STRATEGIES ADOPTED BY HIRE PURCHASE COMPANIES TO GAIN SUSTAINABLE COMPETITIVE ADVANTAGE IN KENYA: A CASE STUDY OF AMEDO CENTRES KENYA LTD

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DECLARATION

I, **Eliud Mathu Kanyugo,** hereby declare that this research project is my original work and has not been presented for examination in any other university for the purpose of study or otherwise.

Signature……………………………………Date………………..……………..

Reg. No.D61/62737/2010

SUPERVISOR'S APPROVAL

This research project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

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ABSTRACT

The objective of the study was to investigate the strategies developed and adopted by hire-purchase companies and in particular, Amedo Centres Kenya Limited to gain sustainable competitive advantage. This study was based on the premise that Organizations today face a turbulent and fast changing business environment and since they are environmental dependent, they need to understand and make sense of the turbulent environment. An organisation needs to outsmart its competitors in such an environment in order to generate competitive advantage. When a company adopts strategies that cannot be easily copied by its competitors, competitive advantage is prolonged hence becoming sustainable. To achieve the objective of the study, a content analysis of the relevant documents concerning strategy at Amedo Centres Kenya Limited were reviewed. Interviews with executive staff were carried out to get an in-depth view of strategies adopted to gain sustainable competitive advantage at the company. The study established that the company had responded to environmental challenges by adopting a series of strategies meant to generate and sustain competitive advantage. The study found that various strategies had been adopted include diversification, re-aligning the organisation structure to market conditions by restructuring the organisation, collaborating with foreign suppliers to save on research and development costs and also to enable the company to adapt fast to changing customer needs and preferences, human resource management strategy, cost reduction, market penetration and market development, and involvement of the company in corporate social responsibility. Of utmost importance, the company had realized that to achieve its objectives, all employees need to be well equipped with knowledge and skills. To reflect the importance the company has placed on developing and sustaining competitive advantage, a strategy committee has been set up by the Board of Directors to monitor the development and implementation of strategies.

Key words: Hire-purchase, environmental turbulence, competitive advantage

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Organizations today face a turbulent and a fast changing business environment. Organisations however, are environmental dependent as they obtain their inputs from the environment and dispose of their output to the environment. Consequently, managers in the private or public sector have to understand and make sense of the turbulent environment (Ansoff and McDonell, 1990). Firms need to develop new competencies as the old competencies are quickly eroded due to environmental changes (Johnson G., Scholes K., and Whittington R., 2008). Customer preferences, innovations and imitations are dynamic which means competitive advantage can only be short-lived. To survive and succeed, organisations need to develop capability and capacity to manage threats and exploit emerging opportunities.

The dynamic and turbulent nature of global business calls for market players to sustain their existing competitive advantage in order to remain viable in the market. Business managers evaluate and choose strategies they believe will make their businesses successful by giving them advantage relative to competitors. Thompson and Strickland (2007) observed that firms that do not have any form of competitive advantage perform the poorest while those that have one form or the other experience above average profitability. According to Porter (1986), major sources of competitive advantage include the cost structure of the firm and its ability to differentiate its good and services. MacComark A., Theodore F., Brooks P., and Kalaher P. (2007) observed that firms are seeking superior performance through collaboration. Johnson G., Scholes K., and Whitting R., (2008) indicated firms could utilize their strategic capabilities and competences (resource based view of the firm) to gain and sustain competitive advantage against competitors. Ansoff and McDonnell (1990) suggested that for a firm to optimize its competitiveness and profitability, it has to match its strategy and supporting capability with the environment. The management is expected to cause environmental scanning in order to take strategic advantage over the firm's competitors. Environmental scanning will help the organisation capitalize on early opportunities rather than lose these to competitors. It also provides an early signal of impending problems. Competitive advantage can only be sustained by organizations which have ability to interpret environmental signals correctly, are able to change fast, and are flexible and innovative. This requires formulation of competitive strategies that match the capabilities and environmental requirements.

1.1.1 Competitive Strategies

Competitive strategy is the core of success or failure for firms (Michael E. Porter, 1985). A firm's strategy is its theory of how to achieve high levels of performance in the markets and industries within which it operates (Barney B. Jay, 2007). Evaluating and choosing a strategy requires an understanding of both the economic logic from which a strategy is derived, and an understanding of organisational logical structure through which strategy is implemented. A failure in understanding either the economics of strategic choice or the organisational elements of strategy implementation make it less likely that a firm's strategy will generate high levels of performance. A firm's strategy is its best guess about what the critical economic processes in an industry or market are, and how the firm can take advantage of these economic processes to enhance its performance.

A firm's strategy can be based on its mission, or a firm's fundamental purpose and long term objectives. A firm's mission implies a set of objectives, or specific measurable performance targets that the firm aspires to achieve in each of the areas covered by its mission. Mission and vision has an effect on a firm's overall performance. Sometimes, a firm begins operating with a well-developed, logically complete strategy that is tested in the market and adjusted by the managers to improve its ability to generate competitive advantage. Often, new strategies emerge overtime (emergent strategies) as a firm implements its intended strategy.

Powell (2001, p. 132[8]) views business strategy as the tool that manipulates the resources and create competitive advantage, hence, viable business strategy may not be adequate unless it possess control over unique resources that has the ability to create such a unique advantage. Michael Porter (1980) who defined competitive strategy as the search for a favourable competitive position in an industry proposed three different "generic" strategies which can be implemented by a firm to gain competitive advantage. These are cost leadership, differentiation and a focus strategy. A mixture of two or more of these strategies is also possible depending on your business' objectives and current market position.

1.1.2 Competitive Advantage

The ultimate objective of the strategic management process is to enable the firm to choose and implement a strategy that generates a competitive advantage (Barney B. Jay, 2007). A firm has competitive advantage when it is able to create more economic value than rival firms. Economic value is simply the difference between the perceived benefits gained by a customer who purchases a firm's product or service and the full economic cost of the product or service. The size of competitive advantage is the difference between the economic value a firm is able to create and the economic value its rivals are able to create. This a major source of competitive advantage.

Competitive advantage also occurs when an organization acquires or develops an attribute or combination of attributes that allows it to out-perform its competitors. These attributes can include access to natural resources, technological breakthrough, superior market position or access to highly trained and skilled personnel (Michael Porter 1980). More specifically, Michael Porter found that competitive advantage can be gained through cost leadership, product differentiation or a combination for both.

Successfully implemented strategies will lift a firm to superior performance by facilitating the firm with competitive advantage to outperform current or potential players (Passemard and Calantone, 2000, p.18.[5]). Competitive advantage is a key determinant of superior performance and it will ensure survival and prominent placing in the market (Powell 2001, p.132.[8]). Superior performance being the ultimate desired goal of a firm, competitive advantage becomes the foundation highlighting the significant importance to develop same.

1.1.3 Sustainable Competitive Advantage

A firm is said to have a sustained competitive advantage when it is implementing a value-creating strategy (that results to prolonged benefits), not simultaneously being implemented by any current or potential competitors, and when these other firms are unable to duplicate the benefits of this strategy (Barney, 1991). In order to possess a sustainable competitive advantage, customers must perceive some difference between a firm's product offerings and competitors' offerings. Johnson and Scholes (2007) found that sustainable competitive advantage allows the maintenance and improvement of the firm's competitive position in the market. It is an advantage that enables a business to survive against its competition over a long period of time. A company achieves sustainable competitive advantage when an attractive number of buyers prefer its products or services over the offerings of competitors and when the basis for the preferences is durable.

