COMPETITIVE STRATEGIES APPLIED BY FLOWER FIRMS IN NAIROBI

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DECLARATION

I declare that this research project is my original work and any of its content has never been submitted to any other institution for the award of Masters, degree, diploma or certificate.

Signature ______________________ Date ________

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D61/70089/2007

This project has been carried out by the student under my supervision and I confirm that it is being submitted to the university with my approval as the student supervisor.

Signature ______________________ Date ________

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Many thanks to my family for their moral support and understanding during the entire research period.

Finally, I give glory to God for enabling me finish the study.
DEDICATION

This research work is dedicated to my loving wife Pauline and my daughters Elsie and Eileen.
ABSTRACT

Competitive strategy is the search for a favorable competitive position in an industry, the fundamental arena in which competition occurs. Competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition. Competitive strategy is about being different. It is choosing a different set of activities to deliver a unique mix of value.

The purpose of the study was to determine the competitive strategies applied by flower firms in Nairobi. The specific objectives of the study was to find out the competitive strategies adopted by flower firms in Kenya and establish the challenges faced by flower firms in implementing competitive strategies so formulated.

The research design for this study was survey design. The population consisted of 23 flower companies registered with KFC as at end of May 2010 located in Nairobi. Data collection was done through semi structured questionnaires targeting one management staff in each company. The questionnaires were either dropped and picked later or emailed to the respondents. Data was analyzed in the form of descriptive statistics which included mean, standard deviation, frequencies and percentages and presented in form of tables and pie charts.

The study established that most companies applied competitive strategies to a moderate extent; this could be attributed to the challenges faced by flower firms in implementing competitive strategies so formulated. Hence there is need to develop dynamic capabilities for a sustainable competitive advantage. Competitive advantage can be achieved through
the synergistic combination and integration of sets of resources that competitive advantages are formed on.

This study had several limitations including the population of the study which left out other flower companies located in other areas of the country. The researcher recommends that a replicate study be carried out in another industry for comparison of results.
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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

How firms create and sustain competitive advantage is the fundamental issue in the field of strategic management (Zott, 2003). The strategic conflict approach uses the tools of game theory and thus implicitly competitive outcomes as a function of the effectiveness with which firms keep their rivals off balance through strategic investment, pricing strategies, signaling, and the control of information (Shapiro, 1989). Both the competitive forces and the strategic conflict approaches, appear to share the view that rents flow from privileged product market positions.

The resource-based view (RBV) emphasizes building competitive advantage through capturing entrepreneurial rents stemming from fundamental firm-level efficiency advantages (Mahoney & Pandian, 1992). These approaches have their roots in a much older discussion of corporate strengths and weaknesses; they have taken on new life as evidence suggests that firms build enduring advantages only through efficiency and effectiveness, and as developments in organizational economics and the study of technological and organizational change become applied to strategy questions.

The dynamic capabilities builds on the notion of core competencies but focuses on the role of management in building and adapting these competencies to address rapidly changing environments (Teece, 2007). With dynamic capabilities, sustained competitive advantage comes from the firm’s ability to leverage and reconfigure its competencies and assets in ways that are valuable to the customer but difficult for competitors to imitate.
Dynamic capabilities help a firm sense opportunities and then seizes them by successfully reallocating resources, often by adjusting existing competencies or developing new ones. Each of these approaches to strategy attempts to solve the puzzle of how a firm can outcompete its rivals by either developing useful firm-specific skills or positioning itself in ways that customer’s value and are willing to pay for and that rivals cannot easily imitate.

1.1.1 Competitive Strategies

Porter (1998) described competitive strategy as “the search for a favorable competitive position in an industry, the fundamental arena in which competition occurs” and further explains that “Competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition” pp 325. This involves identifying sources of competition in the ever changing environment then developing strategies that match organizational capabilities to the changes in the environment. According to Porter (1998), “competitive strategy is about being different”. This means deliberately performing activities differently and in better ways than competitors.

