

**STRATEGIES FOR DEVELOPING SUSTAINABLE COMPETITIVE  
ADVANTAGE AT SIGINON FREIGHT LTD, KENYA**

**BY**

**RUTH NDUTA**

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## **DECLARATION**

This research project is my own work and has not been presented to any other university for the purpose of study or otherwise

Signature.....

Date.....

**RUTH NDUTA**

**D61/P/7273/2005**

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

Signature.....

Date.....

**Prof. E. Aosa**

**School of Business, University of Nairobi**

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## **DEDICATION**

I dedicate this project to my family which has encouraged me to keep in good shape during the long hours of my studies towards successful completion. God gave you the patience to be peaceful and as you spurred me on, I knew the results would be there for all to see. Indeed this has come to pass and thank you for your great support.

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## **ABSTRACT**

This study investigated development of sustainable competitive advantage at the Siginon Freight Limited, Kenya. The aim of every organization in the market is to outsmart the competition leading to development of competitive advantage. Competitive Advantage was considered as the prolonged benefit of implementing some unique combination of internal capabilities and external advantages that differentiated between competitive and non-competitive industry players. The general objective of the study was to establish the development of sustainable competitive advantage. To achieve the main objective, a content analysis of major documents at the company concerning strategic planning was reviewed. Interviews from key Siginon staff were carried out to get an in-depth view of the strategies used to develop competitive advantage at the company. In its findings, competitive pricing, human resource management, service reliability, safety and security, differentiation, image building coupled with a strong resource base and IT management was identified. The study could be of great significant interest to the corporate world in Kenya and may have generated new information that could be used for policy formulation by the various players on the logistics market. Clearly, the study points towards enabling strategists to develop sources of competitive advantage that are manageable in order to steer logistics companies carefully into future success. The research also advanced the work of previous scholars and academicians. In particular it gave a supporting point to the competitive strategies and sustainability of competitive advantage. Based on the research findings the study concluded that organizational learning and management of information technology formed the main source of sustainable competitive advantage at Siginon Freight Limited, Kenya.



# **CHAPTER ONE: INTRODUCTION**

## **1.1 Background of the Study**

The strategy for firms attempting to enter global markets dictates that the degree of complexity needs to be considered in the firm's diversity plans while sustaining a competitive strategy that keeps the competitors at bay. Ansoff and McDonnell (1990) noted that complexity and diversity for such a firm means scanning through a continuum of competitive strategies including export, joint ventures, foreign branch, private equity investment, licensing or franchising and wholly owned foreign subsidiary. The main aim of firms is to identify the improvement in their performance that can be obtained through from improvements in the competitive strategies for respective business areas of the firms (Pearce & Robinson, 2011).

The competitive nature of global business calls for sustainability of that particular competitive advantage in order to remain viable on the market. Business managers evaluate and choose strategies that they believe will make their businesses successful by giving them advantage relative to their competitors. According to Porter (1986), the most prominent sources of competitive advantage can be found in the business's cost structure and the ability to differentiate the business from competitors. In fact Thompson and Strickland (2007) observed that firms that do not have a form of competitive advantage perform the poorest while those that have one form or both of the sources will experience above-average profitability.

High competition in business has also brought a need for logistics through movement of products and inputs across continents and countries to satisfy needs of markets that are nearby as well as serve those that are far-flung. What is most elusive in this case is the lack of strategy and a sustainable competitive advantage. There is therefore need to examine what needs to be done to optimize all logistical advantages in this global village. As a global village therefore, there is need to have a particular line of processes or methods of offering logistic services that is quite unique in the competitive market. This calls for sustainability of that particular competitive advantage in order to remain viable on the market. There is no doubt that logistics has very high stakes with the business community ready to shift loyalties at the slightest opportunity arising on the market (Sago, 2005). The aim and objective of every company in this very competitive market environment is to have a unique advantage which Porter (1980) calls competitive advantage.

### **1.1.1 Competitive Strategy**

The operating environment which in general is called the competitive field of business is comprised of factors in the competitive situation that affect a firm's success in acquiring needed resources or in profitably marketing its goods and services. According to Porter (1986), some of the most important factors in competitive strategy include the firm's competitive position, composition of its customers, the reputation amongst suppliers and creditors as well as the ability to attract capable employees.

Assessment of a firm's competitive strategy improves the firm's chances of designing strategies that optimize its environmental opportunities. Executives consider several variables in identifying the firm's current and potential competitors. Identifying competitors forms a very important part of competitive strategy analysis and this involves identifying how other firms define market scope, how customers perceive benefits of competitors and how the other firms are committed to the industry (Pearce and Robinson, 2011). This would ensure that a firm is in a position to design competitive strategies that would optimize its chances of utilizing environmental opportunities.

A competitive strategy has been observed to be unique characteristics and field positions that a company undertakes in order to remain defensively competitive while maintaining the most viable positions on the market. According to Porter (1980), a competitive strategy could be inherent but requires development by the organization in order to protect it from duplication and imitation that would render it not unique. By making the competitive strategy unique, a firm is expected to shield itself from external forces that would try to overtake its gain by utilizing the unique advantage developed by the rival firm (Sacheva, 2009)

### **1.1.2 Sustainable Competitive Advantage (SCA)**

Organizations are there to exist and remain successful and hence the need to have a long term sustainable competitive advantage (Sacheva, 2009). Several authors have come up with the study of sources and types of strategies capable of attaining competitive advantage.

Porter (1985) came up with the term competitive advantage when discussing the basic types of competitive strategies a firm can possess to achieve competitive advantage. He maintained that it was possible to achieve SCA through low cost and differentiation approaches. He defined sustainable competitive advantage as the position where a firm implements a value creating strategy that is not simultaneously being implemented by potential or current competitors noting that the competition would at that particular time be unable to duplicate the benefits of the said strategy.

Porter (1985) identified low-cost and differentiation as SCA strategies while Day and Wesley (1988) identified superior resources as potential sources of SCA. Mitchell *et al.*, (2007) put emphasis on skills and resources by arguing that firms should consolidate resources and skills into competences that allow them to adapt quickly to changing opportunities.