A creative, distinctive strategy that sets a company apart from rivals and yields a competitive advantage is a company's most reliable ticket for earning sustained above average profits (Thompson Jr., Strickland III and Gamble (2007). There are four most frequently used and dependable strategic approaches to setting a company apart from rivals, building strong customer loyalty, and winning a sustainable competitive advantage. Porter (1980) argues that a firm can strive to be industry low-cost provider thereby aiming for a cost-based advantage over rivals. A firm can out-compete rivals through differentiated features such as high quality, wider product selection and improved performance, value added services, attractive styles and technological superiority. Additionally, a firm can focus on a narrow market niche and winning a competitive edge by doing a better job than rivals by differentiating products/services or a low-cost strategy in the niche market. Sustainable competitive advantage can also be built by developing expertise (distinctive competencies) and resource capabilities that give the company capabilities that rivals cannot easily imitate (Johnson & Scholes, 2007).

Barney B. Jay (2007) found that how long firms are able to sustain competitive advantage has interested scholars for some time. Tradition economic theory predicts that such advantages are short-lived in highly competitive markets. This theory suggests that competitive advantages gained by a particular firm will quickly be identified and imitated by other firms, ensuring competitive parity in the long-run. In real live however, competitive advantages often last longer than tradition economic theory predicts.

1.1.4 Hire purchase business in Kenya

Hire Purchase Business in Kenya is regulated by the Hire Purchase Act (1982, revised 2012) Chapter 507 of the Laws of Kenya. The Act defines hire-purchase as follows:-, "Hire-Purchase business means a business, whether carried on or with other business, of entering into hire-purchase agreements, whatever the hire-purchase price under any agreement". Hire purchase agreements are agreements whereby an owner of goods allows a person, the hirer, to hire goods from him/her for a period of time by paying instalments. The Hire-purchase contract contains a provision giving the hirer an option to acquire title (finance lease) to the asset upon the fulfilment of agreed conditions. When no ownership is intended, the contract is referred to as operating lease.

Hire purchase business in Kenya is either hire-purchase by retail firms who offer a credit line to individual and SMES on low to medium value durable goods for payment in a period ranging three to twenty four months, or high purchase of high value assets through financing by banks, often referred to asset leasing. Hire-purchase under this study will cover hire purchase business by retailers who offer a credit line to individual and SMES on low to medium value durable goods for payment in a period ranging three to twenty four months. Major hire purchase companies in Kenya include Kenya Credit traders Ltd, African Retail Traders Ltd, Economic Credit Traders Ltd, Argos furniture Ltd, Wood Venture Ltd, and Amedo Centres Kenya Ltd among many others.

1.1.5 Amedo Centres Kenya Ltd

Amedo Centres Kenya Limited is the franchise holder for Singer Sewing and Singer knitting machines in Kenya. The company was incorporated in Kenya in 1986 to take up the business of The Singer Company (incorporated in the US), which had pioneered the easy instalment scheme (hire purchase) in Kenya. Just like its predecessor The Singer Company, Amedo Centre Kenya Limited operates through branches countrywide. In the pre-liberalized economy, the Company had 35 branches country wide but currently, the branches have reduced to 18 branches.

The company offers to customers a wide range of product which include genuine Singer sewing machines for domestic, artisan and industrial users, knitting machines, a wide range of electronics and other house hold goods, generators, water pumps and solar panels. Other leading brand names at Amedo Centres include Sony, LG, Sanyo and Samsung among others. The company recently introduced its own brand of products by name “Conic”. Customers can acquire products of their choice through hire purchase, 90-Day cash deal, check-off system and cash & carry or through wholesale purchase.

1.2 Research Problem

The environment is what gives organisations their means of survival (Johnson et al., 2008). Organisations source their inputs from the environment and dispose their output to the environment. The environment also holds various opportunities for organisation growth. However, the environment is also the source of threats; for example, hostile shifts in market demand, new regulatory requirements, revolutionary technologies or the entry of competitors. Environmental changes can be fatal for organisations. Organizations need to adopt appropriate competitive strategies to counter these environmental challenges and take advantage of opportunities that arise. Firms that do not respond effectively to increased competition are not likely to succeed in business (Porter, 1996). Firms in dynamic industries respond to competitive forces in different ways. While some resort to improving current markets and products diversification, others employ techniques that ensure operations effectiveness. However, while such operational effectiveness is necessary, it is not sufficient in achieving sustainable competitive advantage.

At its peak between the 1970s and the 1990s, hire purchase was a favourite mode of buying house hold goods, electronic assets like radios, TVs and fridges, utensils and furniture. Demand and competition was so intense such that dealers invoked various marketing strategies most popular being intense advertising through television and radio. In the early 1980s, the Government of Kenya under pressure from World Bank and other international donors was forced to liberalize the economy by adopting more liberal trade and interest rate regimes as well as a more outward-oriented industrial policy as a condition to donor funding. The effects of trade liberalization had devastating effects on the operations of hire purchase companies. The removal of foreign exchange controls as part of the liberalization process opened the floodgates for electronics and other goods coming into Kenya heralding a major challenge to the hire-purchase industry. The situation was made worse by increased access to personal loans, from banks and savings and credit co-operative societies (SACCOs). This gave potential hire purchase customers flexibility to choose where to buy, what to buy and when to buy. The introduction of the two-third rule on civil servants salaries by the government in July 2010 to prevent over-commitment of their salaries was a big constraint to hire-purchase business in Kenya. Hire-Purchase business was truly at a cross-road in Kenya (Winsley Masese, Nation Newspaper, 2011). Other handicaps to hire purchase business included difficulties in collecting instalments due to erosion of personal integrity and honesty within the Kenyan society.

Following these challenges, Hire-Purchase companies after a period of near financial collapse were forced to adopt various strategies to gain sustainable competitive advantage in the dynamic Kenyan market. Studies have previously been done on competitive advantage and sustainable competitive advantage. Mutai (2010) did his studies on competitive strategies adopted by microfinance institutions in Kenya and concluded that micro finance institutions apply generic strategies to gain competitive advantage. Nduta (2012) studied on strategies for developing sustainable competitive advantage at Signon Freight Ltd and found that the company had an opportunity to develop sustainable competitive advantage using its strategic capabilities and through diversification. Njogu (2007) did her study on strategic responses by Schindler Kenya Limited to changes in the environment where the company responded to competition by paying greater attention to the customer, restructuring, aggressive selling, and introduction of new products in existing markets.

However, no studies have been done to establish the strategies adopted by hire purchase companies in developing sustainable competitive advantage to counter the effects of dynamic and liberalized business environment in Kenya. The aim of this study is to establish the effects of economic liberalisation and other environmental changes on hire-purchase companies in Kenya, and the strategies adopted by the firms to gain sustainable competitive advantage in the market, with a particular emphasis on Amedo Centres Kenya Ltd.

1.3 Research Objective

The objective of this study was to establish the strategies adopted by Amedo Centres Kenya Limited to gain sustainable competitive advantage in a turbulent environment.

1.4 Value of the Study

This study will benefit the management of Amedo centres Kenya Ltd and other hire purchase companies in understanding the challenges in the current business environment and determining ways of overcoming the challenges. Potential investors could also gain an insight on hire-purchase business and its strategic outlook in the economy. Little study has been done on hire purchase industry in Kenya. This study will therefore contribute to the existing body of knowledge as a reference and also as a platform to be replicated.

The study could also benefit the government, the relevant government regulatory bodies and Hire Purchase Association of Kenya in various ways. The government could forecast on expected growth in this sector to determine potential for job creation and tax revenues. The study will provide an insight to Hire Purchase Association of Kenya in understanding challenges faced by its members.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter provides a review of the relevant literature based on related areas namely the concept of Strategy, the concept of competitive advantage and sustainable competitive advantage, their sources and influence on firm performance. The chapter also explores ways of developing sustainable competitive advantage in a turbulent environment.

2.2 Theoretical Foundations of the Study

A theoretical framework can be thought of as a map or travel plan. The theoretical framework is the structure that can hold or support a theory of a research study. At the start of any research study, it is important to consider relevant theory underpinning the knowledge base of the phenomenon to be researched. Theories are formulated to explain, predict, and understand phenomena and, in many cases, to challenge and extend existing knowledge, within the limits of the critical bounding assumptions. The theoretical framework introduces and describes the theory which explains why the research problem under study exists (Sinclair M., 2007).

