COMPETITIVE STRATEGIES APPLIED BY CEMENT MANUFACTURING FIRMS IN KENYA

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A Management Research Project Submitted in Partial Fulfillment of the Requirements for the Degree of Master of Business Administration (MBA), School of Business, University of Nairobi.

AUGUST 2008

DECLARATION

This project is my original work and has not been presented for a degree award in any other University

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

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Mr. Jackson Maalu

Date......21/11/08......

DEDICATIONS

This project report is dedicated to my Parents. To my sisters and brothers and finally my P.G.C Athi River Pastor and the entire church family, for extending their love, encouragement and support throughout this programme.

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ACKNOWLEDGEMENT

In the complex task of undertaking this study and producing the findings within the context of a single project, I have been given indispensable cooperation, assistance and encouragement by several **people.** It is my heartfelt pleasure to extend my sincere gratitude to them all.

There are people who dedicated their valuable time in helping me spiritually, mentally and physically without mentioning the financial aspect that I cannot forget to appreciate them for their support.

My special appreciation and gratitude goes to my supervisor Mr. Jackson Maalu whose time and guidance made it possible to accomplish this research.

To my MBA colleagues with whom we enriched each other's life and shared common experiences, I say "Thank you" to you all. You were a great source of inspiration and strength.

Finally, to my parents, sisters, brothers, cousins, aunts, uncles, all my distant relatives and in-laws whose sacrifice and dedication towards my education has been enormous, I can only say you are a blessing in my life .1 am truly grateful. May God bless you in all your endeavours in this life. Amen.

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ACRONYMS

MPA	Mega Pascal
KEBS	Kenya Bureau of Standards
ISO	International Standards Organisation

ABSTRACT

The research focus is about competitive strategies applied by cement manufacturing firms in Kenya. The only three registered cement-manufacturing firms by Nairobi Stock Exchange currently are; Bamburi cement. East African Portland cement and Athi-River mining.

The objective of the study is to determine competitive strategies applied by cement manufacturing firms in Kenya. Secondly, to determine the factors that influenced the choice of a particular strategy employed by the respective firms.

The study took on a case study design aimed at gathering qualitative data. An in depth analysis was done by interviewing several top managers using an interview guide. 1 used drop and pick interview guide to collect data.

The response rate was okay because a case study only needs few people to provide information. They did this in all the three companies I went. Some companies provided me with secondary data, in case they were sceptical about the questions on the interview guide.

From the findings the following are some of the strategies the three cement firms adopted. For instance, the Bamburi cement company has adopted competitive strategies inorder to maintain their vision. Their vision is maintaining its market leadership position, product quality and brand building.

To achieve their vision Bamburi cement are innovative in their product brand choice as a competitive strategy. They also used recent technology in cement manufacture which is cost effective. As concerns the second company EAPC, the vision for competitive strategies adopted is to produce quality cement, which can challenge competition in the market. The target of EAPC is to be a leading and preferred cement producer in East African region. They have established Depot sales offices all over the East African region

including; neighbouring countries like Rwanda and Sudan. EAPC ordinary Blue Triangle cement is cheap compared to Bamburi's equivalent brand Nguvu. It is the most preferred cement in the region because of its low cost price. Hence use of low cost strategy is seen to work with EAPC competing other brands for Bamburi and ARM in the East Africa region.

Finally, ARM has adopted a competitive strategy which has made it remain an innovative natural resource based mining and processing company in Kenya. ARM has used capacity expansion strategies and focussed strategy to have it Rhino Cement brands compete well with Bamburi's Nguvu and Portland Blue Triangle cement domestically in Kenya. So far, ARM's Rhino brand is the cheapest in the region, because of adopting capacity expansion strategies, focussed and low cost strategy to penetrate the local Kenyan market.

The reason which made the leading cement firms like Bamburi to be the market leader in cement manufacturing business in Kenya, mainly depended on the following factors namely; innovation on the product and technical manufacturing process of cement (good internal resource capabilities), efficient leadership of the management team to craft and evaluate the strategies for maintaining competitive advantage. *Adhoc* strategies were crafted to be pursued from time to time as need arises to curtail turbulence in the business environment.

CHAPTER ONE: INTRODUCTION

1.1 Background

Competitive strategy is the search for a favourable competitive position in an industry (Porter, 1980). Porter emphasized upon innovation and upgrading as central to the creation and sustaining competitive advantage. Competitive strategy is a quest for superior performance through establishing a competitive advantage over rivals. Rothschild (1984) defined competitive strategy as dealing exclusively with the management action plan for competing successfully and providing superior value to customers.

Porter (1980) stated that every firm competing in an industry has a competitive strategy. The competitive strategy can be explicit or implicit. The strategy is developed explicitly through a planning process, or it can have evolved implicitly through the activities of the various functional departments of the firm. The emphasis on strategic planning today in firms is the explicit process of formulating competitive strategy to ensure that the policies of functional departments are coordinated and pointed at some common set of objectives or goals. Eventually, this will enable the firm achieve its overall vision and mission set by the top management.

1.1.1 Competitive Strategies

The competitive strategies outlined by Porter (1980) include; cost leadership, differentiation, location strategy, and customer service and communication strategies. In a domestic industry, firms face a conynon environment and competitive advantage gained . by implementing the appropriate competitive strategy. This is primarily done by exploiting superior resources and capabilities. Internationalization of the strategy model has hitherto assumed that firms face a common global market environment. The key national level variables, factor conditions and the presence of successful related and supporting industries, are influential in determining a firms resource strengths while the other two, rivalry and home demand conditions, have their primary influence upon conditions for success within the immediate market (Porter, 1985).

The other competitive strategies that firms use in a given industry could be changing the mode of distribution channels, strategic partnership and collaboration within the industry (mergers and acquisitions, strategic alliances and vertical integration). To cope up with competition, firms should monitor drivers of change in the turbulent business environment.

The drivers of change in the industry include globalization, regional economic integration, technology, government, regulatory authority, changing customer needs and wants. To be able to take advantage of the opportunities that exist in this growing cement industry, firms must develop appropriate strategies. A growing industry as described by Porter (1980) is an industry with no rules of the game, is a factor of technology innovations and driven by emergence of customer needs.

If a firm does not strategise its activities, then it is creating a risk and an opportunity which must be managed by developing appropriate strategies, (Pearce and Robinson, 2003). Mintzberg (1999) stated that the essence of strategy formulation is coping with competition. Therefore, firms must develop strategies to cope with the competitive situation they face regarding provision of quality goods or services in their respective market place.

Strategy development is driven by the need to remain competitive in the market niche. According to Porter, (1998) competition goes beyond the industry, the organisation it operates in, but also to other players affecting the organization directly or indirectly. Hence, to guarantee competitive edge, the firms should continually scan the market niches and develop the required strategies. The strategies so developed must be strategically fit, in the sense that it should match internal and external environments in the industry in which the firm operates (SWOT analysis).

1.1.2 Overview of Cement Manufacturing Firms in Kenya

The three cement firms established and registered by Nairobi stock exchange are; East African Portland Cement in 1933, Bamburi Cement in 1951 and Athi River Mining in 1973. At the time of appraisal, two cement-manufacturing firms were operating in Kenya. Athi River plant (annual production: approximately 300,000 tons) is located in the suburbs of Nairobi and is operated by the East African Portland Cement Company, (EAPC). EAPC is a state run company in which the government holds a 52% stake. The other is located in Mombasa (annual production: approximately one million tons), and is owned by Bamburi Cement Company Ltd. (BCC), (EAPC Field Survey Report, March 2001).

At a time when global cement prices are rising, East Africa is slowly emerging into a battle ground for key players in the sector. Tororo Cement, the only company that has rejected efforts to be bought by Lafarge Group, has pitched camp in Kenya since 2007, taking its turf war with the French group to the next level. The firm has put a multi-billion shilling facility in Kenya's cement base- Athi River. The company has clearly sent a strong signal that it wants a piece of the market share. Currently, the Lafarge group has the monopoly on the lucrative cement extraction business in Kenya. Based on figures released in 2006, the French group controls 73.2% of the Bamburi Cement, 41.7% at the East African Portland Cement and a further 15.1% at the Athi River Mining, (The Standard Financial Journal, July 2008).

1.13 Nature of the cement Industry

An industry is the grouping of organizations that are involved in selling and marketing of goods and services to final consumers for their use. The cement industry is oligopostic in nature and few players generally characterize the industry. This is because of the high switching costs involved in setting up a cement plant. Cement plants require a huge capital base to set up due to the gigantic machines used in setting and operating it. The demand for cement and cement by products is growing daily as the Kenyan economy and other least developed economies are picking up.

With the stable development of Kenyan economy since 1984, the capacity of the existing cement facilities is not enough. The Athi River plant produces approximately 300,000 tonnes per year while Bamburi Cement at Mombasa produces one million tonnes. These amounts are not enough to meet domestic demand in a stable market in the future, (East African Portland cement report materials, March 2001).

Athi River Mining has embarked on a multi-million shilling expansion program that will see its production double from the current 1000 tonnes to 2000 tonnes per day. The expansion programme is keeping in pace with the country's' economic growth. Kenya consumes 2.2 million tonnes of cement annually and it has been projected that the figure will increase to 2.5 million tonnes this year. It is therefore important to keep up (through investing in capacity) with the country's' economic growth pace, (Daily Nation Newspaper July 30, 2008).

The other side players in the cement industry who are not necessarily cement-manufacturing firms are private dealers selling cement products from their own outsourcing. The private cement dealers include; Kasenya Metal Dealers ltd, distributors of cement, iron ore, gold and steel, Ferro Cement Suppliers who are mainly marketing cement from Kenya. There is also a Chinese group of investors under the umbrella of Caltic cements Kenya. The group is pulling supplies from producers that would rival Kenyan cement-industry players as a whole (www.allfrica.com).

1.2 Statement of the problem

Competitive strategy is a major concern for the top management of a company. Companies had to compete for limited resources, market share and limited customers to achieve their mission or objectives. In the cement industry, this is true as it is with all other industries like petroleum industries, retail chains, car industry, electronic industries etc. In order to achieve sustainable growth and profitability, agile companies learn to change their directions quickly and to transform themselves without losing their day-to-day business momentum.