Competences based on resources provide internal avenue for sustainable competitive advantage. According to Wenerfelt (1984), resources are things which could be thought of as strength or weakness of a given firm. More specifically, resource based competences consist of core human and non-human assets, both tangible and intangible that allow a firm to outperform rivals over a sustained period of time. In order for resource based competencies to be a source of SCA, a firm must ensure that there is synergy between the various firm specific resources and capabilities. The tacitness of intangible input/skill-based competencies would also enhance the difficulty of competitor imitation.

From the foregoing, it is evident that firms have to position themselves and what they offer in a specific market. It is equally important that firms enhance their distributive competences as sources of SCA, through strategic development and use of resources at their disposal. These competences are practically created and nurtured through a pattern of strategic decisions and the actions of individuals with the firm. To create and sustain a competitive advantage, managers within a firm need to focus on developing and nurturing their firm's unique competencies that inhibit imitability. Thus, firms should continuously invest in skills and capabilities that are ambiguous and scarce to the competitors or if acquired by the rivals would not be able to exploit them for any strategic competitiveness.

### **1.1.3 The Logistics Industry in Kenya**

Kenya plays a critical role in international trade within the East African region as a gateway for imports and an avenue for exports through its ports. Other than exporters and importers, the other players in international logistics include Airlines, shipping lines, Non Vessel Owning Consolidating Companies (NVOCC), freight agencies, transport companies and clearing and forwarding entities. The logistics industry is associated with various modes of cargo freighting particularly across geographic borders of various countries. Cargo freighting is provided by shipping lines, airlines, railways, or road as well as complementary service providers such as warehousing, container freight stations and transit sheds supported by robust data management systems (Siginon Report, 2012).

The logistics industry is highly competitive. Siginon Freight a leading industry player continues to face stiff competition from multiple players in the various industry sectors be it clearing and forwarding, transport, container freight station and warehousing. In the clearing and forwarding industry the main players include; Kenfreight East Africa Ltd, SDV Transami, DHL Global, Agility Logistics and Andy Forwarders. In the transport industry key players include; Bash Hauliers, Sanghani, Buzeki Enterprises, Multiple Hauliers and Shreeji Transporters. In the container freight station industry, the competitive set comprises of Regional logistics, Consol base, MCT and Boss freight. In warehousing services, key competitors include, Chai

Tea Trading, Mbaraki Port Warehouses, Tea warehousing Ltd, Ufanisi Freighters and Cargill (K) Ltd (Signon Report, 2012).

The logistics market is also heavily involved in selling cargo space to shipping lines based on commission as well as selling to exporters for non-nominated volumes. In some instances the market players are targeting almost exclusively clearing agent via commission and lower costs. Similarly, there is hard selling to solicit business in Mombasa and Nairobi with importers in which the main weapons are free storage periods, commissions plus rebates. The Signon market share currently stands at approximately 4% as at May 2011 while market leaders, SDV Transami, DHL Global, Andy Forwarders, Agility, control over 50% of the logistic market share (Signon Report, 2012).

#### **1.1.4 Signon Freight Limited**

Signon Freight Ltd was incepted in Mombasa in 1985 as a clearing & forwarding firm commencing with 2 trucks and 3 staff. The company has grown over time to incorporate a container freight station (CFS), air cargo handling facility and an elaborate division that handles clearing, warehousing and transport. In 1997 Signon launched 2 air cargo handling terminal at Signon Cargo Centre in JKIA Airport, Nairobi and Eldoret International Airport. In 2001, the opened a container freight station (CFS) named KENCONT CFS in Mbaraki, Mombasa. Today, the company

has spread its operations to Tanzania in Dar es Salaam offering logistics services by transporting oil by road from Dar es salaam, Tanzania to Ndola in Zambia. The company is also currently developing a Kes. 1 billion air cargo handling terminal on the airside of the JKIA airport. The construction which began in 2011 is set to be complete by 2013. In April 2012 Siginon underwent a corporate rebranding where it adopted a new brand identity and positioning reflected in its new vision to be Africa's world class logistics company (Siginon Report, 2012).

This achievement notwithstanding Siginon has continued to pursue certifications and memberships to bodies which would credibly reflect the brand and its services. Siginon, is an ISO 9001:2000 certified company and has also been accredited by several local and international bodies such as IATA (International Air Transport Association), AEO (Authorized Economic Operator) and is currently pursuing ISAGO (IATA Safety Audit Ground Operators) (Siginon Report, 2012).

On the technology front, Siginon has adopted Cargospot, an online cargo handling system at both the air cargo terminals. Across the entire company, Siginon has also adopted the global SAP Enterprise Resource Planning which is a business management system enabling efficiency in cargo, data handling and supports financial transactions (Siginon Report, 2012).



Signon prides itself in providing total logistics solutions under one roof through its various business divisions i.e. Transport (with over 120 trucks), freight forwarding, warehousing (over 200,000sq ft that includes bonded, transit, and cold-rooms), air and sea customs clearance, air cargo handling, ground handling for cargo aircrafts such as Cargolux, Singapore Airlines, MAGMA, Safari Express, Egypt Air and Emirates at both JKIA and at Eldoret International Airport as well as container freight station in Mombasa.

Signon is strategically aligned to be competitive globally by gauging her performance through international affiliations to international certification and related industry bodies including: International Air Transport Association (IATA), IATA Ground Handling Council (IGHC), IATA Safety Audit for Ground Operations (ISAGO) certification, World Cargo Alliance (WCA) member, Kenya Transport Association (KTA) member, Kenya Shippers Council (KSC) member, Container Freight Station Association (CFSA) member and Federation of East Africa Freight Forwarders Association (FEAFFA). The company is expanding to keep in pace with the global expansion demands and hence sustainability in the competitive world.

## **1.2 Research Problem**

There is considerable appeal and evidence that a firm must build a distinct competitive advantage to grow and be profitable over the long term. The factor of strategy and

competitive advantage has been observed to be key in leading firms all over the world as observed by Porter (1986). However, it has remained difficult for many firm managers to clearly articulate what the firm competitive advantage is and how it uniquely differs from that of competitors. Any global firm or one that intends to be global therefore needs to think in terms of their customers, the type of products or services they value and why they do so. The increased multinationals, the development of global oligopolies, the reduction in trade barriers, and the emergence of new regional areas and regional identities that transcend borders means that firms must develop logistical competitive advantage in order to survive (Todnem, 2005). Added to this list today would be the rise of electronic communities on the internet and the fact that nations comprising nearly one half of the global population have either entered onto the world economy or have dramatically altered their relationship in the last 2 decades (Amanda, 2007).