Competitive strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson & Strickland, 2002). It concerns what a firm is doing in order to gain a sustainable competitive advantage. Porter (1985) outlined the three approaches to competitive strategy these being Striving to be the overall low cost producer, i.e. low cost leadership strategy, secondly Seeking to differentiate one’s product offering from that of its rivals, i.e. differentiation strategy and lastly Focus on a narrow portion of the market, i.e. focus or niche strategy.
Frank (1970) argued that competitive strategy enables a firm to define its business today and tomorrow, and determine the industries or markets to compete. Grant, (2000) suggested that the intensity of competition in an industry determines its profit potential and competitive attractiveness. Competitive strategy will assist a firm in responding to the competitive forces in these industries or markets (from suppliers, rivals, new entrants, substitute products, customers). Owiye (1999) argued that competitive strategies will be vital to a firm while developing its fundamental approach to attaining competitive advantage (low price, differentiation, niche), the size or market position it plans to achieve, and its focus and method for growth (sales or profit margins, internally or by acquisition).

Porter (1985) argued that superior performance can be achieved in a competitive industry through the pursuit of a generic strategy, which he defines as the development of an overall cost leadership, differentiation, or focus approach to industry competition. If a firm does not pursue one of these strategy types, it will be stuck-in-the-middle and will experience lower performance when compared to firms that pursue a generic strategy (Porter, 1985). Today Porter argues that the strategy is about selecting the set of activities in which an organization will excel to create a sustainable difference in the market place.

Day and Wensley (1988) focused on two categorical sources involved in creating a competitive strategy; superior skills and superior resources. Other authors have elaborated on the specific skills and resources that can contribute to a design of competitive strategies. For example, Barney (1991) stated that not all firm resources hold the potential of sustainable competitive advantage; instead, they must possess four attributes: rareness, value, inability to be imitated, and inability to be substituted.
1.1.2 Overview of the Kenyan Flower Industry

Kenya’s horticultural sector currently ranks as one of the economy’s fastest growing industries, the third largest foreign exchange earner after tourism and tea. This has been reflected in virtually year on year expansion in fruit, vegetable and flower exports, a trend that saw the industry rise 31% in 2003 with total exports reaching 130,000 tonnes in 2003. Top on the list of fresh horticultural crops exported annually are cut flowers, French beans, runner beans, snow peas, Asian vegetables, pineapples, mangoes, tomatoes, paw paws and passion fruit (KFC, 2010).

The history of the export of fresh horticultural produce from Kenya dates back to the period before independence when Kenya, then a British colony, was required to contribute to the running of the budget for East Africa. After independence the industry continued to flourish with exports starting to go to Europe and thus opening up the potential for Kenya in the export market (KFC, 2010).

Overall exports to the European market started to increase in the 1970’s with the Netherlands being the largest importer, taking a 71 per cent share by volume, with most distributed through the auction system. Next came the United Kingdom on 20 per cent, followed by Germany on 6 per cent. Success can be attributed to Kenya’s ability to provide high quality products on a year-round basis, backed by daily airfreight arrivals to key destinations. The floriculture sub sector has recorded the highest growth in volume and value of cut flowers exported over the years, with Kenya attaining the lead supplier status to the EU against competitors. The share of our exports to the UK has been increasing considerably, in response to a growing market especially on mixed bouquets,
and more direct sales as compared to the auction system. The current Kenya Flower Council membership represents 50% to 60% of the flowers exporters. While Kenya was not exporting the products in 1970, it is currently the major exporter to the European Union, contributing over 35% of all flower sales, followed by Columbia with 17% and Israel 16%. The main European Union markets are Holland, United Kingdom, Germany, France, and Switzerland.

After three decades, the sector has reached maturity maintaining an average growth of 20% per annum after its rapid expansion in the early 1990s. Since 1990, Kenya's export volume has grown from 14,000 tons in 1990 to 39,000 tons in 2000 to 61,000 tons by 2003. In 2007 91,000 tons were exported compared to just over 93,000 tons exported in 2008. The value of flower exports rose from about Kshs 1 billion in 1990, to Kshs 23 billion in 2006, to a record high of Kshs 43 billion in 2007. In 2008, the value of exports stood at Kshs 40 billion (KFC, 2010).

With the export market, Kenya supplies over 35% of cut flowers and ornamental to the world largest market – the EU, which is believed to consume 50% of the world flowers. The major destinations are the Netherlands (65%), UK (23%), Germany, France and other EU countries. With market diversification, the USA, Japan and Middle East are coming up quite fast.