The major companies in the industry of cement are East African Portland Cement, Bamburi Cement and Athi River Mining. Currently, there is growing interest in the cement industry and new players are coming in after a long period of dormancy. The growing interest of new players like Tororo Cement Company of Uganda since 2007 and Devki Steel Mills Ltd and a new branch of cement plant called National cement company Ltd, inaugurated by his Excellency president Mwai Kibaki on 27th August 2008. The emergence of new players is witnessed by growth in Kenyan Cement supply/demand evolution .The quantity demanded has risen from 1.6 million tons per annum progressively since 1994 to 3.2 million tons in 2008, (Sunday Nation Newspaper, 31st August 2008).

The surge in demand coupled with economic growth of Kenya in the past five years has suddenly brought about concern to the management. Former players in the cement industry are now strategising on how they can retain and expand their market shares versus the new players using appropriate competitive strategies to maintain their competitive advantage in the market place. This therefore makes it a unique area of research focus.

Different companies may use different competitor strategies or the same such as merger and acquisition, depot sales strategies, globalization strategies, differentiation of their products and cost leadership. The three cement producers in Kenya today are East African Portland Cement Limited, Bamburi Cement Limited and Athi River Mining Limited.

Bamburi cement is using product differentiation strategy by varying the clinker content in their cement products. The clinker content determined the strength standard of cement. The range was from 12, 5 to 42, 5 Mega Pascal (MPA). The Bamburi cement came up with three brands according to the strength standard namely; Power plus (42, 5 MPA), Nguvu (32, 5 MPA) and Plasta plus (12, 5 MPA).The stronger version for bridge construction, middle strength for general use in construction and the weaker strength for final finish like plastering floors. Bamburis' competitors like East African Portland Cement and Athi River Mining Rhino Cement used ordinary multipurpose cement which was 32, 5 MPA and they are undifferentiated. The Bamburis differentiated cement products sold more in price than the undifferentiated for EAPC and ARM multipurpose cement.

Furthermore, by applying low cost competitive strategy in the cement-manufacturing firms, the East African Portland Cement has introduced smaller packaging cement bags of 25 Kg down from the normal standard packaging weight of 50 Kg per bag that is not used by the other cement-manufacturing firms. This gave Portland competitive advantage because low-income earners who cannot afford the 50 Kg packaged cement can now buy the 25 Kg packaged cement bags. This automatically improved the sales of East African Portland with respect to its competitors who had ignored this group of clients. Due to the homogeneity of the cement product, the cement manufacturing companies has devised ways of creating product differentiation, through varying the clinker content to form different brands for their loyal customers. This kind of product differentiation enhanced competitive advantage of the users.

Murage (2001) studied competitive strategies applied by the members of the independent petroleum dealers association, while Dubai (2003) studied competitive strategies applied by retail sector of the pharmaceutical companies in Nairobi. Khalid (2004) studied competitive strategies adopted by supermarket retail chains in Nairobi. Omondi (2006) studied competitive strategies by airlines in Kenya. These other studies cannot be generalized for the cement industry, as mentioned before; cement industry is oligopolistic in nature. The strategy that will be adopted is also sensitive due to contextual factors and time, (Pearce and Robinson, 2001).

Therefore, this study will help to determine competitive strategies adopted by cement firms in the cement industry in Kenya and the factors that influenced the choice of a particular strategy employed. This being a case study, it will provide a much needed insight and knowledge that is not currently available with respect to cement industry.

1.3 Objectives of the Study

There are two objectives for this study:

(i) To determine competitive strategies adopted by the cement firms in the cement industry in Kenya.

(ii) To determine the factors that influenced the choice of a particular strategy employed.

1.4 Significance of the Study

The cement industry is an important oligopolistic industry in Kenya. It provided jobs, provided goods, and generates tax revenue to the government. Although the importance of the cement industry is well known, no study has been conducted on competitive strategies of the industry players. This study will therefore provide an exposition of the competitive strategies of the major firms in the sector and will have the following benefits.

The case study will highlight why some cement firms are ahead of their peers in terms of profitability. The study will also be useful to the top management of the cement firms, as it will provide information for comparison, planning and implementation. The study will further benefit the students of Strategic Management with practical information from their immediate environment. This will help them operationally understand better abstract management concepts that are in books. This case study is also expected to provide and stimulate further study in the field of strategic management in the cement industry in Kenya.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The importance of literature review for this study will include the concept of strategy, strategy and competitiveness, types of competitive strategies, nature of the cement industry, international dimensions of cement firms and competitive strategies adopted by cement firms. The conceptual framework of this study is the five generic competitive strategies by Michael Porter.

2.2 The Concept of Strategy

A strategy is an action that a company takes to attain one or more of its goals. A control objective of strategic management is to identify why some organizations succeed while others fail. An organizations strategy is the outcome of a rational planning process. The major components of the strategic management process include defining the mission and major goals of the organization. Also analyzing the external and internal environments of the organization; choosing strategies that align, or fit the organizations strength and weaknesses with external environment; opportunities and threat; and adopting organizational structures and control systems to implement the organizations chosen strategy (Charles and Gareth, 2001).

The concept of strategy is a commercial logic of a business that defines why a firm can have a competitive advantage. Strategy is the direction and scope of an organization over the long-term; which achieves advantage for the organizations through a changing environment to meet the needs of markets and to fulfil stakeholder expectations (Johnson and Scholes, 2002).

According to (Lynch, 1997), strategy is about winning; it is the organization sense of purpose. Strategy is the common thread in an organization giving direction and scope of an organization in the long run, (Ansoff, 1967). Strategy, therefore defines the vision and mission of an organization, (Chandler, 1962). Ansoff (1990) stated that strategy is the set of rules, decision-making rules for guidance of organizational behaviour. This is a management tool, which offers important help for coping with business turbulence, and challenges faced by organizations as well as public sector institutions.

Grant (1998) notes that, the primary purpose of strategy is to guide management decisions towards superior performance through establishing competitive advantage. According to (Quinn, 1999), a strategy is the pattern or plan that integrates organization major goals, policies, and action sequence into a cohesive role. A good strategy, (Quinn, 1999), will help to steer and allocate an organization resource into a unique and enabling posture based on its relative competencies and shortcomings, anticipated changes in the environment and the contingent moves by intelligent opponents.

Strategy guides an organization to superior performance through the establishment of competitive advantages. It shows a company's awareness of how it should compete, when it should compete against, whom it should compete against, where it should compete and for what purpose it should compete, (Pearce and Robinson 2003). Mintzberg (1987) viewed strategy as a plan, ploy, pattern, a position and a perspective. As a plan, strategy consciously determines intended course of action. As a ploy, strategy is a means of positioning a firm in its environment. As a perspective, strategy consists of a position and an ingrained way of perceiving the worlds. Ohmae (2003) suggests that corporate strategy is only needed when an organization faces competitors.

2J Strategy and Competitiveness

The industry environment in which a business operates is full of opportunities and risks often blurred by familiarity and uncritical acceptance of the established relative position of competitors. Grant (1998) highlights that; the business environment of the firm consists of external influences, which affects firms'[1] decision and performance.

These features determine the intensity of competition and have an impact on profitability creating the need to analyze the industry. Thompson and Strickland (2003) perceived strategy as a combination of competitive moves and business approaches that managers employ to satisfy organizational vision and objectives. Ansoff (1990) highlights that whereas goals represent the ends which the firm is seeking to attain; strategy is the means to these ends. A unique strategy contributes effectively to the competitiveness of business firms.

According to Prahalad and Hamal (1990), a good strategy can contribute to growth, profitability, and market penetration. Eventually, leading to sustainable competitive advantage of business firms. Competitive advantage is the ability of the firm to outperform its rivals on the primary performance goal of profitability (Porter, 1980).

The essence of strategy is relating a company to its environment Porter (1985). He argued that strategy only make sense if the markets to which it relates are known. Pearce and Robinson (2003) underline Michael Porters' five forces of competition framework as a point of analysis of an industry competitiveness and profitability. The forces of competition includes; competition from substitutes, competition from new entrants and competition from established rivals described by Grant (1998) as a "horizontal competition" and "vertical competition" encompassing bargaining power of suppliers and buyers.

According to Johnson and Scholes (2002), the environment in which a firm operates is always changing. Changes in the business environment and moves by competitors erode the competitive position of an organization who in turn responds with counter moves. The moves are therefore temporary and organizations have to keep re-engineering themselves.

Collies et al (1998) identified three elements that collectively lead to competitive advantage that create value. They called these corporate strategic triangle resources. These resources include assets, skills and capabilities; which are aspects of resources based strategy, strategic business unit and other key segments and processes.

Porter (1985) argued that competitive strategy is the ability of a firm to meet and beat the performance of its competitors. In his definitive work of competitive strategy, Michael Porter propelled the concept of strategy and competitiveness into the foreground of strategic thought and business planning.

Competition changes industry structure both consciously by a firm in strategic decisions and as an outcome of resulting competitive interaction (Grant, 1998). Grant (1998) also highlights Joseph Schumpeter as the first to recognize and analyze the dynamic interaction between competition and industry structure.

Schumpeter focused on innovation as the central component of competition and the driving force behind industry revolution and developed the terms "hyper competition" defined as an environment characterized by intense and rapid competitive moves. In fact, competitors must move quickly to build advantages and erode the advantages of their rivals. This speeds up the dynamic strategic interactions among competitors, (Grant 1998).

The aspect of hyper competition affirms the need to analyze an industry in bid to establish competitive strategies currently employed and influences that might affect the same in future. Sustainable competitive advantage involves every aspect of the way the organization competes in the market place, prices, product range manufacturing quality, service levels and so on, (Lynch, 1997). Furthermore, he argued that firms have to ensure that they have an edge apart from their competitors to avoid being imitated or replaced by other players in the market.

Porter (1980) highlights that; competition in an industry is rooted in its underlying economic structure and goes beyond the behaviour of the current competitor. Porter (1980) argued that developing a competitive strategy is a broad formula for how a business is going to compete, what its goals should be and what policies are needed to achieve those goals. The essence of strategy is coping with the competition and appreciates how Porters' five forces competition model shapes a firms' business strategy. The purpose of strategy is to establish a profitable and sustainable position against the forces that determine industry competition.