Kenei (2008) studied Porter's generic strategies in the tea industry in Kenya and concluded that no particular strategy favored the sector. Likewise, Kisyoka (2005) studied positioning strategies used by health maintenance organizations in Kenya. In conclusion, he noted that such organizations used marketing strategies that were not conducive for the market observing that most were off the shelf strategies. Biyegon (2010) while establishing the challenges that face Kenya Export Processing Zone Value Adding firms in global competition concluded that firms should have strategies in place that makes them most competitive compared to their competitors.

Finally in the Siginon Report (2011), managers identified the need to have a clear competitive advantage in the fiercely competitive logistics market. The above studies have all shown the need to wary of competition and nurture competitiveness in any market sector. Although there was clear talk of competitive strategy, not much was studied concerning sustainable competitive advantage. Similarly, most of the scholars have been from other sectors of the economy including health (Kisyoka, 2005), agriculture (Kenei, 2008) and services Biyegon (2010).

It is from the foregoing that the author is inspired to fill a gap that has arisen by not covering the logistics industry and specifically not having discussed development of sustainable competitive advantage. The study therefore sought to identify which strategies would be formulated to establish sustainable competitive advantage at Siginon Freight Limited, Kenya.

### **1.3 Objective of the Study**

The objective of this study was to establish strategies for developing sustainable competitive advantage at Siginon Freight Limited, Kenya.

## **1.4 Value of the Study**

This research project paper has informed those charged with policy formulation in strategic management on how to utilize future opportunities from within the company and externally in order to design and create sustainable competitive advantage. This would include the government and regulatory bodies in the logistics industry.

The study findings could be of use to industry players in the logistics industry including the transport and warehousing firms as well as Siginon Freight Limited itself. Observations indicate that strategy managers in logistic industry are very much on the lookout for ways and means of facing the competition with success.

The study also contributed to the existing body of knowledge both logistics world and world competition in general. Academicians, scholars and researchers could use the findings as reference point for further analysis and research. Finally, the study could be of help in generating new ideas that will provide a foundation for positive impact in Siginon and various practitioners in the logistics industry.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter reviews both theoretical and empirical literature related to strategy. It further explores the challenges in development of sustainable competitive advantage in strategy formulation and implementation.

### **2.2 The Concept of Competitive Strategy**

The main perspective of competitive strategy specifies the distinctive approaches which the firm intends to use in order to succeed in each of the strategic business areas. Competitive strategy gives a company an advantage over its rivals (Ansoff, 1985). There are many routes to competitive strategies but the most basic is to provide buyers with what is perceived to be superior value of goods and services at a lower price and more attractive than the competitor. According to Thompson and Strickland (2007), competition is the core area of success or failure for firms. It determines the appropriateness of a firms' activities and aims to establish a profitable and sustainable position.

Firms pursue competitive strategies seeking to improve and maintain their performance on specific market and industry environments (Porter, 1980). The main competitive strategies are categorized into two groups: cost strategy and product differentiation. At the centre of each of the two main strategies is the dynamic

relationship between enterprise strategy and industry structure. Competitive business strategies are therefore important strategic alternatives for many firms.

Porter (1986) noted that firms that do not respond effectively to competition are not likely to succeed in business. While some may resort to improving current markets or products, diversification or divesture, others employ techniques that ensure operational effectiveness. Competitive strategies should however lead to competitive dominance which according to Kaplan and Khan (2002) begins with the conviction that leadership is temporary and a belief that smart and competent competitors are always fully prepared to displace the leader or dislodge the incumbent. In the final analysis, Thompson and Strickland (2007) observe that competition essentially involves the offensive and defensive moves to counter the competitive capabilities of rivals, their manoeuvres and shifting resources around to the firms long term capacity to remain competitive in the prevailing circumstances and beyond.

Porter (1980) defined generic strategies as five options open to an organization that wish to achieve sustainable competitive advantage. Each of the five options is considered within the aspect of competitive source and competitive scope. In this case, planners believe that any long-term strategies should drive from a firm's attempt to seek competitive advantage based on one of the generic strategies. Johnson and Scholes (2003) have also found the strategies to be successful for various reasons. The generic strategies include low-cost leadership, differentiation, operational excellence, customer intimacy and product leadership.

The other second group of strategies is the grand strategies, in which a firm can elaborate on its business in a number of ways through development of its products within the business, develop new products, enter new distribution channels, seek new geographical areas and most likely, push the same product more aggressively through the same market. Such are the strategies Johnson and Scholes (2007) classify as grand strategies and they broadly include penetration, market development, product development, chain integration and diversification

### **2.3 The Concept of Competitive Advantage**

The concept of competitive advantage was popularized by Porter (1985) who observed that it is the prolonged benefit of implementing some unique value-creating strategy based on unique combination of internal organizational resources and capabilities that cannot be replicated by the industry competitors especially in the immediate market. Sustainable competitive advantage allows the maintenance and improvement of the firm's competitive position in the market. It is an advantage that enables business to survive against its competition over a long period of time. As Johnson and Scholes (2007) have added, sustainable competitive advantage is, a position a firm occupies against its competitors.

Porter (1985) indicates that sustainable competitive advantage is derived from the following sources; unique competitive position, applicability to multiple situations, sustainability, superiority to competition and difficulty to replicate. He adds that the

development of sustainable competitive advantage is possible through cost leadership, differentiation and focus.

Sustainable competitive advantage involves every aspect of the way that organization competes in the market. Its real benefits come from advantages that competitors cannot easily imitate. According to Porter (1985), competitive advantage needs to be more deeply embedded in the organization in terms of resources, skills, culture, and investment over time. This involves seeking something unique and different from competitors. Again, this is based on stability and continuity in relationships between different parts of an organization. The main reason for analyzing competitors is to enable the organization or firm develop competitive advantage against them, especially advantage that can be sustained over time (Pearce & Robinson, 2007).