This study is anchored on five theoretical foundations, namely Resource Based View of the firm, collaboration, value chain analysis and Ansoff Growth theory. The resource based approach focuses on characteristics of resources and the strategic factor markets from which they are obtained to explain firm's heterogeneity and sustainable competitive advantage. The rational identification of and use of resources that are valuable, rare, difficult to copy, non-substitutable leads to enduring firm variation and super-normal profits (Barney, 1991).

MacComark A. et al., (2007) in their research observed that firms are increasingly seeking superior performance in innovation through collaboration as the creation and pursuit of new ideas is no longer the bastion of large central research and development departments within vertically integrated organizations. Collaboration provides organizations with the ability to rapidly bring online large amounts of capacity, access unique competencies, technical know-how and/or process expertise that firms did not possess internally. The Value chain analysis describes the activities within and around an organization, and relates them to an analysis of the competitive strength of the organisation (Michael porter, 1985) incorporating the effects of the activities on Porter's differentiation/cost leadership strategies. The Ansoff (1990) growth theory relates to product/market matrix created by Igor Ansoff to help firms grow their business via existing and/or new products, in existing and/or new markets. The matrix helps managers decide which course of action should be taken given the current performance of the firm.

2.3 The Concept of Competitive Strategy

Competitive strategy is concerned with the basis on which a business unit might achieve competitive advantage in the market (Johnson et al., 2008). Competitive strategy means deliberately choosing to perform activities differently or to perform different activities than rivals to deliver a unique mix of value (Thompson et al., 2007). Strategy is about analysing and then experimenting, trying, learning and experimenting some more. The essence of strategy lies in creating tomorrow's competitive advantages faster than competitors mimic the ones a firm possesses today (Gary Hamel & Prahalad C.K., 2013). A company's competitive strategy deals exclusively with the specifics of management game plan for competing successfully, its specific efforts to please customers, its offensive and defensive moves to counter the manoeuvres of rivals, its responses to prevailing market conditions, its initiatives to strengthen its market position, and its approach to securing a competitive advantage compared to rivals.

Competitive strategies adopted by different companies have countless variations even for companies in the same industry. Each company customer-tailor its strategy because each operate in a unique way and has a different understanding of industry environment. Porter (1980) proposed three different generic strategies by which an organization could achieve competitive advantage; cost leadership, differentiation and focus. These strategies, which are further expanded to five strategies with each representing a different market position, are applicable to all industries. In cost leadership, a company can strive to achieve lower overall costs than rivals by appealing to a broader spectrum of customers usually by under-pricing rivals. Cost leadership is appropriate in commodity markets where there are price sensitive customers who do not discern differences in products from different suppliers. The low price strategy seeks to achieve lower price than competitors whilst maintaining similar perceived product or service benefits to those offered by competitors. In abroad differentiation strategy, the company seeks to differentiate its product offering from rivals in ways that appeal to a broader spectrum of buyers. A company can also adopt a focused strategy based on costs by concentrating on a narrow buyer segment and out-competing rivals by having lower costs than rivals and thus being able to serve niche members at a lower price. In a focused strategy based on differentiation, the company concentrates on a narrow buyer segment and out-compete rivals by offering niche members customized attributes that meet their tastes and requirements better than rival products but at a premium price. In a stuck-in-the-middle strategy, the company aims in giving customers more value for their money by incorporating good-to-excellent product attributes at a lower cost than rivals. The target is to have the "best" cost and price compared to rivals offering products with comparable attributes. The success of differentiation will depend on how easily or difficult the differentiation adopted can be imitated and its vulnerability to price based competition.

2.4 The Concept of Competitive Advantage

Competitive advantage is achieved by providing customers with what they want or need, more effectively than competitors. Porter (1980) observed that a company achieves competitive advantage whenever it has some type of edge over its rivals in attracting buyers and coping with competitive forces. Michael Porter also observed that competitive advantage needs to be embedded in the organisation in terms of resources, skills and organisation culture.

Competitive advantage involves giving buyers what they perceive as superior value compared to offerings of rival sellers. Superior value can mean offering a quality product at a lower price, a superior product that is worth paying for more, or a best value offering representing an attractive combination of price, features, quality, service and other appealing attributes. A firm can gain competitive advantage through various ways as discussed below.

2.4.1 Strategic Capability and Competitive Advantage

Strategic capability is based on the resource based view (RBV) of the firm. Johnson et al. (2008) define strategic capability as the ability to perform at the level required to survive and prosper. Strategic capability is achieved through the possession of unique resources and core competences which critically strengthen competitive advantage and are difficult for competitors to imitate or obtain. The nature of the resources, such as age, condition, capacity and location of each resource will determine the usefulness of such resources. In a knowledge-based economy, intellectual capital is likely to be a major source of competitive advantage. While the importance of possession of resources cannot be over-emphasized, what is most important is how the organization employs and deploys these resources. The efficiency and effectiveness of physical, financial or human resources in the organization depend on how they are managed, employee capabilities, customers and suppliers relationship and organization experiences.

The term core competences is used to mean the skills and abilities by which resources are deployed effectively through an organization's activities and processes such as to achieve competitive advantage in ways that others cannot imitate or obtain (Gary H. and Prahalad C.K., 2002). However, core competence of a firm may change with time as other companies develop new capabilities, and with change in market requirements. Therefore companies need to identify their core competence by careful analysis, and if required, strive to develop new competences to meet changing market requirements and competitive situation.

Also related to strategic capabilities is the issue of key success factors in an industry. Possession of the key factors in an industry is a major source of competitive advantage (Thompson et al., 2007). An industry key success factors are those competitive factors that most affect industry members' ability to prosper in the market – the particular elements, product attributes, resources, competences, competitive capabilities and market achievements that spell the difference between being a strong competitor and a weak competitor and sometimes between profit and loss. Key success factors by their own nature are so important to the future competitive success that all firms in the industry must pay close attention to them or risk failure. How well a company's product offering, resources and capabilities measure-up against an industry's key success factors, determines just how financially and competitively successful that a company will be. Key success factors will include possession of resources state-of-the-art technology, length of manufacturing experience, product quality, talented workforce, distribution coverage, customer service and a strong brand name (Kotler P., and Armstrong G., 2008).

2.4.2 Collaboration as a Source of Competitive Advantage

Firms are increasingly seeking superior performance in innovation through collaboration. MacCormack, Theodore, Brooks, and Kalaher (2007) in their research observed that the creation and pursuit of new ideas is no longer the bastion of large central research and development departments within vertically integrated organizations. Instead, innovations are increasingly brought to the market by networks of firms, selected according to their comparative advantages, and operating in a coordinated manner. In this new model, organizations de-construct the innovation value chain and source pieces from partners that possess lower costs, better skills and/or access to knowledge that can provide a source of differentiation. This new model is being driven by a series of trends forcing firms to re-think traditional approaches to innovation. First, the complexity of products is increasing, in terms of the number of technologies they include. No longer is it possible for one firm to master all these skills and locate them under one roof. Second, a supply of cheap skilled labour has emerged in developing countries, creating incentives to substitute these resources for higher-cost equivalents. Third, different regions of the world have developed unique skills and capabilities which leading firms are now exploiting for advantage. And finally, advances in development tools and technology combined with the rise of open architectures and standards have driven down the costs of coordinating distributed work. In sum, collaboration is no longer a “nice to have.” It is a competitive necessity.

Collaboration provides organizations with the ability to rapidly bring online large amounts of capacity, allowing firms to lower time to market and increase responsiveness, while avoiding the cost of full-time staff; and second, the ability to access unique competencies, technical know-how and/or process expertise that firms did not possess internally. Successful firms seek partners with a blend of both abilities, giving them instant access to a repertoire of skills not available in-house.