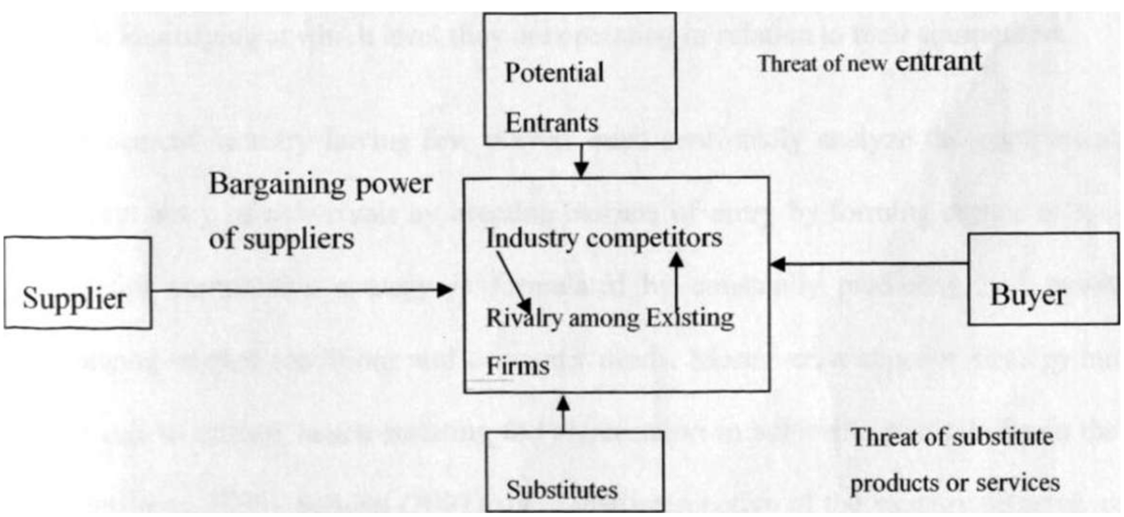
2.4 Porter five forces model

According to Porter (1980) five basic forces shape up competition and determine profit potential in a given industry. These forces are bargaining power of suppliers, bargaining power of buyers, barriers to entry, degree of rivalry and threat of substitute products.

Porter (1980) defines an industry as a group of firms producing products that are close substitute of each other. The five forces take a predominant role in shaping competition in each industry and the strength of each force is different in each industry.

Diagrammatically the forces driving industry competition is represented in figure 1.

Figure 1: Michael Porters Five Forces Model



Source: Porter M. E. Competitive Strategy p4 CNY: Free Press, 1980

Michael Porters five forces model is based on the following variables: Bargaining power of suppliers, bargaining power of buyers, barriers of entry, degree of rivalry and the threat of potential entrants. Suppliers or buyers can affect the business favourably or unfavourably. Barrier of entry makes it difficult or easy for few firms to enter the market or determine degree of rivalry between players of the same industry. Different factors affect each industry positively or negatively.

Modem technology in cement manufacturing process cannot only enhance efficiency but can also reduce cost of operations, enabling a firm to compete effectively in this industry vies-a-vie its rivals. The management can use Porter's five forces to analyse those factors affecting profitability and other goals in their environment, (Peace and Robinson, 2003). After analysis, the management can come up therefore with appropriate strategies to ensure the viability of continued business and expansion. Johnson and Scholes (1997) noted that organisations in designing strategies have to be clear who their competitors are while identifying at which level they are operating in relation to their competitors.

The cement industry having few players must continually analyze the competitors and prevent entry of new rivals by erecting barriers of entry by forming cartels or mergers. Superior competitive strategy is formulated by constantly predicting and monitoring changing market conditions and consumer needs. Moreover, a superior strategy must be difficult to imitate, hence assisting the organisation in achieving profitability in the end, (Mintzberg, 1999). Stengel (2001) states that irrespective of the strategy selected, proper strategic leadership needs to direct the adoption of the strategies, while customer loyalty is maintained to keep the competitors at bay. Regarding to (Porter, 1998), the appropriate strategies will involve a company either adopting a focus or differentiation strategy.

Competitive advantage means having low costs, differentiation advantage or a successful focus strategy. Porter (1998) argues that as competitor advantage grows fundamentally out of value, a firm is able to create for its buyers that exceed the firms cost of creating it. The differentiation and cost leadership strategies seek competitive advantage in a broad range of market or industry segments. A differentiation strategy will involve differentiation of products from rival products through branding and offering good quality products. Focus strategies on the other hand will involve focus to a particular market segment.

2.5 Types of competitive strategies

Porter (1980) gives three generic competitive strategies that a firm can implement to maintain its dominant competitive position in the industry. These include cost leadership strategy, product differentiation and special focus strategy. These strategies can be represented diagrammatically as shown below.

Porter (1980) defines an industry as a group of firms producing products that are close substitute of each other. The five forces take a predominant role in shaping competition in each industry and the strength of each force is different in each industry.

Figure 2: Michael Porters Grand Generic Competitive Strategies

A broad range of buyers
market wide

Broad differentiation strateg\

Overall Low cost
leadership strateuv

Best cost | rovider straley\

A particular buyer
segment or market
sep men!

Focused low-cost
strategy

Focused
differentiation
strategy

Source: Porter, Competitive strategy (NY: Free Press 1980: P.35-40)

Cost leadership

In any industry where firms are competing, a firm can choose to maintain a low cost position in relation to the competition. This competition will produce to the firm above average returns, (Porter 1980). Cost leadership can be achieved by implementing the value chain in companies operations. The value chain can be described as a way of looking at businesses as a chain of activities that transform inputs into outputs that customers value, (Pearce and Robinson, 2003).

To achieve low cost position in the value chain, an organization will have to find areas where cost reduction can be implemented in production, marketing and research. Cost reduction has to be done at every step of the production process to make sure that the final price to the consumer is attractive and not easily copied by the competition. A low cost strategy will defend the firm against powerful buyers, powerful suppliers and will place the firm in a stable position in relation to new entrants and substitute products.

Differentiation

Firms have to find ways that differentiate them from the competition. This can be evident in the form of branding, product design or even technology. Differentiation will create brand loyalty, hence cushioning against new entrants as well as substitute goods. Differentiation produces higher margin with which to handle powerful suppliers .When buyers lack alternatives, states Porter (1980), the firms have a strong competitive position.

This strategy involves selecting one or more criteria used by buyers in market and positioning the firm in a unique way to meet those criteria. This strategy is usually associated with charging a premium price for the product often to reflect the higher production cost and extra value-added features provided for the consumer. A differentiation strategy will eliminate the need for low-cost strategy .The firm may also lose market share but may increase in profitability as some clients will prefer quality products to price.

Focus

Other firms gain advantage by focusing on a particular market segment and properly meeting the needs of the consumer in that segment in relation to the competition. The firms choosing the focus strategy may both incorporate the low cost strategy or the differentiation strategy and utilize that in a particular market segment. The focus area will be well selected, for instance it could be areas less prone to substitutes or where competitors are weakest, (Porter 1980). The choice of best strategy to adopt will depend on analysis of the industry. The results of the analysis will then guic

adopt either a low cost strategy, differentiation strategy or a focus strategy.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

This research is a case study aimed at analyzing competitive strategies implemented by cement manufacturing firms and the factors influencing the choice of a particular strategy employed. The case study method is used as it was best suited to help gain insight into the competitive strategies employed by cement manufacturing firms in Kenya. The current registered cement firms are few therefore there is no need for census survey.

3.2 Data Collection Method

This study used both primary and secondary data. Secondary data is collected from respective cement manufacturing firms' records and management reports on business reorganization process. Primary data was qualitative information gathered using an interview guide. (See Annex II), which was sent to seven top managers and three other senior managers ahead of the interview. This was the team responsible for developing company policy, provision of the strategic direction of the company and controlling company resources. This team also oversees to implementation of strategic policies like competitive strategies to be adopted in the respective cement-manufacturing firms.

Interviewing the entire management team was to assist eliminate unsatisfactory information that was encountered if only one or two senior managers provided the information on competitive strategies applied by cement manufacturing firms. The broad areas of focus covered during the interviews include strategies, planning competitive issues, strategies adopted by the respective cement firms and factors influencing the choice of a particular strategy employed.

33 Data Analysis

The data was analyzed using content analysis. Cooper and Schindler (2003) points out that content analysis, measures the semantic content or the "what" aspect of the message. Its breadth makes it flexible and wide ranging tool that may be used as a methodology or as a problem specific technique. He further points out that content analysis guards against selective perception of content and provides for vigorous application of reliability and validity criteria. The researcher used content analysis by determining the presence of key words or concepts within the texts. This tool helped me quantify and analyze the presence, meanings and relationships of such words and concepts. To add, on the researcher was able to make inferences about the messages. The method enabled the researcher to include large amounts of information and systematically and identify its properties.

CHAPTER FOUR: FINDINGS AND DISCUSSION

4.1 Introduction

This chapter contains findings of the study. It is intended to interview 10 majors but 3 managers were interviewed. These managers have been involved in two or more competitive strategies application. Interviewers have been in senior position within the company for between 8-15 years were involved in either development or implementation of competitive strategies and they save detailed inputs into competitive strategies practices within cement manufacturing firms.

The findings are presented in three sections. The first section presents strategic planning issues in cement manufacturing firms in the year 2008. The second section indicates the competitive strategies applied by cement manufacturing firms. The last section dealt with factors influencing the choice of a particular strategy to be applied in cement manufacturing companies. During the interviews, the Michael Porters grand generic strategies that is low cost strategy, differentiation strategy and focused strategy seemed to have been implemented by the three cement-manufacturing companies. The three cement-manufacturing companies researched on are; Bamburi cement, Portland cement and Athi river Mining cement.

4.2 The Cement Manufacturing Firms in Kenya

The three cement firms currently operational and registered in Kenya are Bamburi cement (BCC), East African Portland Cement (EAPC) and Athi River Mining (ARM).The historic overview is as follows for the three cement firms. To start with the oldest cement firm to be established is the East African Portland Cement in the year 1933.The EAPC has been Kenya's leading cement manufacturer, founded by Blue Circle industries of the united kingdom early 1930s , EAPC started its trading activities by importing cement for pioneer constructions work in East Africa. The company is named Portland owing to the resemblance in colour and quality of set cement to the Portland stone that was being quarried in Dorset, England.

In February 1933, Portland was incorporated in Kenya .They opened a factory in Nairobi's industrial area. The company had one small cement mill (Cement Mill No 2) and imported Clinker from India. The plants initial production was 60,000 tons per year.

By December 1956, construction of a new factory started in Athi River, commissioned in 1958; the factory consisted of a Rotary Kiln (WET), a big mill (Cement Mill Noland No3).The production capacity doubled to 120,000 tons per year.

A fast growing economy saw a rise in business activities and national development projects, leading to a higher demand for cement. Consequently, the company commissioned a new Rotary Kiln (WET) in 1974, which added 180,000 tons to the production capacity, bringing the total capacity to 300,000 tons per year.