The need for sustainable competitive advantage is due to rising and intense competition. The opportunity of firms to sustain competitive advantage is determined by their capabilities. Aosa (1992) observed that inherent within the notion of strategy is the issue of competitiveness, which deals with gaining advantage over competitors. In this sense, the capabilities of a firm are of many kinds. Distinctive capabilities are those characteristics of a firm which cannot be replicated by the competitors or can only be replicated with great difficulty, even after which the competitors still realize benefits for the originating firm. Some of these include government licenses, statutory monopolies or effective patents and copyrights that can be effected strictly. However, firms in competitive markets have built equally powerful market survival strategies



including strong brands, patterns of suppliers or customer relationships and skills, knowledge as well as routines which are embedded in the internal firm teams. Reproductive capabilities can be bought or created by any firm with reasonable management skills, diligence and good financial resources (Johnson & Scholes, 2007). Similarly, most technical capabilities are sometimes reproductive, but according to Thompson and Strickland (2007), only distinctive capabilities can be the basis of sustainable competitive advantage.

Finally, Porter (1985) observed that when activities complement one another, rivals will get little benefit unless they successfully match whole system. Such situations tend to promote a winner-take-all competition. This leads to the distinction of strategic positioning and operational effectiveness which most people tend to confuse. Aosa (1992) noted that operational effectiveness means performing similar activities from rivals or performing similar activities in different ways. When attempting to identify sustainable competitive advantage, several authors including Mintzberg (2004), Johnson & Scholes (2008) and Kaplan and Norton (2001) have recommended that it is critical to understand the distinction since very few firms have competed successfully on the basis of operational effectiveness over an extended period. So far, the primary factors of sustainable competitive advantage remain innovation, reputation and relationship as identified by Porter (1985).

## **2.4 Sustainable Competitive Advantage Perspectives**

The main perspectives of sustainable competitive advantage are in three forms which include resource basis, value chain and collaboration. All the three perspectives are to

be associated with every firm in one way or another as long as the firm is on the open competitive market.

#### **2.4.1 The Firm Resources**

In a part of competitive advantage, the resource-based view sees above-average profitability as coming from effective deployment of superior or unique resources that allow firms to have lower costs or better products rather than from tactical maneuvering or product positioning. In this case, firm resources can be classified as capital, human and organizational resources (Porter, 1985). Valuable resource management resides in a particular function such as corporate research and development, or in an asset such as corporate brand identity. According to Thompson and Strickland (2007), superior performance will therefore be based on developing a competitively distinct set of resources and deploying them in a well coordinated strategy.

Also for resources to qualify as basis for an effective strategy, Thompson *et al* (2007) observed that it must pass a number of external market tests of its value include inimitability, durability, sustainability and superiority. Inimitability is at the heart of value creation since it limits competition. This means that if a resource inimitable, then any profit stream it generates is more likely to be sustainable. In other words, possessing a resource that can be easily imitated by competitors generates only temporary value Kasyoka (2005). However, it is to be noted that inimitability does

not last forever even under dictatorship. Competitors eventually figure out a way of copying most of the valuable resources. Managers can foresee this and therefore build their strategies around resources that are unique. The longer lasting a resource is, the more reliable it will be as a sustainable competitive advantage.

According to Mintzberg (2004), some industries remain stable for long periods but most in the modern world are so dynamic that the value of resources depreciates quickly. Not all products from a resource automatically flow to the company that owns the resource since the value is always subject to bargaining by a host of players including customers, distributors, suppliers and employees. The potential for substitutes is always a threat to be taken care of. This is because, competitive superiority not only involves internal assessment of core competence of all activities the company performs but distinctive competence is more appropriate. It is therefore imperative that managers look at resource-based view in deciding how to choose strategies to gain sustainable competitive advantage only as long as the rules of the game in an industry remain relatively stable.

#### **2.4.2 The Value Chain**

According to Porter (1985), the value chain is a systematic way of examining the activities a firm performs and how the activities interact in order to analyze the sources of competitive advantage. It disaggregates a firm into its strategically relevant activities in order to understand the behavior of cost and the existing plus potential

sources of differentiation. A firm gains competitive advantage by performing the strategically important activities more cheaply or in a better manner than the opposition or competitors. In order to remain sustainable, the competitive advantage position often accumulates from many activities since advantage resting on few activities is easier to imitate. Sustainable competitive advantage thus introduces the concept of value chain as a framework for thinking strategically about activities involved in any business and assessing the relative closeness. The value chain thus provides a view of the firm as an independent system in which individual parts must be internally consistent.

Thompson and Strickland (2007) actually went ahead and suggested that such activities are narrower than the traditional functions that actually generate cost and value for buyers. To them, those are the basis units of competitive advantage. Competitive advantage is based on the fact that advantage can arise from many sources and show how all advantage can be connected to specific activities and the way those activities relate to each other. In other words, competitive advantage entails discovering the underlying causes of advantage in an activity. This is why firms achieve lower cost and the firm activities create tangible buyer value (Porter, 1985).

### **2.4.3 The Collaboration**

Although competitive advantage may not always be achieved by competition alone, collaboration between firms may be a crucial ingredient in achieving advantage or

avoiding competition. Firms may compete in some markets and collaborate in others or even do both. Collaborations aid in building sustainable competitive advantage to parties involved (Porter, 1985).

According to Kenei (2008), collaboration between potential competitors or between buyers or competitors or between buyers and sellers is likely to be advantageous when the combined costs of purchase and buying transactions (such as contract negotiations) are lower through collaboration than the cost of going it alone. Such collaboration also helps build switching costs that make firms collaborate in many ways. A forwarder and a depositor may collaborate with each other on means of reducing lead times of delivery reducing costs and helping in research and development of stronger delivery or logistic lines. Examples include the manufactures who have direct links with information technology firms especially in the modern world of communications. This means that even buyers in the chain link can collaborate with both the IT firm and service providers to help increase their optimum delivery times. This collaboration certainly reduces the input cost especially for logistic firms as buyers can log onto their system with authority and help in tracking shipments.

Collaboration can be made to build barriers or avoid substitution and gain competitive power. A firm in an industry may collaborate to invest in a research and development or marketing. For example, a firm seeking to develop beyond her traditional boundaries like entering regional or international levels may need to collaborate with

the others on the new market or territory in order to make entry. Such collaborations may be advantageous for purposes of developing infrastructure such as distribution channels, information systems, research and development and most likely for cultural reasons.

More lately, e-commerce has emerged as providing firms with self-service concept where customers are brought on board to allow for customization of product or service to their best delivery or point of acquisition. The basic form of e-commerce in this case involves use of emails to track documents and movement of goods. The collaborations establish long relations between parties thus building sustainable competitive advantage (Scholes, 2003).