Through collaboration, organisations may gain competitive advantage or avoid competition (Jonson et al., 2008). Collaboration between potential competitors is likely to be advantageous in a number of ways. Potential competitors can collaborate to increase their selling power by for instance achieving accredited supplier status as a group. Collaboration will also help in research and development activities, in reducing stock and joint planning to design new products. Organisations can also collaborate to increase their buying power through bulk buying which will help achieve better price and quality bargains. Organizations could also collaborate to build barriers to entry or avoid substitution of their products by investing in research and development or marketing. Organizations seeking to develop beyond their traditional boundaries could collaborate to overcome entry barriers and gain competitive advantage in a new market.

2.4.3 The Value Chain and Competitive Advantage

The Value chain analysis describes the activities within and around an organization, and relates them to an analysis of the competitive strength of the organisation (Michael porter, 1985). It refers to the idea that a company is a chain of activities for transforming inputs into outputs that customers' value. Porter argues that the ability to perform particular activities and manage linkages between these activities is a source of competitive advantage. He distinguishes organisation activities between primary and support activities. Primary activities are directly concerned with the creation or delivery of product or service. Each of the primary activities is linked to support activities which help to improve their effectiveness or efficiency. Each of these activities is discrete and has cost and value implications. Competitive advantage arises from how well these discrete value chain activities are performed.

The value chain also helps to identify value attributes in services and products. The value chain is a tool for diagnosing competitive advantage and finding ways to enhance it. By breaking up a company into its various value activities, the management is able to understand the behaviour of costs and existing potential sources of differentiation. To understand the behaviour of costs for each activity, the underlying cost drivers have to be identified. Cost drivers are structural determinants of the cost of an activity, for example, economies of scale and capacity utilization. Having a better control on cost drivers than competitors will result to a cost advantage, which is an important element in developing competitive advantage. Cost advantage can be obtained if a company achieve a lower cumulative cost of performing value activities than competitors. Cost advantage can also be gained through reconfiguration of the value chain. Here, the company adopts a different and more efficient way to design, produce, distribute or market the product, for example, through automation, use of new distribution channels and use of new raw materials. A company can also differentiate itself in order to gain competitive advantage, if it can be unique at something that is valuable to buyers. Differentiation grows out of the company's value chain since every value activity is a potential source of uniqueness. The management needs to identify uniqueness drivers in the company since uniqueness drivers are the underlying reasons why an activity is unique. Uniqueness is an important source of differentiation. Policy choice is an important uniqueness driver.

2.4.4 Ansoff Growth Theory and Competitive Advantage

The Ansoff (1990) product-market growth matrix allows managers to consider ways of growing business via existing and/or new products, or in existing and/or new markets. The matrix consists of four strategies, that is, market penetration, product development, market development and diversification. Market penetration occurs when a company enters/penetrates existing market with existing products. The best way to achieve this is by gaining competitors' customers and/or attracting non-users of the product or convincing clients to use more of the product/service.

In product development, a firm with a market for its current products can embark on a strategy of developing new/modified products to cater for the same market. New product development is a crucial business development strategy for firms to stay competitive. In market development, a firm can develop new markets for its existing products either by targeting different customer segment or through geographical expansion. In diversification, the firm enters new markets with new products. This usually requires new skills, new techniques and new facilities. This invariably leads to physical and organisational changes in structure of the business which represents a distinct break with past business experience. However, the matrix illustrates, in particular, that the element of risk increases the further the strategy moves away from known quantities – the existing product and the existing market. Grant R. (2003) argues that the Ansoff matrix, despite its fame, is of limited value – although it does offer a useful reminder of available options for firms to grow and compete more effectively.

2.5 Sustainable Competitive Advantage

Organizations that try to achieve competitive advantage hope to preserve it over time Durability of competitive advantage and hence the creation of sustainable competitive advantage depends on a number of factors. Where a firm is able to build barriers to imitation of its products or services, other firms will not be able to copy its distinctive competencies. The firm will therefore continue to earn superior profits. The greater the barrier to imitation, the more sustainable is the firm's competitive advantage. It is important to note that ultimately, any distinctive competence can be imitated and hence firms need to innovate constantly. There is little point in striving to be different if competitors can imitate readily (Johnson et al., 2008). Consequently, there is need to sustain the basis of advantage. A firm can sustain the advantage of differentiation by creating difficulties of imitation through cost efficiency by paying attention to key cost drivers for instance economies of scale, supply cost, product/process design and learning/experience. The need to identify and manage input costs is critically important to success.

Another approach to sustainable competitive advantage is through strategic lock-in (Johnson et al., 2008). This is where an organization achieves proprietary position in its industry, i.e. it becomes an industry standard, a good example being Microsoft Windows. A lock-in is likely to depend on a number of factors. Where the firm is dominant in the market, other firms will seek to conform to the set standards. Industry standards are likely to be set early in the life cycle of the market since a lock-in is difficult when the market is mature. In addition, lock-in is possible where one or more firms support the standard, attracting others to come on board, while others are obliged.

To sustain competitive advantage, firms should not allow a competitor to achieve advantage as a first-mover as the competitor will achieve a dominant position in the market. First-mover position can be countered by a firm launching a new/different product in the market, with enhanced features. This will leapfrog or outflank the first-mover. To overcome barriers to entry, the organization can undermine competitors' strongholds (either geographic or market segment). The organization can also counter competitors with substantial resources by building mergers and alliances.

2.6 Developing a Sustainable Competitive Advantage

Thompson et al. (2008) observed that an organisation can build a sustainable competitive advantage by adopting Porter's generic strategies. To achieve and sustain a low-cost strategy, the firm's cumulative costs across its overall value chain must be lower than the competitors' cumulative cost. The firm must also seek to improve the supply chain efficiency to reduce the cost of stock-outs and excess stocks. The low-cost strategy is sustainable where buyers are price sensitive, price competition among rivals is vigorous, the product use is standardized and products from rival sellers are essentially identical. A firm can adopt a differentiation strategy with features which are more difficult to imitate. Easy-to-copy differentiating features cannot produce sustainable competitive advantage. Differentiation based on competencies and resource capabilities tend to be more sustainable. The firm needs to analyse the value chain to determine where to create differentiating attributes. The most appropriate attributes will be those that spill over to the company's end product which will include research and development activities that aim at improving product design, performance features, safety features and expanded end user applications. Others will include manufacturing activities, distribution and shipping, marketing, sales, customer service activities that result to superior technical assistance to buyers. Successful use of differentiation strategy depends on the existence of a buyer segment that is looking for special product attributes, or seller capabilities to stand apart from rivals.

Firms are increasingly seeking superior performance in innovation through collaboration to mitigate the effects of constant changes in customer needs and resultant high cost of research and development (MacComark A. et al, (2007). In this new model, organizations de-construct the innovation value chain and source pieces from partners that possess lower costs, better skills and/or access to knowledge that can provide a source of differentiation. Collaboration provides organizations with the ability to easily access extra capacity, unique competencies, technical know-how and/or process expertise that firms did not possess internally hence building a sustainable competitive advantage.

An organisation can build sustainable competitive advantage through the appropriate use of its strategic capabilities. Strategic capability is achieved through the possession of unique resources and core competences which critically underpin competitive advantage and are difficult for competitors to imitate or obtain (Gary H. and Prahalad C.K, 2013). Strategic capabilities can provide competitive advantage in ways that can be sustained overtime. Building core competencies and competitive capabilities that are very difficult or costly for rivals to emulate and that push a company closer to true operating excellence promotes very proficient strategy execution and creates lasting competitive advantage. The organisation also needs to identify the key success factors in the industry and matching them with firm's strategic capabilities. The organisation will also require carry-out an environmental analysis to determine whether the outlook of the industry presents the company with attractive growth opportunities.