In 1979, as the Cement demand grew even further ,the company carried out a minor rating, which involved putting up a new and a bigger Raw mill (No 4) converting the older raw mill into cement mill No 3. This led to increased fan capacities for both kilns, which resulted in more Clinker production .The mini up rating increased the production capacity from 300,000 to 340,000 tons per year.

In October 19%, the company commissioned a new Kiln, complete with Raw mill (Vertical Roller- Atox), a bigger limestone crusher a modern raw material pre-blending system. This brought factory production to 600,000 ton per year. Today, East African Portland Cement Company has a large share of the local market, with Blue Triangle Cement being a brand of choice throughout Kenya and East African region.

The second cement firm to be established in Kenya is Bamburi cement limited. Felix Mandl- a director of cementia Holding A.G Zurich founded the Bamburi cement in 1951. Cementia later went into partnership with Blue Circle PLC (UK). In 1989, Lafarge, the worlds largest material group, acquired Cementia and thus became an equal shareholder with Blue circle. Lafarge and Blue circle in 2001 merged to become the largest building materials company in the world. Lafarge became the principle shareholder.

Its first plant in Mombasa started production in 1954 with annual capacity of 140,000 tons of cement per year. The Mombasa plant has a capacity to produce 1.1 million tons per year. In 1998, a new one million ton per annum Clinker grinding plant is added at Athi River (30 km southeast of Nairobi).This increased the production capacity to 2.1 million tons. With the new plant, Bamburi cement has been able to improve its Nairobi and upcountry markets, speedier and more efficient packing turn around time. The railway transport has facilitated sales to western Kenya and Uganda from Athi River Plant.

Bamburi cement is the largest cement manufacturing company in the region .The Mombasa plant is the sole cement plant in sub- Saharan Africa. It is also one of the Largest manufacturing export earners in Kenya, expanding its production in 1998 by 29%. The export market includes Reunion, Uganda, and Mayotle. In other parts of the world, include Mauritius, Sri I^anka, Comoros, Madagascar, Seychelles and Congo.

The subsidiary business of Bamburi cement includes; Hima cement, Bamburi Special Products and I^afarge Ecosystems. The Hima cement Ltd was acquired by Bamburi in April 1999 in Uganda through significant stake.Hima cement has a factory in Kasese in western Uganda. The plant currently has a capacity of 240,000 tons. Hima has significantly improved Bamburis market presence in Uganda and will provide leverage into the great lakes region in the future.

The second subsidiary known as Bamburi special products Ltd (BSP) in Athi River .The BSP is fully owned by Bamburi in manufacturing pavement blocks under the brand name "Bamburi blox". The pavement block business is opening up significantly, as people become aware of the affordability and longetivity of the product .The BSP has sold significant volumes to road rehabilitation projects. BSP branded out into garden landscaping products such as cobbles and slate. Development of new products is on going and BSP will continue to provide Bamburi cement with a platform for potential further expansion into cement related added value business

Lafarge Ecosystems was originally established as department of Bamburi cement (Baobab Farm Ltd) incorporated in 1977. The companies activities include ; rehabilitating Bamburi used quarries, Managing Haller park and Whistling pine restaurant acquired in 1996 ; conducting a number of farming activities including forestry and agriculture in the rehabilitated quarries. Quarry rehabilitation projects by Lafarge Ecosystems started in 1971 and are continuous .Bamburi Crater Lake is being developed for environmental friendly water sports and this Kikambala quarry where tree planting has just began.

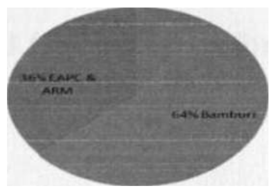
The last cement industry to be established in Kenya after Bamburi cement is Athi River Mining (ARM) in 1973.ARM is involved in the extraction and manufacture of Minerals, Chemicals, Cement and specialty building products in Kenya and neighbouring countries. By July 2005, ARMs market capitalization stood at Kenya shillings 2.7bn, whilst trading on earnings multiple of around 18 times. In the medium term, management is focusing on increasing the groups cement production capacity (by 200%) with a1.1bn investment in the Kaloleni Clinker plant. The brand name of cement sold by ARM is "Rhino".

4J Comparison of Cement Market Share

The results indicated that the Lafarge Group of companies owned Bamburi cement. They are still the market leader in cement manufacturing business in Kenya, followed by EAPC and finally ARM. In order, to compare the market share of cement producers in Kenya, by the year 2000.The Bamburi cement has an average of 61% market share, Portland has an average 32% market share and ARM has an average of 8% market share. (Source: EAPC report Materials, March 2001).

According to, the estimated markets share in the year 2004, seven years down the line. Bamburi had increased its market share to an average of about 64%, while its competitors that were EAPC and ARM have the remaining market share of 36% in Kenya.

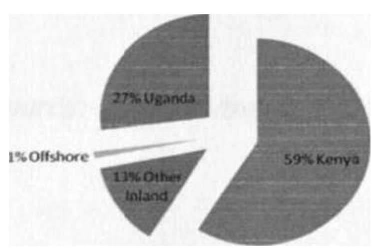
Figure 3: Cement Firms Market Share in Kenya for the year 2004



(Source: Bamburi annual report, 2007).

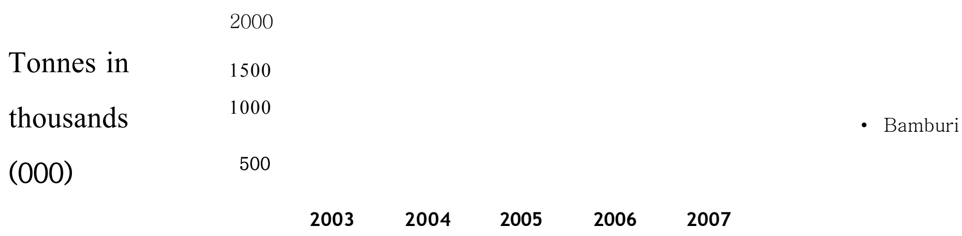
Figure 4: Bamburi Regional Sales in the year 2007

The sales by region pie chart for Bamburi by the year 2007.



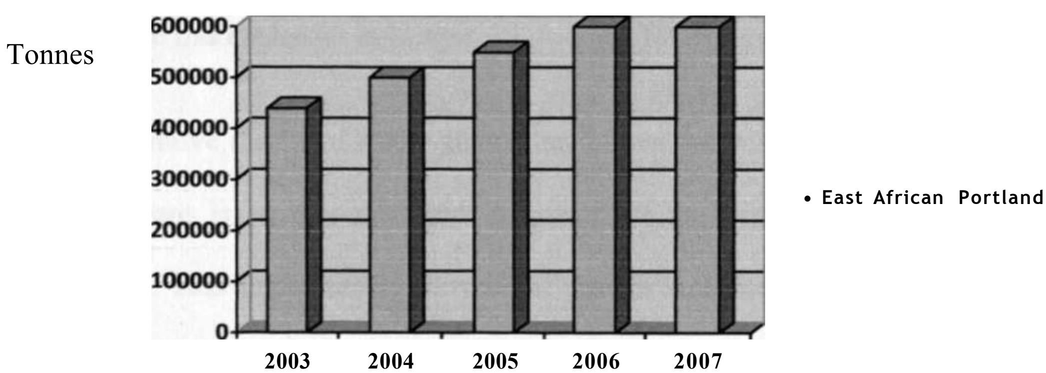
(Source: Bamburi annual report, 2007).

Figure 5: Sales by Volume Trend for East Africa for Bamburi Cement Graphically



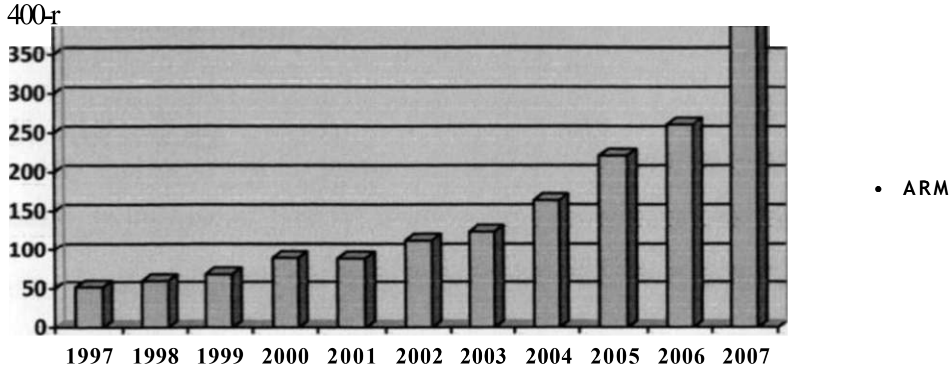
(Source: Bamburi annual report, 2007).

Figure 6: Sales by Volume Trend for East Africa for East African Portland Cement Graphically



(Source: Portland Annual Report, 2007)

Figure 7: Sales by Volume Trend for ARM Graphically



(Source: ARM Annual Report, 2007)

From the graphs above the indicated sales volume trend is evidently seen that Bamburi was still the market leader in Kenya, followed by EAPC and ARM.

From the above results of sales volume trend from the year 2003 up to 2007.This clearly showed there is an upward trend in growth of the cement industry by all the three companies. This automatically showed the growth in the cement tonnage levels demanded yearly. This is as a direct result of growth in the construction sector, which mainly uses cement as a chief product in construction work. These are encouraging sales volume trends, because it showed that there was future for business activities in this industry.

This can also be a factor that explained why new player came in like Tororo cement of Uganda in 2007 and the National cement of Devki have entered the market this year **(2008).**

4.4 Competitive strategies

This section explains finding on the competitive strategies applied in each of the three cement-manufacturing firms.

4.4.1 Low cost strategy

For instance, in the case of East African Portland cement company Limited. The company invested in a new state of the art closed circuit mill, which is expected to be commissioned late 2008. The increased grinding annual capacity of 1.3 million metric tones of cement enabled EAPCC to double its current production capacity and meet both local and export demand as it capitalizes on the boom in the construction industry. The management believed that the expanded capacity would help the company address the problem of cement shortage while strongly positioning itself in the increasingly competitive regional market. The key objectives of the projects has increase capacity strategy, low cost production strategy, marketing strategy, product quality strategy and profitability strategy.

The increased capacity increased strategy, the milling capacity is improved from current 720,000 metric tones to 1.3 million metric tones per annum. Portland applied low cost production strategy, reduced milling costs as technology allowed for the use of more additives without comprising on quality. For marketing strategy to be effective EAPC Ltd had achieved high milling capacity capable that satisfied the current and future market demands.