## **2.5 Developing of Sustainable Competitive Advantage**

Sustainability brings the challenge of achieving a competitive advantage in such a way that it can be preserved overtime. Generally, a firm needs to choose generic strategies and should not get stuck in the middle. Generic strategies are strategies expected of every firm any time and are applicable without exception. In this case, a firm that gets stuck in the middle needs to decide a low cost strategy in a broad or narrow market or offer a differential or unique service in a broader or narrower market. Porter (1985) points out that cost advantages and differentiation combined seeks to achieve three generic strategies which are cost leadership, differentiation and focus. Cost is an

important element in developing competitive advantage while sustaining low price is dependent on low cost although this combination can be difficult to achieve.

According to Porter (1985), to sustain reduced prices over a competitive market field requires adoption of a strategy of lowest cost base such that competitors cannot hope to emulate it. The firm in this case must be a cost leader and have a substantial relative market share advantage to provide it with cost advantage through economies of scale and market power.

The strategic approach aims at reducing cost based to a great extent on experience thus the emphasis may be keeping a close watch on costs in areas such as research and development. The objective is for the firm to have a low cost structure compared to the competitors. This strategy often requires that a firm has a large relative market share and cost efficient facilities. Cost advantage can be achieved through obtaining raw materials at lower prices than competitors, producing or providing services more efficiently,, having low labour cost, having lower cost distributors and most importantly, having costs that are reduced in operational areas which have greater impact on price and going where competitors have a lower market share with consequent higher costs (Johnson & Scholes, 2007).

On the other hand, a firm that follows differentiation strategy attempts to offer some unique service or product in the industry. Sustainable differentiation should be based on less imitable aspects of competitive advantage. Core competencies should be difficult to imitate by making them more complex for the competitor to comprehend. This should involve introducing some casual ambiguity which once associated with complexity can be difficult for competitors to understand especially the cause and effect. Again, the firm can ascertain the activities that are culturally embedded deep down in the firm. This could include imperfect mobility so that the firm's capabilities and competencies cannot be traded and if they are, differentiation will not be sustainable. Similarly, more intangible assets such as brand image or reputation are not easy for a competitor to obtain and even during acquisition or take-over; the firm may not easily transfer the brand to the new owners.

Sustaining specialization by focus or delta model and lock-in occurs when the organization is at a stage where it achieves a proprietary position in its industry standards. It implies that other related business or competitors have to do as per this firm or fail to prosper. The achievement of this strategy is likely to depend on the size of the market and dominance as well as the standards that have been set. Firms will seek to conform to such standards if they perceive the lead firm is promoting its dominance in the market. In the volatility of market growth, it is more likely that the firm that promotes such focus will make the others feel obliged to follow on. There is likely to be a vigorous insistence on the preservation of that lock-in position leading to



serious rivalry and insistence on conformity to the high standards (Johnson & Scholes, 2007)

## **2.6 Alternative Strategies for Sustainable Competitive Advantage**

When a firm selects a small market segment and then concentrates its efforts on achieving advantages in this segment, it is said to be practicing niche marketing. Such a need should be very distinguished especially by special buyer needs. These include high level quality services not offered by competition. It means offering high performance or recruitment of especially talented individuals that can sustain the competitive advantage. Examples include vertical integration that involves backward acquisition suppliers and forward purchase of distributors which could provide a hard-to-imitate advantage to the competition (Thompson *et al.* 2008).

Prahalad and Hammel (1990) noted that an offensive strategy if successful can open up a sustainable competitive advantage over competitors but this depends on the industry's competitive characteristics. This implies that the length of the benefit period depends on how much time it takes the competition to launch counter offensive and begin closing the gap. In effect, a lengthy benefit period gives the firm valuable time to earn above average profits and recoup the investment made in creating the competitive advantage. To sustain the initial advantage, a firm must devise a second strategic offensive strategy. According to Porter (1985) a firm must stay a step ahead of rivals if it is to sustain the competitive advantage against its competitors by

mounting one creative strategic offensive after another. Such measures could include attack on competition strengths on weaknesses as well as running offensives and what Porter calls guerrilla offensives (hit and run) principles among others.

On the other hand, Johnson and Scholes (2003) have noted that defensive strategies lower the risk of being attacked, weaken the impact of any attack that occurs and influence challengers to aim their efforts at the competition. One such defensive strategy entails adjusting quickly to changing industry conditions and on occasions, being a first mover to block or preempt moves by would-be aggressors. It involves trying to block challengers' avenues for mounting an offensive, signaling strange retaliation if a challenger attacks as well as trying to lower the profit inducement for challengers to launch an offensive.

According to Thompson and Strickland (2008), sustaining a competitive advantage requires the firm to continue focusing on efficiency, quality, innovation and customer responsiveness while developing distinctive competences that contribute to superior performance. This can be achieved by recognizing the importance of learning.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

Chapter three describes the methodology used in the study. This includes the research design, target population and the data collection tools with analysis to be used in the study. The relevance for each of the sections is highlighted.

#### **3.2 Research Design**

This study used the case study design for examining behaviour of subject of interest. A research design is a presentation of the plan, structure, or strategy of investigation, which seeks to obtain or answer various research questions. Mugenda and Mugenda (2006) define research design as a detailed plan for how the research will be conducted. The choice of this design was informed by the need to allow a better understanding of the conceptions and values of the study topic (Kothari, 2004).

According to Nachmias and Nachmias (2006), case study design is used to obtain information concerning the current status of the phenomena to describe "what exists" with respect to variables or conditions in a situation. These will also be a correlation descriptive research. This is because the variables under study will be measured as they naturally occur and will not be manipulated or controlled at the study location.

### **3.3 Data Collection**

The study gathered both primary and secondary data from Sigison Freight Limited, Kenya. The kind of data concerned strategic aspects including plans and schedules for management concerns. Also included were documentation showing competitive aspects of the firm both on the local and regional front.

In order to have objective responses, the study obtained data through interview guide designed to create a feeling of full participation by the respondents. The choice of the instrument was necessary since according to Kothari (2004), interviews give an in-depth review of the phenomena in the study and will be more objective in giving correct opinion by the respondents as they feel closer to the study during interview sessions.

