying out the research. They are outlined below and how the researcher responded to them.

The timing was a serious challenge during the study because senior management who were target interviewees for primary data collection had their busy business schedules. This was complicated by the fact that the study was carried out at a time when the country was reeling under the effects of the covid-19 pandemic and movement across the country was limited. The researcher used phone calls and email to request target individuals for interviews. The researcher gave the flexibility of face to face interview observing company and Ministry of Health laid down covid-19 protocols. The other options were online meetings via zoom or team software or telephone interviews. The researcher emailed a copy of the interview guide to most interviewees before the actual interview.

KenGen being a state corporation, the senior managers had to be careful about the level of information to share so as not to exceed the allowed disclosure level. The researcher relied on secondary data from newspapers, company websites, the internet, and other internal documentation to supplement the information provided.

Kenya has adopted a grid code to guide its power generation, transmission, and distribution. At the same time, the country subscribes to the proposed East African Power Pool. The study did not look into strategies employed by other power generation companies in the region. This should be considered in future.

Furthermore, the twin aims of the study were to establish strategies adopted by KenGen PLC Ltd to achieve competitive advantage and to identify factors that influence the choice of those strategies. This is at the core of any business and could infringe on most likely company secrets. To overcome this, the researcher used secondary data available in the public domain and used persuasive methods while conducting the oral interview.

5.6 Suggestions for Further Research

The current study adopted a case study on strategies adopted by KenGen PLC Ltd to achieve a competitive advantage. Consequently, it limited itself to KenGen which is a single organization and sampled top management. We propose future studies to include middle and lower management in a similar study.

The study proposes similar studies in other power generation companies especially the private sector in Kenya. A similar study is recommended for the entire power generation sector in the country. This will give a holistic picture of strategies used in power generation in the entire nation. Another research design method could be adopted for similar studies in the future to compare research findings.

We recommend the study of the link between strategies and structures about a competitive advantage in power generation firms too.

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APPENDICES

Appendix 1: Letter of Introduction University of Nairobi

UNIVERSITY OF NAIROBI
COLLEGE OF HUMANITIES AND SOCIAL SCIENCES
SCHOOL OF BUSINESS

Telephone: 020-8095398
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsities
Our Ref: D61/10713/2018

Tel: 020 8095398
Nairobi, Kenya

Date:24TH September, 2020

TO WHOM IT MAY CONCERN

The bearer of this letter, **Frank Ogochi Ombongi** of Registration Number **D61/10713/2018** is a Master of Business Administration (MBA) student of the University of Nairobi.

He is required to submit as part of his coursework assessment a research project report. We would like the student to do his project on **Strategies adopted by Kenya Electricity Generating Company PLC Limited to achieve Competitive Advantage.** We would, therefore, appreciate if you assist him by allowing him to collect data within your organization for the research.

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

Thank you.

PHILIP NGIGI
FOR: DEAN, SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
24 SEP 2020
P.O. Box 30197 - 00100, NAIROBI

Appendix 2: Authorization to Collect Data – KenGen

KenGen

Kenya Electricity Generating Company PLC

KenGen Pension Plaza, Kolobot Road, Parklands
P.O. Box 47936-00100 Nairobi, Kenya
Telephone: +254-20-3666000 Fax:+254-20-2248848
Website: www.kengen.co.ke

Our Ref: **Staff/32/BK/ml**

Date: **30th September, 2020**

Frank Ombongi
University of Nairobi
P. O. Box
Nairobi

Dear Sir,

REF: STRATGIES ADOPTED BY KENYA ELECTRICITY GENERATING COMPANY PLC TO ACHIEVE COMPETITIVE ADVANTAGE.

This is to confirm that management has duly authorized you to collect research data from staff for pursuance of your scientific research on the topic: "**Strategies adopted by Kenya Electricity Generating Company PLC to achieve competitive advantage**".

You are hereby advised to treat the information given as strictly confidential and to use it only for intended purposes.

Through this note, KenGen staff are requested to give you maximum support as you collect the data.

You will also be expected to share a copy of your Research Project to the management after the research.

Yours faithfully
For: KENYA ELECTRICITY GENERATING CO. LTD.

BEATRICE KANDIE (MRS)
HUMAN RESOURCE DEVELOPMENT MANAGER

Appendix 3: Interview Guide

Section A: Organizational Data

1. Interviewee's position in the organization.

Description	
MD & CEO	
Divisional Director	
Divisional Manager	

2. Which Division

Description	
MD & CEO Office	
Strategy& Innovation Division	
Geothermal Development Division	
Finance & Commercial Division	
Human Resources & Administration Division	
Operations division	
Business Development Division	
Supply Chain Division	
Company Secretary & Legal Affairs Division	
Regulatory & & Corporate Affairs Division	

3. How long have you worked for KenGen?.................................
4. Has the organization structure changed in the last five years? If yes, what major changes have taken place?

Section B: Competitive Strategies

5. Who is tasked with strategy development at KenGen?
6. What guides strategy development in the company? How is a strategy implemented and how is evaluated?
7. Does the company allocate enough resources to support strategy? Please elaborate?
8. What business model has KenGen adopted in carrying out its business? Why was it adopted and what are its attributes?
9. Does the company have unique attributes or activities which are people-centered which support its operations? What are they? How do they support the bottom line?
10. Do the strategies adopted by KenGen respond to competition? Are the strategies aggressive? In your opinion, are response strategies to competition working?
11. Does KenGen consider a change in the current strategy? If yes, why

Section C: Factors that Influence Strategy

12. Who are KenGen's main business rivals? And how does KenGen view these competitors?
13. In your opinion, is the competitive environment becoming weaker, or tougher? Please elaborate on your answer above
14. How aggressive is KenGen's response to
    a) Competition
    b) Changes in Technology
    c) Political changes
    d) Changes in the Economy
15. How has the following influenced the competitive threat KenGen is facing
    a) Possible loss of qualified staff

b) Reduced market share

c) New legislation like Energy Act 2019

d) Superior use of technology

e) Superior human capital

f) Financial risk

16. How has KenGen been affected by changes in market share as a result of competition (due to structural changes?)

17. Explain changes that KenGen has initiated in mitigating changes in the competitive environment.

18. How have these responses affected day to day running of the company?

Thanks a lot for your time and valuable responses