In regards to product quality strategy the company was able to consistently conform and sustain high quality product through the closed circuit milling system. Finally, EAPC achieved their profitability targets in the year 2007 by reduced production costs because of closed circuit system. The company sustained positive operating margins and times generated enough positive cash flows to meet its foreign debt obligation.

Bamburi cement manufacturing company implemented growth strategy in its production process by setting up Athi river clinker grinding plant in 1998. The Athi River grinding plant was able to produce one million tonne per annum. This increased the overall production of Bamburi cement, including the Mombasa plant to 2.1 million tones per annum. With the new plant, Bamburi was able to improve its Nairobi and upcountry markets speedier and more efficient packing turn around time. Due to this efficiency it enabled Bamburi to sell its cement product at affordable prices vies a vie its competitors in the industry without experiencing much loss.

Finally, in the case of Athi River mining group currently has her plants located in Athi River, Kaloleni, Tanzania and South Africa. The cement division operated from Kaloleni and it was an important manufacturer in the Kenyan market with its strong brand equity (Rhino brand). In regards to low cost strategy implemented by Athi river mining. ARM as a going subsidiary cement company affiliated to East Africa Portland cement faced challenging moments when it came to implementation of low cost strategy. This was because from my findings the management gave a hint that ARM, Sourced its major input clinker from its competitor Bamburi, with a three-year renewable contract.

However, the clinker supplied was limited to 80,000 tonnes per annum, which in turn restricted ARMs cement output. Cement output (and market share) to the current 120,000 tonnes per annum. It was very difficult for ARM to implement this strategy, because they cannot achieve economies of scale owed to large output already produced. Therefore, it can be very difficult to adopt this strategy unless they increased their cement output to around one million tones to enjoy the economies of scale Bamburi and Portland cement are enjoying. Due to this Rhino brand of cement has to be higher to recoup the investments on a smaller scale production.

To overcome this obstacle, ARM has invested around 1.1 billion Kenya shillings and bought a Rotary clinker plant, of which Kenya shillings. 0.2 Billion was spent in the financial year 2004, while the remaining Kenya shillings. 0.9 Billion was spent in the financial year 2005). This resulted in a high quality of production, as well as increased cost of competitiveness .Eventually; ARM now has become one of the lowest cost producers of cement in the country after this investment. Furthermore, the new plant allowed for the production of clinker at a saving cost of Kenya shillings 100 million per year.

4.4.2 Differentiation strategy

The three cement manufacturing firms have adopted differentiation strategy to certain levels for their cement product. Due to homogeneity of the cement product, differentiation mainly features on the strength standard which indicated the clinker content and this is calculated in Mega Pascal (MPA).The MPA ranges from 12,5 to 42,5.

Bamburi cement for instance, came up with three brands based on the strength standard MPA required range. Depending on the MPA strength Bamburi cement has the following product brands namely; Power plus for constructing bridges, roads and pavements etc is 42, 5 MPA which has the largest clinker content. The second brand is Nguvu which is used for general construction purposes, it is 32, 5 MPA. Finally, the last brand is Plasta plus which is used for plastering of walls , floors and final finishing in construction projects, it has a lower clinker content of 12, 5 MPA.

The East African Portland cement has three in one Portland pozzolana cement which is used for plastering, foundation and bonding in construction work projects, it has 32,5 MPA strength standard. This Blue triangle cement brand is equivalent to Bamburi's Nguvu brand whose strength standard is the same. Even though, they are the same strength standard, Bamburi's cement Nguvu brand is much more expensive than its counter part Blue triangle cement and Rhino cement of Athi river mining .The high price is charged by Bamburi cement, because they are market leaders in cement manufacturing firms in Kenya. They do this to maintain its status quo as a cement market leader in Kenya Portland Blue triangle cement is low priced compared to Bamburis Nguvu but more expensive to Rhino brand of Athi River Mining. To enhance competitive advantage Portland cement has introduced a smaller cement package of 25K.g, instead of the standard package of 50kg. Due to this cement became affordable to low income earners who cannot afford the standard 50kg package. This gave EAPC a new range of clients not captured by either Bamburi or Athi River Mining, which do not have the smaller package.

Finally, ARM has not really differentiated its cement product in anyway. The cement they produce is general or multipurpose in the construction industry. It is much lower priced because ARM is still new in the cement manufacturing industry. Therefore, in analyzing competitive strategies in the cement-manufacturing firms in Kenya, it is using low pricing as a market penetration strategy to secure its own market share in the cement industry.

4.4.3 **Focus strategy**

The past year has seen strong growth in the construction sector with cement volumes having grown ahead of expectations. As a result, cement-manufacturing firms have been challenged with their production facilities having run at a high utilization levels.

In regards to focused strategy, the EAPC manufacturing Cement Company decided to grow existing markets, expanding and deepening cement share of the construction industry and taking advantage of opportunities across the value chain.

The Bamburi cement being a market leader in cement manufacturing. They have demonstrated remarkable performance during this year with domestic cement volumes growing by 27% on the back of individual homebuilder demand and growth in the contractor segment mainly driven by public and private infrastructure projects.

In the adoption of focused strategy Bamburi has specialized in domestic cement sales (which catered for domestic individual use) individual home builder mainly for the contractor segment by public company private infrastructure projects .Lastly, export sales which, however, has been reduced by 13.6% due to realigned product flows with reduced volumes having gone to the Indian ocean markets. The Bamburi cement group has realized an increased 20% on export volumes into the inland of African market.

Lastly, the Athi river mining Rhino cement has a domestic market share in the cement manufacturing Industry of 8%, as at the year 2000. ARM has applied focus strategy by having decided to focus purely on domestic sales within Kenya only. So far, ARM has not ventured into exporting Rhino cement to any East African country. The fact that, the cement subsidiary of ARM was still small and it cannot currently satisfy export sales.

Currently Bamburi cement has a market share of 64% in Kenya, while its competitors which included ; ARM, EAPC, Tororo cement, and National cement shared the rest 36% market stage (source: Bamburi annual report 2007).

4.4.4 Alternative competitive strategies

Apart from the three Michael Porters grand generic competitive strategies discussed earlier. The three cement-manufacturing firms have also adopted alternative competitive strategies to sharpen their competitive edge. For instance, EAPC manufacturing firm adopted unique sales distribution strategy. They advanced depot sales strategies in all the provinces in Kenya to enhance sales and to have a representative office to meet their potential clients. This kind of strategy has not been adopted by ARM or Bamburi cement in the initial stages when EAPC adopted it. This has significantly improved the sales of EAPC as opposed to its non-existence as a strategy prior to its innovation.

Bamburi cement has majored on globalization strategy by expanding its operations to regional countries like Uganda, where they have established Hima cements a subsidiary of Bamburi. Bamburi has an advantage of getting local and regional sales, which is not enjoyed by EAPC and ARM as its competitors in Kenya. This has helped to boost financial strength of Bamburi as a group.

The ARM cement subsidiary has adopted strategic alliance local engagement strategy, to compete in the cement industry. ARM has allowed the French Lafarge group to control 15.1% of its shares. The Lafarge group has the monopoly on the lucrative cement extraction business in Kenya. It also controls 73.2% of Bamburi cement and 41.7% of East Africa Portland cement. These are based on figures released in 2006, (The standard financial Journal, July 2008).

The strategic alliance strategy has given ARM leeway to penetrate with ease, the lucrative cement business by collaborating with the giant Lafarge. In essence, market penetration will be more difficult for ARM had it not affiliated itself with the Lafarge group which has virtually monopolized the cement manufacturing business in Kenya.

Bamburi Cement Company mainly emphasized the highly skilled human resource recruitment and continuous staff training strategies. The human resource department continues to deliver competitive advantage to the business by introducing new talents. The new talents were aligned with other team members to form a formidable "engine" that is focused on achieving their vision. Bamburi's management has focused on the strengths of individuals and encouraged a positive, winning attitude among their staff .They have developed a truly committed and value creating team. Bamburis management viewed that their business unit one team concept as an asset. This is core to their strategic initiatives in the region of Kenya.

The Bamburi management progressed on the "one learning organization, being able to manage competition as the environment changes. Furthermore, there has been increased awareness among customers of their rights and their expectations were much higher than ever before. Customers demanded better service both in quality of the product supplied and in how the company responded to customer complaints. This important group of stakeholders needed to be at the heart of future competitive strategies adoption programmes.

4.5 Factors Influencing the Choice of a Particular Strategy

Aftermath my research work, the following are some of the factors that influenced cement manufacturing firms choice of strategy in Kenya. For instance, EAPC consider financial loss a key factor. This can be done to recoup the loss by changing strategy towards business approach to meet to desired company goals.

Secondly, lack of resources impacts negatively on production. This calls for strategy to have resource problems addressed. A turbulent environment which is very competitive called for continued strategy change to out do competitors.

rhirdly, inability to attract repeat customers by the firm affected performance. To retain the best customers and attract others strategy needed to be changed.

Fourthly, lack of collaboration with the industry affected company operations, since the company cannot operate in isolation. Strategy is needed to get in touch with the market and industry as a whole. Cement industry is oligopolistic and players are likely to know what the other players are doing or have already done. The best thing was to collaborate, since it might affect operations of the company by other players sabotaging others, when it comes to markets and raw material supply chains.

To add on, lack of teamwork is an important factor to consider, when choosing strategy. Good relations with all stakeholders important to the company are necessary, in that it ensured that they are all working towards a common goal to be achieved by the company. One of them is making profits.

In addition, the factor of low representation in the region affected strategy to be used, especially when trying to enter unexplored markets. The credit management factor affected the choice of strategy, since this can delay projects implementation .Therefore, strategy to access required credits became essential. Credit management also affected audit to be applied.

Marketing budget is another factor which affected product distribution. Lack of a marketing budget affected the particular strategy to be chosen and budgetary allocation. This has a direct implication on to what extent; the company can stretch its product distribution and advertising expenses. This here to, depended on the budgetary allocation limits. The marketing department can be more dynamic, innovative and aggressive when they have been given the required budget by the top management to do proper market research, especially when the company has faced fierce competition by rivals in the market or industry.

To add on, the high cost of skilled staff is not a key factor that affected the choice of particular strategy. It only has an impact when there is non availability of skilled employees needed to do specific skilled jobs.

Furthermore, lack of controls is not a key factor when choosing particular competitive strategies. For example, the quality of cement is controlled by Kenya Bureau of Standards. The company has no choice but adhered to KBS regulatory standards governing cement products in the country.