The data collection method for this study involved arrangements to book interviews with the respondents using telephone and face to face meeting. The meetings to contact interviews took place at the respondents' place of work for ease of reference to any secondary materials that was useful to the study or in helping the respondents in their interview. Interview responses were recorded on the interview guide and extra recording material provided in case the respondents needed them.

Study respondents were carefully selected to include strategic level managers and their representatives at departmental level. In brief, the respondents were officers at Sigison

who participate and are able to refer to strategic level documents particularly concerning sustainable competitive advantage.

### **3.4 Data Analysis**

In order to make maximum use of documents and interview data, Cooper and Schindler (2009) have recommended application of content analysis. This research was a case study and hence followed through the recommendation of the scholar and applied content analysis

Content analysis made use of phrases, particular words to synthesize and extract information from statements made by respondents. The documents and interviews were analyzed to get meaning and deduce what the respondents inferred to while responding to the instrument questions.

## **CHAPTER FOUR**

### **DATA ANALYSIS, RESULTS AND DISCUSSION**

#### **4.1 Introduction**

The main objective of the study was to establish strategies for developing sustainable competitive advantage at Sigigon Freight Limited, Kenya. The study focused on both the Mombasa head office and headquarters in Nairobi. High ranking officers from different sections of the company were involved in responding to the interview schedule from which content analysis was carried out. Annual reports and strategic plan documents were also utilized to produce the project report.

#### **4.2 Respondents' Demographic Profiles**

The study focused on the employees of Sigigon based in Nairobi headquarters office. The major sections at Sigigon visited include logistics section, Information Technology, human resources, accounting and the finance section. The sections hold employees of various ranks and different professional background. A summary of their demographics is given in Table 1. Accordingly, both female and male are employed in all the sectors except at the IT section where only male respondents were available but it was explained that female employees have previously worked in the section. It was important to select employees in all major sections involving strategic plans and their implementation. All the respondents therefore had enough experience

to participate and respond appropriately to questions concerning strategies for sustaining competitive advantage by Siginon.

**Table 1: Respondents Demographic Information**

<b>Category by sections (Totals)</b>	<b>Gender</b>	<b>Education Level</b>
Siginon Group ( Commercial)	Male	Master’s Degree
Logistics	Male	1 <sup>st</sup> Degree
Logistics	Male	1 <sup>st</sup> Degree
Siginon Cargo Centre	Male	1 <sup>st</sup> Degree
Finance/Accounts	Female	1 <sup>st</sup> Degree

### **4.3 Strategies at Siginon for Competitive Advantage**

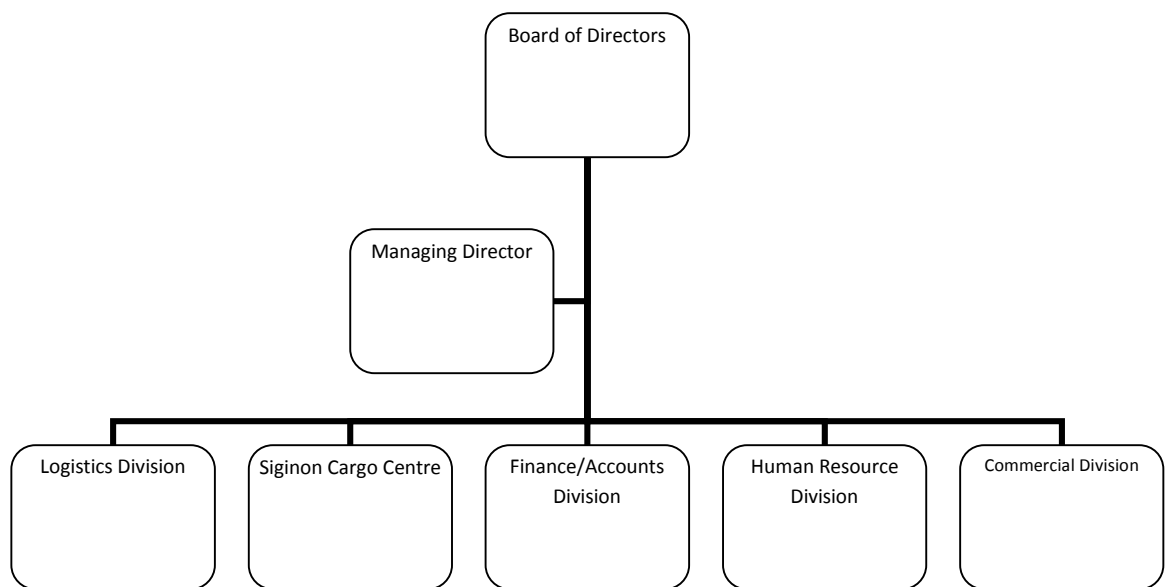
The aim of the study was to establish strategies for developing sustainable competitive advantage at Siginon Freight Limited, Kenya. By systematically interviewing senior staff at the company and reading through numerous documents and reports related of the company, the study came out with several observations as highlighted in the next sections.

### 4.3.1 Quality Service at Low Operational Cost

With a very crowded field in the logistics market, Siginon had strategized to be high on quality and maintain low operational cost. Senior employees correctly observed that whereas the company structure indicated that one all divisions had competition from rival firms; it was possible to offer services of high quality and still retain low process if the reputation and experience of the company were fully optimized.

Some of the senior staff interviewed observed that the company had a heavy congestion in terms of employees at work meaning the work load might be too heavy for any smooth implementation of strategic plans. The organization structure of Siginon is roughly sketched in figure 1.

**Figure 1: Organization Structure at Siginon Freight Limited, Kenya**



**Source:** Siginon Annual Report (Siginon, 2011)



### **4.3.2 Human Resource and Talent Management**

It was evident from the respondents that the human resource factor played or could play a big role as a strategy of competitiveness. For that reason, most of the respondents indicated that Siginon was slowly adopting use of professional human resource processes in recruitment and talent management.

The main problem with the mode and style of HR operation was that it tended to tire the few employees at work due to the heavy workloads. Again, the respondents observed that human resources would have to be modernized to suit current HR practices such as 24 hour operations, working from home as well as equipping staff with appropriate technology to maintain a unified rolling out of the strategy. This includes having the employees working on rotational work basis with respect to their stations or divisions at Siginon. This would demand recruitment of a younger, youthful work force whose energy and enthusiasm in their work would greatly contribute towards enhancing Siginon's competitive positioning.