Other ways of developing sustainable competitive advantage include adoption of appropriate policies on Corporate Social Responsibility, mergers and acquisitions, integration, diversification and restructuring. According to Thompson et al., (2007), every action a company takes can be interpreted as a statement of what it stands for. A positive action generates internal benefits particularly as concerns employee recruiting, workforce retention and training costs. On Corporate Social Responsibility, organizations are being called upon to take responsibility for the ways their operations impact societies and the natural environment. They are also being asked to apply sustainability principles to the ways in which they conduct their business. It is no longer acceptable for a corporation to experience economic prosperity in isolation from those agents impacted by its actions. A firm must now focus its attention on both increasing its bottom line and being a good corporate citizen (A. D'Amato, S. Henderson & S. Florence) Corporate Social Responsibility if carried out properly reduces the risk of reputation damaging incidents and can result to increased buyer patronage. Well-crafted Corporate Social Responsibility work pre-empts legal and regulatory action that could be costly to the company. These positive moves will result to the development of sustainable competitive advantage.

A firm can build sustainable competitive advantage by adopting Ansoff's growth matrix of market penetration, product development, market development and diversification. A poorly performing firm can improve its competitiveness by increasing its efficiency and effectiveness through restructuring and re-engineering of its activities.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methodology used to carry out the study. It covers the research design, data collection methods and techniques used in data analysis.

3.2 Research Design

A research design is the structure of research. It show how all the major parts of the research project work together to try to address the central research questions. This study is modelled on a case study design. A case study seeks to describe a unit in detail, in context and holistically. Robert K. Yin (1984, p.23) defines a case study research method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context, when the boundaries between phenomenon and context are not clearly evident, and in which multiple sources of evidence are used.

3.3 Data Collection

The study gathered primary and secondary data from Amedo Centres Kenya Limited. The kind of data collected is qualitative and concerns strategic aspects of the company and current competitive position in the market. Primary data was collected using an interview guide through open ended unstructured questions.

The questions were meant to allow for greater depth in the responses and have been administered through personal interviews, the main respondents being the Managing Director, the Sales and Marketing Manager, the Human Resource Manager and other knowledgeable senior staff in the company. These are the individuals involved in formulation and implementation of company strategies. Secondary data was collected from the company's audited financial statements and other publications deemed necessary including company's strategic plan and marketing plan.

3.4 Data Analysis

The data obtained through the interview guide was analysed by use of content analysis. Philipp Marying (2000) defined Content analysis as a research tool used to determine the presence of certain words or concepts within texts or sets of texts. Case studies done in the past by Lorna (2010), Stanley (2012), Ruth (2012), and Njogu (2007) successfully used this technique to analyse data collected from case study.

The content analysis technique was used in making inferences from statements and phrases made by respondents by systematically and objectively identifying specific messages, their meaning and relevance to competitive advantage. Documents availed were also analysed to get meaning and relate the same to information gathered through interview with respondents.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

The research objective was to establish the strategies adopted by Amedo Centres Kenya Limited to gain sustainable competitive advantage in a turbulent business environment in Kenya. The study focussed by way of personal interviews, on high ranking officers at the Head Office, the individuals involved in formulation and implementation of company strategies. The main respondents included the Managing Director, the General Manager, the Sales and Marketing Manager, the Human Resource Manager and other knowledgeable senior staff in the company. Annual Audited financial statements, company's strategic and marketing plans were also utilized in this study.

4.2 The Respondents Profile

This section of the interview guide aimed at establishing the academic and career background of the respondents in trying to assess their suitability in answering the research questions. The section also aimed at establishing the age of the respondent and how long they had worked for the company since age and length of stay may determine their understanding of the hire-purchase business in relation to the volatile business environment. Their level of education and experience will influence the nature of response to environmental challenges. Respondents' profiles are shown in Table 4.1.

Table 4.1: Respondents' profile

Respondents' Title	Education level	Age	Length of service
Managing Director	BCOM, CPAK, CPSK, MBA	Over 50	35 years
General Manager	BCOM, CPAK	Over 50	16 years
Sales & Marketing Manager	BCOM, MBA	40 - 50	5 years
Human Resource Manager	BCOM, MBA	40 - 50	5 years

All the four respondents had attained at least a first degree while three were holders of a Master's degree. They had worked with the company for lengthy period of time as reflected in Table 4.1. This indicates that they were knowledgeable enough and had adequate working experience to give reliable views on strategies adopted by the company to gain sustainable competitive advantage in the volatile environment.

4.3 Challenges from Environmental Turbulence

The aim of this section was to establish the myriad of challenges that Amedo Centres Kenya Ltd has encountered while operating in the turbulent business environment. The respondents were clear on the effects of environmental turbulence in the period under study. In the early 1980s, the Government of Kenya under pressure from World Bank and other international donors was forced to liberalize the economy by adopting more liberal trade and interest rate regimes as well as a more outward-oriented industrial policy as a condition to donor funding. The effects of trade liberalization presented major challenges to hire purchase companies. The removal of foreign exchange controls as part of the liberalization process opened the floodgates for electronics and other goods coming into Kenya. Amedo Centres Kenya Limited like other hire-purchase companies started experiencing intense competition from imports. This period was characterised by economic mismanagement and oppressive politics, leading to low growth in the economy. The performance of the economy was made worse by the effects of drought and power rationing for most of the country, in year 2000 and 2001. Poor weather conditions affected coffee and tea output resulting to reduced foreign exchange earnings. This in turn led to increase in exchange rates, and consequently increase in cost of importation. Poor earnings for coffee and tea resulted to a decline in purchasing power and poor business climate. The World Bank and the International Monetary Fund resumed aid to Kenya in early 2000 but the resumption did not have positive effects on economic growth fast enough. Economic growth was below 1% by the time Narc Government took over power in year 2002 meaning purchasing power among the citizens remained low.

The respondents indicated that massive retrenchment in the civil service was a brow to high-purchase financing due to loss of potential customers and increase in default rate. The respondent also confirmed that in the period under study, the company was operating under very difficult market conditions due to the onslaught from banks and micro finance institutions where personal loans from banks had become accessible giving potential hire-purchase customers' flexibility to choose where to buy, what to buy and when to buy. Increased accessibility of personal loans to teachers was a major brow to hire purchase companies since teachers formed the bulk of hire purchase clients. The policy of repossessing products due to default on monthly instalments played a great role in the decline of hire purchase financing. Whereas bank loans were easier to access, hire-purchase financing contracts were more expensive and cumbersome. Increased education and exposure to the general populace was a bane to hire-purchase companies as enlightened citizens were unlikely to enter into expensive hire-purchase contracts, especially where alternatives were available.

According to the respondents, competition was made worse by increase of mega supermarkets across the country, who were offering very competitive prices compared to higher purchase prices. Political instability in the period under question especially the agitation for multi-parties and the year 2005 referendum had devastating effects on the performance of the economy and business environment. The rising fuel prices increased the cost of doing business further affecting the purchasing power of customers. The introduction of the two-third rule on civil servants salaries by the government in July 2010 to prevent over-commitment of their salaries was an additional constraint to hire-purchase business in Kenya.

Using trend analysis, the respondents demonstrated the effects of environmental turbulence on company operations. Using 1994 as the base year, the respondents were able to demonstrate that gross sales for year 2003 were 55% of 1994 sales. In addition, sales through hire-purchase financing were 80% of total sales in 1994, while the same in 2003 had reduced to 50% of total sales. There was however a turn-around in company profitability in 2004 due to introduction of new strategies. Annual results have improved annually ever since. Total sales for year ended December 2013 were 70% of 1994 sales level. However, hire-purchase financing have continued to decrease such that for the period ending December 2013, hire-purchase financing comprised 25% of total sales compared to 80% in 1994. Year 2014 forecast reflect a significant growth in sales but a further decline in hire-purchase financing. Other than declining trend in financial results, challenges in environmental turbulence had other consequences. The company had thirty six (36) branches in 1990. Today there are only eighteen (18) branches. The company had a permanent and agency workforce of over 200 and 500 respectively. The current employment levels are around 100 and 300 for permanent and agent staff respectively. The company business model has changed in that while a lot of emphasis was previously placed on hire-purchase, the current emphasis is more sales on cash and wholesale. Over 70% of products sold are currently imported while 30% are locally sourced. 30 years ago, over 80% of purchase were locally sourced.