The distributor challenges that faced the company were as follows; the cost of transportation to various destinations meant that, the company has to use a lot of resources in sourcing for replacements. The company has also contracted independent or private distributors with their own trucks to ferry cement across to various destinations assigned by the client and the company's management. Efficient distribution of cement products therefore, depended mainly on financial strength of the distributors. Financial stability of the private distributor dictated them on what extent they could have distributed cement to various destinations, by consistently maintaining the forces of demand and supply. The company has no control on this, because the private contractors were responsible in managing their own fleets of trucks to ferry cement as assigned by the EAPC Company.

The company can also source for cheaper transportation costs, especially where railway networks is easily accessible to the various clientele destination, rather than use road transportation which is more expensive. The company changed strategy to lower production costs and therefore, translated profit margins increased tremendously.

The inability to meet the cement product tonnage levels affected the profits of the company. This called for alternative strategies for future, to meet the company's desired profit levels or overall goals.

Stringent alliance requirement is not a key factor in selection of strategies at all. Low staff morale affected the choice of particular competitive strategy chosen in terms of decision making, hence new strategies required. Proactive morale and need are important in choosing particular competitive strategies, because it propelled the workers to work towards their goals and focus in the future.

A new CEO can also affect the choosing of a particular competitive strategy. In relation to this, the CEO can come with new ideas. This can change totally the way things are done. Turn around strategies can be crafted, especially during aggressive competitions. The company has to survive in the turbulent environment, without necessarily loosing its market share to its competitors.

Technology is also an important factor in choosing particular competitive strategies. EAPC plant rehabilitation by the Japans ODA Loan in the year 2000 came about with the aim of increasing production and meeting growing domestic demand for cement.

The ODA loan covered 85% of the total project cost. Specifically, it is used to procure Civil engineering and construction work, materials and equipment. The services required to renovate cement production facilities, including the replacement of the wet cement manufacturing process (which is costly) with a dry process, and the replacement of obsolete facilities.

The technological rehabilitation in the year 1999/2000 has the company producing 440.000 tones annually. After the plant rehabilitation and technological renovations, the plant is able to produce approximately 550,000 tones of cement annually by the year 2000/2003. This is a remarkable improvement in the production of cement tonnage levels that has increased gradually over the years. Currently the production averaged 600,000 tones per year by 2007/2008. The target is to double the tonnage level which is around 300,000 tones annually by 1998/1999, before technological rehabilitation of the plant (source, EAPC field report survey March 2001); EAPC has to change production facilities to meet the grown domestic demand.

The supply gap narrowed after strategy is changed by having adopted the new technology funded by Japan ODA and it worked tremendously for them. The increased production, profitability and so on meant better terms for all the stakeholders involved with the company.

The recession of economy affected sales and profitability, hence there is need to craft new strategies to cope with the situation. Customer demand affected the choice of particular strategies because of shift in customer's tastes and preferences. Strategy has to be changed to adapt to the new challenges or customer needs.

In comparison to Bamburi Cement Company, the factors that influenced the choice of particular strategy were different from EAPC and ARM cement companies. The Bamburi cement is mostly concentrating on growth a strategy, which is their main focus. Bamburi cement established Athi River grinding plant in 1998 as part of its growth strategic objective. They also expanded its vested interest into the neighboring country of Uganda, where it established Hima cement a branch of Bamburi Cement Company.

Expounding on the growth strategy Bamburi cement limited is a subsidiary of Lafarge, the world's leader in building materials. Lafarge ranked position one in cement, aggregate, concrete and gypsum building materials. The Lafarge Group is present in 76 countries and has about 90,000 employees. It sold in the year 2007 about 17.6 billion Euros up from 16.9 billion Euros in 2006.The cement division has operated in 46 countries with 166 plants worldwide.

The customer is the heart of Lafarge business. It offered the construction industry and general public innovated solutions that brought greater safety, comfort and quality to their everyday surroundings. Lafarge offered the construction industry sectors, from architect to tradesman, from distributor to end user). Lafarge has a comprehensive range of products and solution for each stage of the building process.

In the year 2007, Lafarge demonstrated its ability to accelerate its objectives. The excellent 2008 objectives for growth in earnings per share and return on capital employed were exceeded, a year early in 2007. Cement demand worldwide has experienced uninterrupted growth over nearly 20 years. By building new capacity in growing markets. Lafarge also bought or acquired Orascom cement. Lafarge is ideally positioned to benefit fully this growth. Bamburi is mainly concerned with the following factors, that influenced the growth strategy they adopted to cover the whole globe. In brief these factors included; safety, health and environment, innovation sustainable market leadership, profitable enterprise and team achievement.

In the safety, health and environment caption; Bamburi are dedicated to train employees, contractors, business partners and they adopted best practices to ensure safety for the target group. Secondly, in the innovation caption they were committed to top line growth through introduced innovative products. Bamburi are committed to have a significant proportion of their turnover generated from new products by 2010.

Thirdly, in the market leadership caption, Bamburi were committed to being the leader in the Eastern African Market, with strong sales to the inland export markets.

Fourthly, in the profitable enterprise caption, Bamburi has protected and augmented their profitability by enhanced production and other internal efficiencies, which they realized their aim is to make cement affordable to their customers and end users.

Lastly, in the team achievement caption, they focused on attracting the best talent, they developed the skills and potential for their people. Bamburi recognized and rewarded achievement. They built a disciplined and motivated workforce that drove outstanding results. Through these tangible five factors they strove to embrace their values as one entity driven by the same energy. This, therefore, enabled Bamburi to achieve its major growth strategy globally and not just in Kenya.

In comparison, Athi River Mining Limited is the third cement company, after Bamburi and EAPC. The Athi River Mining cement divisions operated from Kaloleni.They are important manufacturer in Kenyan Market with its strong brand equity of Rhino. Concerning strategic objectives they have adopted growth strategy in cement business, just like the market leader Bamburi.

For ARM, to achieve its growth ambitions the cement division in Kaloleni anticipated tripling its cement production capacity to around 300,000 tonnes per annum that is by early 2006. In this regard, cement production is currently restricted to 120,000 tonnes per annum having operated at 100% capacity.

The fact that, the cement division sourced its major production input clinker from its competitor Bamburi via a three year renewable supply agreement. However, Clinker supply is limited to 80,000 tones per annum, which in turn restricted ARM'S Cement output (and market share) to the current 120,000 tons per annum.

Due to the limited capacity to achieve their growth or expansion strategy, ARM has embarked on new strategy of boosting its overall cement production turnover by placing more investments in a Rotary Clinker plant which cost 1.1 billion by the year 2005. This resulted in a high quality of production, as well as increased cost of competitiveness. Eventually, ARM became the lowest cost producer of cement in the country. Furthermore, the new plant allowed for the production of Clinker at a sunken cost of Kshs. 100 million per year (Source, Global credit rating company report, 2005).

ARM has embarked on muhi million shilling expansion programme that will see its production double from the current 1000 tones to 2000 tones per day. The foundation stone for phase two of the expansion of ARM was laid down by the minister for industrialization Henry Kosgey on 27"[1] July 2008.

The minister commended the Kaloleni based company for its expansion programme which he said is keeping with the country's economic growth. Kenya consumed 2.2 million tones of cement annually. It has been projected that, the figure will be increased to 2.5 million tones this year. It is therefore, important to keep up (through invested capacity) with the country's economic growth pace Mr. Kosgey gave comments to the management. According to the company director Mr. Pradeep Paunrana the expansion programme will cost the company 1.5 billion Kenya shillings. He said the company will also open another factory in Kitui where Kenya shillings 7 billion will be located.

The plant in Kitui will have to produce up to 5000 tones per day. In conclusion, ARM just like Bamburi, is instigated by the risen capacity of cement demanded all over the country to have kept up with the grown pace of economy

4.6 Factors influencing low cost strategy

The following are some of the factors that influenced low cost strategy. The first factor that affected business is the state of economy. For instance, Bamburi Cement Company in Kenya has thrived in an economic environment that is good for growth, having provided significant business opportunities in all key sectors. The Kenyan economy sustained a strong momentum (2001 GDP 6.5% compared to 6.1% in 2006) bolstered by improved production in various sectors, particularly, tourisms, telecommunication, manufacturing, agriculture and infrastructural development. They all resulted from significant improvements in the macroeconomic conditions and various economic returns undertaken by the government. The inflation rate is 9.8% compared to 14.5% level in 2006.

The low inflationary rates has enabled Bamburi cement group, to sell its cement products at a lower cost without having charged extra money to cover the inflation rate that has changed. The second factor that affected negatively on low cost strategy is Energy and transportation costs. These are cost drivers and they brought unexpected cost pressures, particularly risen energy and transportation costs. The rising oil barrel price in the world markets affected negatively the industry, by increasing energy transportation costs, hence destabilizing prices of cement. Eventually, to recoup losses it, therefore, became difficult to apply low cost strategy, when energy and transportation costs have risen. The price of cement products has to be adjusted to reflect the risen costs in overall production to avoid **losses.**

Clinker content also affected low cost strategy. The lower the clinkers content in the cement products the cheaper the cement brand, especially those manufactured by Bamburi cement. For example, Plasta plus brand has 12, 5 MPA is cheap compared to Power plus which has 42, 5 MPA.

The Construction sector growth is another key factor that has an impact on low cost strategy. The Cement demanded in the region continued to be strong, hence being stirred by the robust growth in the economy. To add on, the overall market in East Africa grew by an estimated figure of 14.8%. The construction sector experienced strong growth due to stable individual homebuilder. The demand and growth in the contractor segment, is mainly driven by public and private infrastructure projects. Cement like any other product followed the law of demand and supply, which affected pricing of goods. The higher the demand and the lower the supply meant prices will have to go up. Market leadership position by Bamburi is dominated by having differentiated and quality cement products. The low cost strategy only has applied to Plasta plus brand, but Nguvu and Power plus is highly priced, to maintain the superior quality and image among loyal clients of Bamburi. Furthermore, customers perceived high price with high quality. Therefore, we can observe that, consumers' tastes and preferences reality affected the low cost strategy implementation, because of the perception of the customers.

In addition, the Total production cost is another factor that influenced low cost strategy. The overall production costs incurred to produce cement product, will also have an influence on the final pricing of the cement products. For instance, energy and transportation costs, labour costs, cost of inputs government taxation policies, Kenya bureau and standards regulations, competitor price etc. The total production cost has an impact on whether to use low cost strategy to meet the firms' objectives. For instance, the Bamburi Power plus brand has a higher production costs, because first of all the clinker content is the highest, therefore, the price has to go up. The high price negatively influenced the use of low cost strategy, because a premium price level has to be charged. The premium pricing is done to reflect the additional clinker content. These factors discussed are also common to EAPC and ARM cement companies, which are also players in the cement industry.