### **4.3.3 Reliability at Point of Sale**

The logistics sector is growing rapidly in Kenya and plays a key role in the economy. Due to the nature of various goods involved in this sector, Siginon has been pursuing a policy of high reliability and accuracy in transactions at any point of sale for their

services. The points of sale are defined in this case as the various business units at Siginon including container freight station, air cargo handling, clearing, warehousing and transportation

The study observed that most of the support systems for Siginon were appreciated by market customers. The employee's argument was that at the end of the day, they all witness repeat customers and introduction of new ones either by the repeat customers or by the positive word of reputation that has spread around the region concerning Siginon services.

#### **4.3.4 Safety and Security**

Siginon senior managers observed that Siginon had put in place adequate and quality safety and security measures throughout their divisions. This is evidenced from documents collected at the company indicating very low incidences of accidents or mishaps within the company equipment and/or its assets.

The documentation in itself was a sign of orderliness which Siginon showed that safety and security could only be achieved through inclusion of safety and security systems coupled with supporting equipment operated by well qualified motivated staff. The Logistics manager observed that staff in the company was well educated, trained and compensated which implied high staff motivation. There is also a Safety

Officer whose role is to guide the company's safety and security systems and procedures as clearly outlined in the Siginon health, safety and environment (HSE) policy. This research also managed to scan the security records of the company and the records showed a low accident rate throughout the company's branch networks.

As a policy Siginon indicated that they have tried to help all their staff to maintain a high level of safety measures through purchase of high quality vehicles with strict maintenance, reliable equipment at all its business units and centres as well as subscribing to world safety bodies like ISO, IATA and ISAGO. This has helped in accelerating the rate of implementation of safety and security policy around the Siginon network.

#### **4.3.5 Differentiation**

From the set structure of the company, it became clear that leadership is associated with good strategy in differentiation. Respondents indicated that cost leadership was the best form of this differentiation and the company was trying to actively pursue the strategy.

The cost leadership however was difficult to achieve due to the heavy competition that has led to undercutting by the competition. This perhaps explains why Siginon is still concentrating on a smaller market in the region as opposed to going global. By

servicing the regional market, Siginon expects to be exceptionally good in delivering services in the smaller regional market even though this stands the risk of attracting world competitors once they start admiring the profit margins of Siginon.

To complete the difficult situation of differentiation, respondents cited the fact that governments in the region are opening up to powerful partnerships like the Chinese, European Union and other giant global freighter players. In essence, respondents said they are not empowered to tackle competitors directly or give suggestions to the political movers to influence entry onto the small lucrative market in the region.

#### **4.3.6 Image building**

Siginon has been working on developing a very good image both locally and regionally. By spreading their business into the regional market, the customers feel that they are dealing with a reliable service provide. This was evidenced from the many messages that customers wrote to the company.

From the look of the machines owned by Siginon there was evidence of a show for image building and that the company in heading towards having a reputation for reliability and consistency. Siginon was viewed as a pace setter in the region with their development of freight center, cargo depot and corporate rebranding as part of its image building.

### **4.3.7 Organizational Learning**

Siginon has a strong drive for organizational learning. The company emphasizes the need for accountability and flexibility in their working hours. One of the areas that senior employees believe can be of great value to the company is regional training. The schedules for training employees could be made such that a majority of them attend as many training workshops as possible concerning company strategy.

Other common ways of accepting or being able to enforce organizational training of strategic planning include group meetings, the adoption of new leadership style that is training-oriented and ICT based learning that would increase the chances of training a large number of employees on the company need for strategic planning.

### **4.3.8 Managing Information Technology**

The second source of competitive advantage at Siginon was found to be excelling in management of information technology. The company installs robust IT systems and has heavily invested in the latest technological advancements in the logistics industry. Siginon has also adopted the global SAP enterprise resource planning which is a business system enabling efficiency in cargo, data handling and support the strong financial base transactions. The strong IT network means the company can globally relate to other players and regulators of quality in the logistics market.

## **4.4 Discussion of Findings**

The section discusses findings of the study with respect to theory and other empirical studies in order to link theory and practical aspect. Achieving sustainable competitive advantage requires strategic options that have been discussed in the study from other authors.

### **4.4.1 Comparison with Theory**

The study found that quality that is attained at low cost was the most appropriate to achieve a competitive advantage. This was in line with what Porter (1980) observed in his theory of competitive strategies in which he suggested both generic and grand strategies. Through development of personnel at low operating efficiency, the study was conforming to Scholes (2003) observation that the theory of competitive strategies was practical and that other measures that were implementable could both work and sustain a firm's competitive advantage.

Resource-based theory as noted by Kaplan and Norton (2001) was noticeably observed from the study findings. This was through the finding that differentiation and image building as a competitive strategy relied on the organization resources. In effect, the organization that sought to have a competitive advantage would require unique resources which according to Thompson and Strickland (2007) require

protection by the organization. This also conforms to resource based management theory.

#### **4.4.2 Comparison with Other Studies**

From the study findings, it was observed that several of the observations were in line with studies from other authors. In observing that generic strategies were applicable at the company, the study was in conformity with Kenei (2008) who noted the application of Porter's (1980) generic strategies in the tea industry. Other scholars who have observed the application of the generic strategies include Kasyoka (2005) and Biyegon (2010).

The study also found the application of grand strategies to be in use at the company including new geographical areas and new channels of distribution. Clearly, other scholars had identified the grand strategies as being successful. These include Amanda (2007), Todnem (2005) and Sago (2005). It was therefore clear to conclude that the findings of the study had clearly been in conformity with the mentioned scholarly findings from other scholars.

## **CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter gives a summary of the entire research highlighting the conclusions, recommendations and suggestions for further research. The recommendations and suggestions are based on the findings in the previous chapter and the study objective.

### **5.2 Summary of Findings**

The study objective was to determine strategies for developing competitive advantage at Siginon Freight Limited, Kenya. Accordingly, the study viewed documents and used interviews from the company for an indepth content analysis. The company has four main sections namely, finance and accounting, ICT, human resources and logistics. The initial analysis showed that there is strategic planning and implementation at the company. High ranking employees at Siginon were involved in the exercise and that various centres for company had their individual strategic plans all geared towards attaining overall strategy for the company.