All the respondents were unanimous that the company needed to continuously scan the environment for market intelligence to enable management respond to changing marketing requirements promptly. The Marketing Manager decried the company inability to diversify the sourcing of sewing machines due to the franchise arrangement with the Singer Company which leaves Amedo Centres Kenya Limited with little room to import cheaper sewing machines to enable the company lower its selling prices to customers in order grow the sales volume.

The respondents identified the company's weak credit control policy as the cause of increased bad debts leading to over-reliance on expensive overdraft facilities. There was need to review the credit control policy and improve on due diligence on hire-purchase finance contracts to reduce the possibility of default. The respondents also noted that hire purchase financing continued to be unprofitable due to prohibitive cost involved in managing this channel (high costs in closing hire-purchase financing deals and the expenses incurred in debt collection) and the ever changing people's attitude towards servicing debts. It was therefore felt that there was need to reduce reliance on this line of business or discontinue it all together. In line with the company strategy to minimise costs, this line of business is expected to contribute not more than 10% of total sales in future. To discourage growth in this channel, the deposit will be raised to 40% and repayment period reduced to 12 months.

The respondents indicated existence of challenges in attracting support from the executive on new strategies and their implementation due to financial constraints. Replacement of delivery vans to reduce operating costs and provide efficient services to customers had also been put on hold for too long. The company was also not taking full advantage of information technology as operations at the branches are largely manual resulting to delay in availability of relevant information and hence delaying decision making. The respondents indicated the need to strengthen after sales service especially repairs and availability of spare parts.

The respondent also felt that the company's working environment required further improvement to enable the company attract, retain and develop committed employees who could enable the company achieve its vision and mission. In order to reduce staff costs and improve efficiency and productivity, the respondent felt it was necessary to carry out a thorough review of staffing levels to release excess staff. At the same time, staff salaries at the branches needed to be reviewed to make them more attractive. Branch managers needed to be empowered to make decisions and take responsibility by giving them limited autonomy at the branch.

4.4 Results of the Study

This section of the interview guide anticipated to identify the strategies that have been put in place to counter challenges facing the company from the turbulent business environment. By systematically interviewing senior staff at the company and reading through numerous documents and reports related to the company, the study came out with several observations as highlighted in the next sections.

The trend on results after liberalization reflected a poor performance which had to be checked if the company was to survive. All the respondents were in agreement that with all the challenges facing the company, there was urgent need to proactively develop strategies that would help it gain and sustain competitive advantage over its competitors. Given its current performance, Amedo Centres Kenya Limited is one of the major hire-purchase companies. The respondents enumerated various key success factors in the hire-purchase business. Financial stability is a major requirement for success as capital is tied up for twenty four months every time a hire-purchase agreement is executed.

Control of a wide distribution network was a key success factor since to achieve break-even sales, sales people are forced to travel far and wide as potential hire-purchase customers keep dwindling. A strong supply chain is required to monitor stock movement to avoid stock-outs. Motor vehicles are required for delivery to customers located far and wide resulting to heavy transport expenses which supports the need for a strong financial base. Highly experienced and patient employees were needed because hire-purchase financing is a difficult business. Amedo possesses highly experienced and patient staff, a wide distribution network and the Singer franchise as its major strategic capabilities which it can use to build a sustainable competitive advantage. All the respondents agreed that the education level for most employees was adequate except the lack of work related training. The company training budget has been negligible (below 0.2% of total expenses) for many years which is an indication of poor training policy resulting to poor staff productivity.

As earlier indicated, this section of the interview guide anticipated to identify the strategies that have been put in place to counter challenges facing the company from the turbulent business environment. All the respondents were unanimous that the company needed to continuously scan the environment in order to respond appropriately to the changing environment. By interviewing the respondents and reading through the various company documents, application of strategy in guiding company activities could be discerned. There also exists a strategy committee composed of company directors whose main duty is to deal specifically with company's strategic direction. Main strategies noted are explored in the sections below.

4.4.1 Diversification of Business

The respondents interviewed agreed that the company would have collapsed were it not for the introduction of new product lines and change of business model. Before trade liberalisation in Kenya, the sale of Singer Sewing and knitting machines made up over 70% of total company sales. Over 80% of the total sales were also through hire-purchase financing. After liberalisation, the business model could not be sustained due to increased competition. New product lines and a dealers (wholesale) channel have now been introduced. 70% of purchases are now imported compared to

30% 20 years ago. The new products are meant to reduce reliance on singer sewing and knitting machines which have a cost challenge due to failure by the Singer Company to agree on price reduction to reflect market conditions. The dealers channel was meant to compensate for loss of sales through hire-purchase financing and currently contribute between 45-50% of total sales. In the 1980s, the company joined hands with Madison Insurance Company to open a bank by the name Meridian Biao Bank Limited, as a form of diversification. The bank business was expected to fit strategically with hire-purchase and insurance businesses. However, the bank closed down shortly due to legal hurdles.

4.4.2 Restructuring of the Company

All the respondents agreed that the company had undergone a series of restructuring over the last 25 years to align the company to the prevailing market conditions. The initial restructuring process involved reviewing the retail network. The company has also shifted its focus to dealer sales channel which costs less to run. The dealer channel has been regionalised to allow the company to focus on needs of different regions, and currently contributes over 45% of total sales. The strategy is finally to adopt a business model with dealer and cash channels only, where the current number of branches will be reduced and the remaining branches expanded in size to compete with supermarkets.

4.4.3 Collaboration along the Value Chain

The respondents intimated that the company has developed a close business relationship with a Chinese manufacturer which has been contracted to manufacture company products under company brand name and specifications. Through constant environmental scanning, the management became aware that customer needs and preferences change constantly. In order to keep the customers satisfied, the management is expected to invest heavily in research and development in order to come up with new products. However, due to limited financial resources the company had to search for a partner within its value chain with the necessary capabilities. Through this relationship, the company is able to easily access extra capacity, unique competencies, technical know-how and expertise that the firm did not possess internally. This has allowed the company to building a sustainable competitive advantage over the competitors.

4.4.4 Human Resource Management Strategy

All the respondents agreed that the human resource factor had previously been neglected. The working environment required improvement to enable the company attract, retain and develop committed employees who would enable the company achieve its vision and mission. Salaries at the branches needed to be reviewed and branch managers empowered to make decisions and take responsibility. According to the respondent, the human resource department is in the process of implementing a human resource policy that is well aligned to the company overall strategy.

The new human resource policy lays a lot of emphasis on organisation culture, policies and procedures, staff recruitment, staff training and development, organization structure, and staff compensation. The directors and the majority of senior staff had been with the company for many years. The organisation culture ingrained among staff has been inherited from the past when there was little competition. This culture was not compatible with the company's new strategy and had to be changed through staff training. New policies and procedures have also been developed to fit the new strategy.

The company is carrying out a staff rationalisation program and will release those staff who do not fit in the new dispensation. New employees will be recruited and then taken through training and development programs to ensure they acquire the relevant skills to enable the company attain its objectives. Employees' salaries will be streamlined to reflect staff experience and qualification. A reward system has been developed to compensate staff according to their performance. The company has also sort to increasing productivity in the marketing workforce by retaining only productive employees and increasing sales agent workforce (suitably qualified) to ensure adequate coverage of sales territory. As management emphasizes on loyalty to the company, management will ensure adherence to professionalism while dealing with staff, customers and other outsiders. The management plan is to ensure employees are continuously trained at all levels to ensure increased efficiency and cost reduction. Discipline shall be inculcated as one of the corporate values at all levels to ensure that the company has a disciplined team to meet future the challenges as a team. Team work will be enhanced and encouraged at all times.