4.7 **Factors influencing product differentiation**

The first factor that influenced product differentiation in the cement product being homogeneous in nature is clinker content. With respect to clinker, content cement can be classified into cement class. The cement product is divided into five classes namely; CEM 1, CEM2, CEM3 CEM4 and CEM5 depending on clinker composition. By using cement strength standard for instance, Bamburi cement has Power plus which is 42, 5 MPA, Nguvu 32,5 MPA and Plasta plus 12,5MPA.

Cement can also be differentiated into product standards still dictated by clinker content and other additives like pozzolana etc. For instance, Plastaplus has a product standard of

EN 413.Bamburi used different packaging colours for the various cement brands, to reflect on quality, and it showed that they are different products. The blue triangle cement product used uniform colours on its packaged cement product. EAPC has a multi purposes cement product equivalent to Bamburi's Nguvu brand which is 32, 5 MPA.

ARM also has a multi purpose brand called Rhino equivalent to Blue triangle cement and Nguvu for Bamburi, which is approximately 32, 5 MPA. EAPC and ARM have not differentiated their cement products on the clinker content basis. The EAPC instead has introduced a smaller packaging of 25 kg, as a low cost strategy, in order to sell cement to the lower income groups. Those who cannot be able to afford the standard packaged cement of 50kg. The consumers' disposable income is a factor that affected low cost strategy, because they are important stakeholders in any given enterprise. No clients no business, hence it is important to check on the consumers income levels.

4.8 **Factors influencing focused strategy**

In focused strategy, the cement products are produced targeting a particular market segment or consumers. Bamburi used focused strategy by targeting specific consumers in the Civil engineering Industry or structural construction sector dealing with making of road bridges. The Bamburi cement manufactured the Power plus brand with an MPA 42.5, which is capable of holding concrete blocks under water bridge construction. This cement brand is definitely stronger than Nguvu brand in under water bridge construction. The Nguvu brand is used for the normal multi purpose construction. Bamburi cement used focused strategy to produce cement product for that class of clients who use power plus to make road bridges.

The Nguvu brand is focused on the individual homebuilder consumers who did not need a very strong cement MPA strength standard, but a moderate MPA of 32.5, which is quite fine for general construction purposes.

The Blue triangle cement has 32.5 MPA strength standard is focused on the general consumer and it is multipurpose cement. The same case applied to Rhinos ARM brand, which is also multipurpose. From the above discussion, we can see that focused cement product is more on the purpose the cement product is supposed to achieve in the construction sector rather than consumers tastes and preference.

4.9 Factors influencing the choice of alternative strategies

The first reason why cement firms used alternative strategies is to be unique. By being unique in their strategic choice, not only eliminated competition, but it also gave them advantage over their rivals. In particular, if the strategy chosen is superior to their rivals.

The use of alternative strategies helped to create imitation lag on strategy adoption by competitors. The competitors found it difficult to have coped with constant changes of strategy because of the imitation lag. This helped the original strategy crafter to have early adopters advantage over their rivals by the time they caught up, the firm has already designed another alternative strategy different from the original. Therefore, competitors lag behind and market leaders keep on being on the top. For instance, Bamburi product differentiation strategy of the homogenous cement product has given them a lead over their rivals as EAPC and ARM, which has not thought of the same idea owing to the additional costs accompanied by this kind of strategy.

The other factor that affected the use of alternative strategies is the management team responsible for the strategy designing and implementation. Mainly, the top management scanned and monitored the environment, then came up with very new alternative strategies. This is meant to steer the organizations to meet its designed goals without compromising on quality of the product and pricing. For instance, Bamburi recruited talented individuals from the job market, who can benefit the human resource talents, to act as an aid, in order to achieve the organizational goals. They hired experts in cement manufacture, who can be needed, if product quality is a key issue to the cement firm.

Research and development department may also influence the choice of alternative strategies. As a result of research and development, they came up with new innovated ways of doing things, in relation to the product development. For instance, Bamburi cement set up Athi River clinker grinding plant for producing the final cement. Clinker manufacture is done in Mombasa plant and the Athi river plant grounded the transported clinker from Mombasa by road or rail. The final cement grinding process is cheaper for Bamburi, instead of having the whole process done in Athi River. This cost sharing deal enabled the cement firm to cut on the cost of production.

Availability of inputs such as land, labour capital good infrastructural networks can influence the choice of alternative strategies used by cement firm. Cheap labour for instance, lowers production costs per unit. Good infrastructural networks helps in efficient transportation of raw materials and finished goods to the target customers. The availability of land to build cement plants at viable places for growth will aid in the expansion of the cement firm. For instance, ARM is planning to build a Kenya shilling 7 billion cement plants in Kitui, which has raw materials locally available like limestone for cement manufacture.

4.9.1. Competitive Strategies Adopted

For instance, the Bamburi cement company has adopted competitive strategies in order to maintain their vision. The vision is maintaining its market leadership position, product quality consistency and brand building (maintenance of strong brands of cement in the market).

In comparison, the second company EAPC the vision for competitive strategies adopted is to produce quality cement, which can challenge competition in the market. The other vision for having adopted competition strategies is to make it a leading and a preferred cement producer in the region.

Finally, ARM has adopted a competitive strategy, which is to make it remain an innovative natural resource based mining and processing company in Kenya. The company having a diversified product range, supplying cement, building products, primary mineral and chemical raw materials to all sectors of the economy. For instance, in Bamburi Cement Company, a multi-departmental team comprising of commercial team.

strategy team and the plant management team designed the competitive strategies. As for EAPC top management and middle management staff crafted competitive strategies. The same case of competitive strategy designing is done for ARM just as EAPC.

The crafted competitive strategies were communicated through internal presentations, team discussions and presentation of strategy document through various departments of the company. This set up was commonly evident in all the three cement companies that is Bamburi. EAPC and ARM. The strategic objectives for Bamburi cement is to maintain its market leadership position, while EAPC is marketing of cement products through advertisements, holding masonry workshops to demonstrate quality of the product and advertisement in media house. The strategic objective of ARM is to gain market share for its newly established cement division.

The various competitive strategies issues were clarified as the adoption progressed through discussion by the user department and other relevant departments, including strategy teams. All these chain of activities evident in the three cement firms. In the application of competitive strategies by Bamburi, EAPC and ARM .The market leadership position is considered very important, followed by profitability, market share and finally competitive advantage in that order. The Internal factors that influenced adoption of competitive strategies were as follows; Organizational structure affected faster decision making in EAPC, since a chain of command has to be followed, declining profits affected strategy hence need to adopt a different one. Term work or management commitments may influence strategy to be adopted either positively or negatively depending on the situation facing the firm at some point. If negative, this will require change of strategy, but if positive teamwork and management can be improved to sustain the competitive strategy adopted.

As for Bamburi cement, the internal factors that influenced adoption of competitive strategies were as follows; Organizational structure included a multi-national team that can draw experiences worldwide. The profits gained by the company allowed resources to be ploughed back to the company. Bamburi valued leadership factors; the quality of management team is also highly checked. They required a team that can deliver required target results and meet deadlines. The management commitment is to ensure that the competitive strategy adoption process goes through as planned. The external factors that influenced adoption of competitive strategies in Bamburi cement were mostly regulatory requirement and competition.

In regulatory requirement, the government regulations and the cement industry standards has to be adhered to in the competitive arena. Bamburi cement has to ensure that they maintained the lead and the company has to scan at competitive activity in the environment.

For EAPC the external factors, which featured most, were regulatory, requirement, government involvement and competition. In the case of regulatory requirements, ISO requirement of product quality and KBS (Kenya Bureau of Standards) has to be adhered. The government involvement such as government policy in procurement can easily cause delay in the implementation of projects. Therefore, this called for alternative strategy to be adopted. In regards to this, competitive strategy has to be changed to addresses anticipated challenges?

4.9.2 Factors Influencing the Choice of a Particular Strategy

The top management of the respective cement firms are responsible for strategy crafting, implementation and evaluation. The respective departments of the firm were to assess the crafted strategies which met organization primary goals. The strategies are means to an end and not an end in itself. The company's vision and mission also detailed which kind of strategy it is to adopt. The Bamburi cement vision is growth strategy to cover all over the Eastern African region.

The EAPC cements vision is to be the preferred leading cement producer in East African region, finally ARMs vision is to achieve sustainable growth through capacity expansion, develop new markets abroad and gain cost advantages over competitors though improved manufacturing technology.

Organizational structure also dictated the kind of strategy to be chosen. Bamburi cement a subsidiary of Lafarge groups of companies adopted globalization strategies devised by Lafarge Group. The EAPC being regional contracted its cement sales within the Eastern Africa region. ARM being new in the industry is more localized and mostly concentrated their cement sales domestically. From the above analysis it can be seen that Bamburi cement is a multinational firm under the umbrella of Lafarge, EAPC is regional and ARM is local in domestic operations. Bamburi cement chooses to differentiate its cement products simply, because it has the financial ability more than EAPC and ARM to adopt this kind of strategy. Differentiation strategy is costly to implement, because the company has to charge a premium price on the differentiated cement products to recoup the loses incurred in differentiating the particular cement brands in terms of separate packaging The extra labor costs incurred in having separated products lines for the differentiated products also added more expenses.

Competition from rival groups in the cement industry also affected the choice of particular strategies in the cement manufacturing firms. Cement manufacturing firms can adjust their pricing accordingly and have it used for cut throat competition to push out news players. Particular the players who want to venture into the industry, be it manufacturers or private entrepreneurs.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATION

5.1 Summary

Aftermath of my research work study, it is observed the following competitive strategy adopted by the three registered cement manufacturing firms namely, growth strategy is the centre of focus. This is evidently seen by the Lafarge group which owned Bamburi has consolidated cement business in Kenya.

The group has bought 41.7% shares in EAPC, 15.1% in ARM and 73.2% share in Bamburi. These are the three major cement manufacturing firms in Kenya the figures of shares were released in 2006. The Lafarge group has wanted to dominate the cement manufacturing business by buying shares for the players involved in this industry to strength its monopoly status in this industry.

EAPC as the name suggested has majorly concentrated its cement business within the region. The EAPC Company has opened depots in all the major East African countries and beyond, to include Rwanda and Sudan. EAPC cement brand cannot compete well with Bamburis Nguvu brand, because it is cheaper and affordable. Michael's Porters grand generic strategy of low cost strategy is more applicable for use especially in the East African region.