It was also established that there was stiff competition on the market coming from particular rivals namely auto financing companies, air cargo firms, the container companies as well as containers, terminals and shipping agencies.



Another major finding was that Siginon lacked a global outreach and has adopted a laid back attitude whereas the opposition were very much aggressive. The leading market players including DHL, Agility, UTI, Andy and SDV have a combined market share of over 50% compared to Siginon which has about 5-7% share of the market as late as 2011.

### **5.3 Conclusions**

This study made several conclusions from the findings. First, it was concluded that there was ample opportunity for the company to develop sustainable competitive advantage using both the external and internal resources.

Second, it was concluded that the company could have a strong base for developing strategies for sustainable competitive advantage if only it had a diversification project onto the global market.

Finally, it was concluded that from the resources of the company, there was a high chance of developing through personnel and IT infrastructure strategies that would be difficult to imitate by their immediate competitors.

## **5.4 Recommendation on Policy, Theory and Practice**

The study findings and conclusions have led to several implications in terms of policy, theory and practice. First, the government in their policy to serve the public with speed and quality tends to neglect the plight of officers who tirelessly work to implement the strategic plans. The policy here should be to take care of the high taxation in order to entice players and motivate business entities to enter the logistics market.

Second, it implies that the government should approach the regional strategic plan from a financial standpoint in order for the revenue arm to appreciate that high taxes in the set up of companies just makes it difficult to run business in Kenya. Finally, the company should global partnership area in order to get from being a regional player to a global one. This would mean working on a strategy that would ensure the domestic and regional customers are not disgruntled but stay loyal to the company.

## **5.5 Limitations of the Study**

As study based on historical data and interviews, it is always going to be difficult to make a conclusion from the findings which might be usable to the future. The fact that data has been fully used and archived means that policy makers and academicians will always use projections in making any decisions for the future for example; taxation, importation and exporting of various containers.

There was a likelihood that operations of one entity in the chain of business units for Siginon could not be entirely relied upon to give a true picture of what failures or successes were witnessed in the near past. That limitation was overcome by use of several documents both for the local offices and regional ones.

## **5.6 Areas of Further Research**

There is need to have a further study in the logistics sectors to establish the relationships among the players in their approach to competitive advantage. Similarly, the strategies used in developing the competitive advantage could be studied which ones are more successful and easily adaptable.

Another area of recommended study is the use of multiple stakeholders instead of using only one freight company to make recommendations on the development of sustainable competitive advantage. The multiple stakeholders in this case would involve both customers and rival firms in the logistics industry. There is also room to explore the logistics sector from consumers side of view in order to establish the competitiveness of the sector.

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# APPENDICES

## APPENDIX I: Letter of Authority from the University

  
**UNIVERSITY OF NAIROBI**  
**SCHOOL OF BUSINESS**  
**MBA PROGRAMME**

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Telephone: 020-2059162  
Telegrams: "Varsity", Nairobi  
Telex: 22095 Varsity

P.O. Box 30197  
Nairobi, Kenya

DATE.....26-09-2012

**TO WHOM IT MAY CONCERN**

The bearer of this letter RUTH NDUKA


Registration No. DG1/P/7273/2005

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

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

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

Thank you.

  
MBA ADMINISTRATOR  
MBA OFFICE, AMBANK HOUSE

## Appendix II: Letter of Acceptance from Siginon



**SIGINON FREIGHT LTD.**

NAIROBI OFFICE: Siginon Freight - J.K.I.A. Complex, Cargo Village, P. O. Box 55953 00200 Tel: (020) 822600, 822502 / 3  
Fax: (020) 822703 Nairobi, KENYA. E-mail: enqnb@nbi.siginon.com

3<sup>rd</sup> October 2012

The Dean,  
School of Business,  
University of Nairobi,  
P.O.Box 30197, 00100,  
Nairobi

Dear Sir,

**RE: RUTH NDUTA (STUDENT NO: D61/P/7273/2005)**

This is to confirm that the above named has personally contacted Siginon Freight Ltd for the purpose of interviewing the management team for the academic purpose of her final MBA project.

Yours Faithfully,



D.O. L-L  
03.10.12

David Lukoye,  
Commercial Manager



**IATA CARGO AGENT**

HEAD OFFICE: SIGINON FREIGHT COMPLEX, OFF MBARAKI ROAD, P. O. Box 99646 - 80107  
TEL: (041) 2314150 FAX: (041) 2315427 - MOMBASA, KENYA. E-mail: enq@nbi.siginon.com



ISO 9001  
BUREAU VERITAS  
Certification



UKAS



## **Appendix III: DATA COLLECTION – Interview Guide**

Dear Respondent,

This is to welcome you to this study in which the researcher intends to explore the development of sustainable competitive advantage at Siginon Freight Ltd. You are requested to respond to all questions and that your confidentiality in this strictly academic research is assured.

### **PART A – Demographic Information**

1. What is the name of your division or department:

.....

2. How many years have you worked for the firm.....

3. Tick appropriately Gender: Male..... Female.....

5. What age group are you in?

18-25 ( )      26-35 ( )      36-45 ( )      46-55 ( )      56 and above ( )

### **PART B**

Indicate your opinion on the following questions:

6. Does Siginon consider competitive advantage a priority?.....

7. What various strategies in the last 5 years has Siginon used to build sustainable competitive advantage?.....
8. What measures has Siginon developed to deal with challenges of building sustainable competitive advantage.....
9. How well does Siginon respond to challenges of its sustainable competitive advantage
10. List some of the strategies used in developing sustainable competitive advantage by Siginon Freight Ltd.

**PART C:** In this section, you are required to give you opinion on various aspects of sustainable competitive advantage at Siginon

11. How have customers of Siginon shown satisfaction with deliveries and collections?
12. What billing and technology systems of Siginon market friendly compared to rivals?
13. What quality procedures and operations are fully appreciated by Siginon customers?
14. On average what are the education levels of employees of Siginon in particular professionally and in Information Technology?
15. Do you think the channels and locations of Siginon deliveries and locations are superior to those of rivals?  
Explain.....

16. List some of the capabilities of Signon that indicate the firm can optimize its sustainable competitive advantage

a.

.....

b.

.....

c.

.....

17. What are some of the strategies you recommend for Signon to improve on developing its sustainable competitive advantage?

.....

.....

.....

**Thank you for the patience in responding to the above questions.**