The respondents indicated that management had embarked on intensive training to help entrench a new culture change. In the new dispensation, the company will be market/customer driven and as this value is critical for the company's survival, the same shall be practiced at all levels of within the organisation. Management shall take timely actions at all times in order to avoid delays and seize opportunities and avoid possible threats. Quality consciousness in terms of product and services should permeate all departments of the organisation.

4.4.5 Cost reduction strategy

The respondents indicated the company was reviewing its costs to improve profitability. There was room for cost reduction in operations particularly in controllable expenses area. The company was also putting more emphasis on dealer sales channel which is more cost effective. There was also room to reduce cost of sales and improving margins by evaluating local suppliers for better purchase prices. The respondents also indicated that management was focusing more on debt collection to reduce huge arrears and avail cash to enable the company pay for purchases on cash basis so as to enjoy discounts from suppliers. Improved debt collection will improve the company cash flow to enable the company reduce its reliance on bank overdraft and hence save on overdraft interest. To improve collection of amounts due, management is enforcing improve verification of hire-purchase contracts and strict adherence to hire-purchase financing repayment schedules. This has called for the re-evaluation of the credit control policy where a credit control section has been created and empowered to follow up on defaulters.

The respondents also confirmed that the company had drastically increased its importation in order to achieve improved margins and competitiveness in the market. The Respondents indicated there were plans to close non-performing centres to save on expenses and reduce losses. The management was also in the process of re-evaluating the policy on annual leave to ensure employees their leave when due, to reduce leave accruals and hence do away with avoidable staff costs. In overall terms, the company will continue with the costs reduction efforts as the revenue generation is not expected to improve due to harsh economic environment.

4.4.6 Corporate Social Responsibility

The organisation is part of a wider social and economic system. The organisation needs to behave more responsibly when carrying out its business, especially in regard to legal matters, ethics and expectations by the society. Corporate Social Responsibility relates to the relationship between the company and the government, shareholders and individual citizens. The question under corporate social responsibility is “is the company bottom line all that matters to the success of the company?” According to the respondents, the company enjoyed a good corporate image in the past, developed over the years due to its provision of high quality products and also its association with The Singer Company and Singer Products. The company pays its tax obligations on time and has implemented all government regulations in relation to social security, national health insurance, minimum wages and the labour act.

However, questions have arisen on ethical issues especially in relation to high interest charges on hire-purchase contracts and the policy of repossession of goods due to non-payment. The new strategy to improve the company image includes getting involved in social programs especially through donation of sewing and knitting machines to youth groups for self-employment, donation to children homes and participation in prize giving events.

4.4.7 Marketing Strategies

The existing branch network which was developed over the years has a great potential in creating a strong position against competitors and is crucial in capturing direct business at the grass root level. The respondents indicated that the company was keen to retain and develop this network despite serious challenges from competition. However, the respondents emphasized on shift of emphasis to new markets in neighbouring countries like Uganda, South Sudan, Tanzania, Rwanda and Burundi. The new company strategy is to enter the new market either by opening branches or through identifying a company in the new markets for joint venture.

The marketing department is researching on the possibility of establishing market segments based on disposable income locally. There is also intention to develop a market-driven cash pricing strategy by targeting institutions and bulk orders, Small and Medium Enterprises (SMES) and Non-Governmental Organisations. The company is investing more in its strategy on promotions, special offers and advertising. On advertising, the strategy is to use electronic media with emphasis on radio which has a wider reach and is more cost effective than the print media and television. Other avenues for advertising will include selected magazines, displays and exhibitions, road shows, use of point- of- sale material, posters, t-shirts and caps, printing of new presenters to accommodate new product introduction and dealer offers. On sales promotion, there will be monthly offers to ensure projected monthly sales volumes are achieved.

Customer participation surveys will be carried out continuously to ensure desired level of customer satisfaction is achieved. Management is addressing the after sales service to ensure adequate support to customers. Management is of the view that there is need to address the area of spare parts at the branches by ensuring availability of spare parts at all times. The respondents also indicated that management was revamping the repair workshop to ensure it is run more efficiently and at the same time continue to offer service to walk-in customers. The marketing department plans to excel in anticipating and quickly responding to customer needs and competitors' activities by developing a database on marketing intelligence. To improve on the availability of management information, the company is in the process of acquiring an information system that will connect the branches to the Head Office and also inter-connect the various departments in the company.

4.5 Discussion of the Results

This section discusses the results of the study with respect to theory and other empirical studies in order to link theory and practical aspects. Achieving sustainable competitive advantage requires adopting appropriate strategies as discussed in the study from other authors. Amedo Centres Kenya limited has overtime taken advantage of countrywide branch network to seek for new customers and provide sales service to existing customers. This wide branch network provides a competitive advantage over those companies that are yet to acquire a branch network in the country. This is conforms to the theory on strategic capability (Johnson G., et al, 2008) and Resource Based View theory as noted by Kaplan and Norton (2001).

Amedo centres Kenya Limited is also in collaboration with a Chinese supplier, who possesses technological know-how and ability to manufacture products that match changing consumer patterns. Amedo Centres Kenya Limited has a competitive advantage over those competitors who are yet to enter into such contracts. In their research on collaboration, Alan et al., (2007) observed that firms are increasingly seeking superior performance in innovation through collaboration. The creation of new ideas is no longer the bastion of research and development departments within vertically integrated organisations. Organisations can source innovation through their value chain from partners who possess lower costs, have better skills and have access to wide knowledge. By utilising its value chain, Amedo centres Kenya Limited is able to acquire products at lower cost and which could be differentiated at will depending on market requirements. Michael Porter (1985) argues that the ability to perform particular activities in the value chain and manage linkages between these activities is a source of competitive advantage.

Amedo Centres Kenya Limited has diversified through expansion of its product lines from principally the sale of Singer sewing and knitting machines to electronics and other household goods. In addition, a new dealer channel to replace the declining hire-purchase financing is progressing well. The company has identified the East African region as a potential market and is in the process of developing the same. This is in line with Ansoff growth theory (Igor Ansoff, 1990) on Product-Market matrix which looks at various ways a firm can built and sustain competitive advantage. These include market penetration through advertising of existing products in the same market, diversification, and product development using new products in existing market and market development by developing new products in new markets.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMEDATIONS

5.1 Introduction

This chapter presents a summary of key research findings, highlights the conclusions drawn from the findings, recommendations and suggestions for further research. The conclusions and recommendations were drawn with the aim of addressing the research objective which was to determine the strategies adopted by Hire-purchase companies, and in particular Amedo Centres Kenya Ltd, to gain and sustain competitive advantage in the volatile Kenyan market.

5.2 Summary

The objective of the study was to determine strategies adopted by hire-purchase companies to gain sustainable competitive advantage in Kenya with emphasis on Amedo Centres Kenya Ltd. The researcher was able to interview all the targeted respondents. All were well versed with the subject matter of the research and had adequate academic qualifications. They were therefore able to provide relevant information in relation to company operations and its strategies. In addition, relevant documents were freely available given the fact that the researcher is a long time employee of the company.

It was established that the company and other hire-purchase companies were facing stiff competition in the market among themselves, from banks and from other businesses who were also dealing in similar goods in the market. The researcher established that the company faces an uphill task in re-establishing a good name within the public domain because of the perception that the company overcharges on hire-purchase interest and repossession of after customers default. The process of repossession is ugly because it sometimes gets physical. The company is in the process of training the credit control department on a better way to handle defaulters. Hire-purchase contract interest is expected to come down immediately the management is through with crafting a new policy on hire purchase interest.

The researcher also observed the existence of disquiet among senior management due to delay in decision making. Decision on suggested sales promotions, advertising, expansion of product lines and new markets are delayed or ignored altogether by the board making such strategies ineffective after they are finally implemented. New ideas require immediate implementation as conditions in the Kenyan market are extremely dynamic. The Board of Directors have however come up with a strategy committee which is expected to formulate and evaluate new strategies and monitor the implementation of already agreed strategies.