ARM is new in cement manufacturing industry. They are still consolidating their efforts through capacity expansion and technological improvement. This has already made them to be the lowest cost producer locally, after setting up the Rotary Clinker plant in Kaloleni. This has increased tremendously their cement production output. Therefore, ARM has achieved low cost strategy adoption, through cost of production minimization gained by economies of scale advantage in cement production. ARM can easily reduce their cement price per unit and still make profits hence being the lowest cost cement producers in Kenya after EAPC.

The factors that influenced the choice of particular strategies are as follows: organizational structure, company vision and mission, efficient and effective management team, resource availability like funds and competition in the cement industry. Competition came mainly from the industry either manufacturers or side players like private entrepreneurs engaged in cement business. Finally, a turbulent operating environment needs to be scanned regularly, to cope with the changes which are internal and external. This is done not to loose focus on the goals and organizational objectives of the firm.

5.2 Conclusion

To conclude the overall findings obtained in regards to competitive strategies adopted by cement manufacturing firms and the particular strategies employed. The following are some of the strong points of Bamburi cement, which has made it, maintain its leadership position in the cement manufacture in Kenya until now.

First of all. Bamburi are innovative in their product brand choice and they use recent technology in cement manufacture, which is cost effective. They use dry process unlike wet process of cement manufacture which is quick and cheaper. Water is not needed to produce clinker in the dry process hence reduction of production costs.

Secondly, they have efficient human resources team, starting from the top management to middle level management. They are skilled and talented in their work. Good coordination and being team players in unison made it easy for them to work without strict supervision. Therefore, they delivered their best work input in relation to their job descriptions.

Thirdly, Bamburi has maintained its monopoly within Kenya by buying shares in other cement companies. They also maintained leadership in cement industry by adopting globalization strategy, hence making them financially stable. Availability of capital enabled the firm to achieve its growth strategy by buying shares in other cement firms. For instance, Bamburi cement bought HIMA cement in Uganda.

EAPC is second to Bamburi, because of its regional representation. It only has one brand, which is called Blue triangle cement, equivalent to Bamburis Nguvu Brand. Blue triangle is famous among the locals, because it is cheap as compared to Bamburis products. EAPC has a considerable market share in the Eastern Africa region. The local people who cannot afford Bamburi cement brands opted for the cheaper multipurpose Blue triangle cement serving the same purpose. Thus is the reason why they are number two in the market share in the Kenyan cement industry.

Finally, ARM is third in the market share. The reason being, that it is still new in the industry. They need time to adjust and capture their own market share. Mostly, they started by concentrating with the domestic demand within Kenyan borders. Through technology and capacity expansion, ARM has applied low cost strategy. This is made possible by the accrued benefits of economies of scale. Eventually, ARM has become one of the lowest cost cement producer after EAPC.

5-3 Limitation of the Study

The following are some of the limitations encountered, when undertaking the research. The first problem encountered, is that the respondents were busy executives. They took much of my time trying to follow them up, to fill the interview guide so that, I can catch up with the time deadlines.

The second problem is that, the respondents were sceptical about the research motives. Therefore, some respondents purposefully refused to give information claiming to be confidential matters about the company. The third problem is financial scarcity. I had to hire research assistants who assisted me with collecting data, which is an additional cost, incurred.

Some of the respondents filled the interview guide half way, neglecting some study variables, making it difficult to completely analyze data without being biased.

5.4 Recommendations for Further Research

I will recommend more studies to be done in competitive strategies, especially in the area of globalization strategies. This strategy has made the giant French cement group Lafarge, to be cement industry leader almost all over the world. The study should unveil the factor that has made Lafarge to succeed in this industry of cement globally, without being challenged by new players in the market.

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ANNEXURE

Annex 1: Letter of Introduction

DATE

The respondent

Henry On y an go

P.O. Box 333

Athi- River

Cell phone: 0722 220603

Dear Sir/Madam

RE: REQUEST FOR YOUR PARTICIPATION IN RESEARCH WORK

1 am a postgraduate student in the school of Business, University of Nairobi pursuing a Master of Business Administration (MBA) Degree Program. In order to fulfil the degree requirements, I am currently undertaking a strategic management research project on "a case study of competitive strategies applied by cement manufacturing firms in Kenya" The study focus on the competitive strategies implementation in the firm.

Since you are key people in the implementation of the corporate level strategies. I believe you can provide invaluable information. 1 would appreciate if you could spare some time to complete the attached interview guide for me.

Please be assured that the information you will provide is strictly for academic purposes

and I shall avail the company a copy of the results once the study ift complete.

Yours faithfully,

Henry Onyango

Annex II: Interview Guide

PART A

1. Name of interviewee

2. Position

3. Division/Department

4. Period worked in the company

Company Details

5. Which brand of cement does your company represent? (Tick where necessary)

a. East African Portland cement •

b. Bamburi cement •

c. Athi River Mining •

PART B

Strategic Planning Issues:

6. State the organizational objectives

a

b

c

c.

7. How would you describe cement industry's operating environment?

a) Very stable EH

b) Very turbulent n

c) Discontinuous (irregular)

d) Other

8. How does cement companies react to business environment?

a) Proactively

b) Reactively

c) In-between

d) Other

9. How do you view strategic planning to the success of cements companies?

a) Very important

b) Important

c) Limited importance |—j

d) Not importance

10. How often is a strategic plan prepared in your cement company?

a) Every 2-3 years

b) Every 3-5 years

c) As requested by government

d) Never prepared

e) Other

11. What is the main reason for preparation of a strategic plan in your cement company?

a) Required by funding agencies

b) Necessary for Cement Company's success

c) Both funding agencies and Cement Company's success requirement

d) Other

<u>PART C</u>

Competitive Strategies

12. What was the vision for competitive strategies to be applied in company?

Describe how it was developed, stating those involved

13. How was the vision communicated to the following categories of staff in order to create commitment for competitive strategies to be applied throughout the organization?

a. Management team
b. Middle management
c. Lower management
d. Union staff

14. How urgency for competitive strategies to be employed was communicated to stakeholder

15. Was the competitive strategies planned?

Yes Q No Q

a) If yes, over what period was it to be implemented?

Less than one year j—I

1 to 2 years •

2 to 3 years ^

Others

16. Was the duration adequate?

Yes • No •

If no, what duration would you consider adequate?

17. What were the strategic objectives for the competitive strategies to be employed?

18. What was the theme of the competitive strategies adopted?

a. Differentiation of products •

b. Cost leadership strategy

c. Focus on selling one product strategy [—|

d. Depot sales strategy

e. Mergers and acquisition strategy

f. Strategic alliances local engagement strategy

g. Globalization strategy

h. Advertising aggressively strategies

i. Regionally represented in East Africa

j. Team building efforts strategies

k. Shareholding in distribution companies to control the valve chain strategies

1. Highly skilled human resources recruitment strategies

m. Continuous brand development strategies

n. Organize legal customer events strategies

o. Continuous staff training strategies

p. Corporate image building strategies

q. How production cost strategies

r. Creating strategic alliances with global cement firm

s. Technical staff hired on contract strategy

t. Other

19. Please describe the preparation made in the following areas before adopting the respective competitive strategies

a) Assessment of environment

b) Defining the competitive strategies goals

c) Forming Competitive strategies implementation committee or team

d) Communication to all stakeholders

e) Others

20. Describe the distinct steps in the implementation of strategies in your company?

a)

b)

c)

d)

e)

21. How are these steps identified?

22. How was the adoption of a particular competitive strategy carried out?

a) Rapidly

b) Gradually

c) Continuously ^

d) Intermittently •

•

e) Combination of all the above

23. How were various competitive strategies issues clarified as the competitive strategies adoption process progressed?

24. To what extent were the following targeted for competitive strategies adoption process?

a) Market share

b) Profitability

c) Competitive advantage

d) Market leadership position

e) Consumer

behaviour

f) Consumers utility satisfaction

g) Employee satisfaction

h) Attitude

i) Value

PART D

Factors Influencing the Choice of a Particular Strategy to Be Applied In Cement Companies?

25. Describe how the following contributed if at all, in adoption of particular competitive strategies

a) Limited number of staff.

b) Loss of market share

c) Financial loss

d) Resources

e) Very competitive environment

f) Inability to attract repeat customers

g) Lack of collaboration with the industry

h) Low representation in the region

i) Credit management

j) No marketing budget

k) Government policy e.g. cement axle weight load on roads

l) High cost of skilled staff

m) Lack of controls e.g. product tempering

n) Distributor challenges

o) In ability to meet product tonnage levels

p) Stringent alliance requirements

q) Low staff morale

r) Proactive morale

s) Proactive need

t) New CEO

u) Technology

v) Recess or

w) Privatization/deregulation

x) Customer demand

y) Others

26. In conclusion what would you comment on the strategy you have implemented:

Tick appropriately

Low cost strategy

Differentiation strategy

Focus strategy

Please explain (optional)

27. Describe how the following factors have influenced adoption of competitive strategies

Internal factors

Organizational structure

Cleaning profitability

Availability or scarcity of resources

Culture

Leadership

Teamwork

Management commitment

Technology used

External factors

Donor requirement

Funding

Regulatory requirement

Government involvement

Competition

Others (Specify)

28. Who initiated the competitive strategies adoption process?

Board of directors

Government

CEO

Senior management

Consultant

Donors

Others

29. What were the roles of the following in applying competitive strategies in the organization?

Board of Director

Government

CEO

Consultants

Employees

Others

30. Were specific teams mandated to empower the competitive strategies?

Yes Q No

a. If Yes, how were the team member identified or selected

b. What were the rules and powers of the team

31. How were the team members familiarized with the basic concepts of competitive strategies

32. How did the competitive strategy managers ensure availability of resources financial, technical and human to ensure success of the competitive strategies adoption

33. What systems were adopted for the following?

Documentation

Periodic reporting

Feedback

Information dissemination

34. Describe the role of experimentation if at all allowed, during competitive strategies adoption process

35. How **was Success celebrated at various stages?**

36. What role did the following participation tools play in the competitive strategy adoption process?

Task forces

Brainstorming

Opinion polls

Suggestion boxes

Newsletters

Question and Answers

Changing symbols

Others

Thank you for taking your time to participate.

Annex III:

REGISTERED CEMENT MANUFACTURING COMPANIES IN KENYA BY THE NAIROBI STOCK EXCHANGE 2008.

1. East African Portland Cement Company Ltd (EAPC)
2. Bamburi Cement Company Ltd (BCC)
3. Athi River Mining Cement Company Ltd (ARM)