The researcher also established the existence of a culture among the employees that is inconsistent with the achievement of company mission and vision. Loyalty of employees to the company is wanting as most employees do not want to take responsibility at the workplace. Over-expenditure at the branches was common, mainly through collusion branch staff involving fake payments. In 1995, the company lost over Ksh.15 million through fraud resulting from employee collusion. Every year, goods are delivered to customers who later vanish in thin air after paying a few instalments. There are several cases awaiting compensation by insurers arising from employee blatant theft of goods or cash at the branch. To mitigate the above matters, management has embarked on a training program that is meant to change employee culture by introducing a new culture in the organisation that is compatible with business success.

The respondents observed that there was general dissatisfaction among employees due to salary levels. The problem had persisted for decades but with the entry of younger and more vocal employees, a solution to the problem has to be found. Employee productivity and loyalty is consequently low presenting a major challenge to company productivity. The Human Resource Department has however embarked on a staff rationalization program which after implementation is expected to right size, match the employee qualifications with the right position and finally arrive at a salary for every employee commensurate with responsibility and qualification.

The researcher also observed that the company does not have a good public image due excessive hire-purchase finance interest and the cumbersome and embarrassing repossession policy. The company has however developed a program on corporate social responsibility which if implemented successfully is expected to reverse the negative public perception.

The researcher observed that marketing strategies previously applied were the cause of poor company performance. In the pre-liberalization period, the company had limited product lines. This was a great handicap after liberalization as the traditional business model could not face challenges in a liberalized market effectively. The hire-purchase business enjoyed a near monopoly market before liberalization. Hire-purchase interest was excessive because potential customers had limited options as loans from financial institutions were rarely available. Since there was little competition before liberalisation, selling prices for goods offered by hire-purchase companies were high. After liberalization, Amedo Centres Kenya Limited just like other hire-purchase companies was unable to adapt to market changes fast enough. In mitigation to the above, the company has embarked on a massive importation program which in effect is expected to lower the cost and hence selling price of products, improve margins and expand the company product lines. In addition, the company is in a process of implementing a new business model with emphasis on more cash and dealer sales thereby reducing reliance on hire-purchase financing. The company is also looking beyond the Kenyan borders for new markets. The company at the same time is intensifying selling efforts through investment in sales promotion and advertising.

The respondents also identified lack of up to date market intelligence as one of the reasons leading to failure to timely seize opportunities in the market and adopt strategies to counter moves by competitors in the market. The electronics market is volatile with frequent changes in product models and changing customer preferences. Consequently, the company is currently holding slow moving/dead stock worth millions of shillings due to technological obsoleteness. However, the company has already established a section in the marketing department that gathers daily intelligence in the market and the same discussed in weekly management meetings and appropriate action taken. To match the changing customer preferences, the company has already entered into collaboration with a Chinese manufacturer who manufactures company branded products on order and as per specification. Through this collaboration, the company saves on research and development cost and is able to source new products as customer preferences change.

5.3 Conclusion

In regard to the objective of the study, the aim of the research was realized. The study found out that Amedo Centres Kenya Limited has endeavoured to adequately respond to the turbulent environment through various strategies with the aim of gaining and sustaining competitive advantage. This is evident from the firm's turnaround and continued existence despite serious challenges posed by liberalization of the economy, political and cultural upheavals.

There is also evidence that the company could experience further growth if the strategies being implemented currently are successful. There is huge potential in exportation to new markets outside Kenya in particular South Sudan, Uganda, Rwanda, Burundi and Tanzania. Ease in availability of new products through collaboration with the Chinese companies has improved the response rate to changing customer needs and preferences. The Cost saving measures already in place are expected to release more funds for further investments while the human resource programs on staff training and cultural change are expected to improve efficiency and employee productivity.

5.4 Recommendations of the Study

The study recommends that for Amedo Centres Kenya Limited to gain and sustain competitive advantage in the market, all the strategies under implementation needs to be monitored to ensure success. The new policies on staff recruitment, training and development need to be adopted without faltering in order to enhance staff productivity and efficiency. The Human Resource department needs to be given support in the staff rationalization program so that right staff are in the right places and are adequately compensated. The culture among staff will require an overhaul in order for the company to achieve its goals.

The company should be ready to invest heavily in sales promotion and advertising to ensure customers both existing and potential are provided with adequate information on company products. Customers have been complaining about pricing of company products. The management needs to re-look at the pricing policy with the aim of making the price more competitive in the market.

The management should work tirelessly to ensure a strong relation is established with the foreign suppliers. With improved market intelligence to enable better understanding of the customer, the company will be able to build a comprehensive value chain. The company will also be required to invest in information technology by installing a fully integrated system for faster production of management information.

5.5 Limitations of the Study

Only four respondents were interviewed. Their observations might not be representative of all the views within the organisation. A more detailed research to include the views of other staff and other members of the Board of Directors might be needed to get a comprehensive picture of company strategies, their formulation and implementation. The research design of this project was a case study. Further information could be sought from other hire-purchase companies in Kenya who have faced the same challenges from environmental turbulence in the period under study. The Hire Purchase Association of Kenya is also a reliable source on hire-purchase finance business. More views could be sought from other stakeholders such as customers, suppliers and the government since they all pray a critical role in the sector. However, the time taken to carry out this study was not adequate for such elaborate interviews.

5.6 Areas suggested for Further Research

The researcher recommends that a similar study be done in other hire-purchase companies for purpose of benchmarking since the volatility of business environment is also applicable to them. The study could also be extended to cover the future of hire-purchase business in Kenya.

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APPENDIX 1

INTERVIEW GUIDE

GOALS OF THE INTERVIEW PROCESS

1. To determine business environmental changes which have taken place in Kenya in the last 30 years?
2. To establish the effects of the changes above on the operations of Amedo Centres Kenya Ltd.
3. To identify strategies adopted by the company to gain sustainable competitive advantage in the turbulent environment.

SECTION A: RESPONDENT'S PROFILE

What is your position in the organisation?

How long have you worked in this position?

How long have you worked in the organisation?

What is your highest level of qualification?

What is your age group among the following: - (A) Below 50 (B) Above 50

SECTION B: CHANGES IN THE BUSINESS ENVIRONMENTAL AND CHALLENGES

What major changes have taken place in the business environment in Kenya for the last 30 years?

What challenges have these changes presented on the operations of Amedo centres Kenya Ltd?

What is the impact of the above challenges on the operations of Amedo Centres Kenya Ltd?

SECTION C: STRATEGIES ADOPTED TO GAIN SUSTAINABLE COMPETITIVE ADVANTAGE

How many branches does the company operate today?

How many branches did the company operate in 1985?

When do you expect to open an additional branch?

What is the trend in the financial results of the company in the last 30 years?

What is the company's business model?

What was the model 30 years ago?

What is the position of Amedo Centres Kenya Ltd among the Hire Purchase companies in Kenya?

Does Amedo Centres Kenya Ltd consider competitive advantage a priority?

What do you consider as the key success factors in the hire purchase industry?

What strategic capabilities and competences does the company possess that can enable it withstand competition and sustain competitiveness?

Does the company consider its supply chain important in its competitive moves?

On average, what are the education levels of employees at section/branch head level?

What is the percentage to total expenses of training budget today in comparison to 30 years ago?

What is the image of the company in public eyes?

What strategies has the company adopted to counter the effects of environmental challenges?

Are the strategies adequate in building a sustainable competitive advantage in the market?

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DATE 11/09/2014

TO WHOM IT MAY CONCERN

The bearer of this letter ELIUD MATHU KANYUGO

Registration No. D61/62737/2010

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.

PATRICK NYABUTO
MBA ADMINISTRATOR
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11 SEP 2014
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