The Kenyan local market is very open with the prices determined by supply and demand factors. Some cut flowers are sold locally in main urban centers by street vendors and floricultural shops in high/medium class shopping centers. The distribution of the produce is either sold through the wholesaler markets, directly to the retailers or passes
through the hands of middlemen. Hawkers and street vendors are playing a considerable role in the distribution and sale of flowers (KFC, 2010). Massive investments by both local and overseas investors in projects with emphasis on varieties and adding value. Maintenance of high standards through compliance to codes of practice, Traceability, due diligence and Ethical Trading. Good and informed marketing by the growers. A liberalized economy over the years with the removal of exchange control and other constraints. Availability of airfreight, Kenya being a 'hub' for the airline industry in the east African and central Africa region thereby providing very crucial cargo capacity.

A reasonable infrastructure over the years. Good climatic conditions providing an opportunity to grow quality produce throughout the year. A hardworking and highly educated/qualified workforce comprising both men and women. Minimum government involvement, but mainly facilitating trade through the provision of incentives in the form of nil or reduced duties, Zero rating of flower sales, and other taxes on imported inputs crucial to the sector. The initial capital outlay required is quite intensive; the government has taken note of this factor and has allowed investors in this sector to claim back Value Added Tax on such machinery. Majority of the flower firms have their head offices in Nairobi but the operations are upcountry.

1.2 Statement of the Problem

In order to survive in the competitive environment, it becomes necessary for companies to be aggressive in their search and development of strategies that provide competitive advantage as they step up defensive strategies to protect their competitive advantages held. The stiff competition among companies and the entry of other players into the industry necessitate the design of competitive strategies to guarantee their performance.
Successful strategies lead to superior performance and sustainable competitive advantage. The ability of a company to command a competitive advantage depends on the sustainability of the competitive advantages that it commands.

A number of studies have been done on competitive strategies but under different contexts. Murage (2001) analyzed the competitive strategies in the petroleum industry and found that service stations use differentiation as a method of obtaining competitive advantage over other service stations. The companies that deal with petroleum products establish branded service stations and are only supplied by the firm's tankers.

Gathoga (2001) focused on competitive strategies by commercial banks in Kenya. The study revealed that banks in Kenya use various means in order to remain competitive, she also concluded that expansion into other areas by opening new branches has also, been used as a strategy.

Omondi (2006) carried out a study on competitive strategies adopted by airlines in Kenya and found that airlines sought to add value to their products through differentiated customer service. This included providing free accommodation and allowances to passengers who missed their connections and use of customer loyalty programmes for frequent travelers. Security guarantee and recognition of customers by offering special discounts and gifts are some of the strategies adopted by the airlines.

The findings of these studies reveal that firms in different industries adopt different competitive strategies which are unique in each context. There is a need therefore to come up with a study among the Kenya Flower Council (KFC) approved flower companies in Kenya specifically to understand the nature of competition amongst them
and the competitive strategies they employ. Thus the current study seeks to answer the question, what are the competitive strategies adopted by flower firms in Kenya?

1.3 Research objectives

The study objectives will be as follows

i. To establish the competitive strategies adopted by flower firms in Kenya.

ii. To establish challenges faced by flower firms in implementing competitive strategies so formulated.

1.4 Importance of the Study

The study will act as a guide to managers of firms in their steps towards developing competitive advantages and pursuing market leadership in the industry. The study will also be a reference material to such managers. It will be a reference material for future researchers and academicians.

The study will also highlight other important areas that need relational studies; these may include relationship between performance and strategic commitment. The pursuit of knowledge is a major human endeavor; information in this study will help to improve the existing academic body of knowledge. Exploration into an area of study helps scholars better understand the topic and answer questions related to that area of research. The study will also help in contributing to various strategic management theories.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter deals with the theories behind competitive strategy, and also reviews past studies on competitive strategies and end by reviewing the challenges in the implementation of competitive strategies.

2.2 Concept of Strategy

A strategy is a long term plan of action designed to achieve a particular goal, most often "winning" (Thompson et al, 2006). Strategy is differentiated from tactics or immediate actions with resources at hand by its nature of being extensively premeditated and often practically rehearsed. No business exists in a vacuum. It is no doubt being constantly subjected to the forces of change whether they are economic, competitive, environmental, or political. Very few of us can escape change - it is all around us. All organizations regardless of size are environment dependent. They depend on their external environment for their inputs and ultimately their outputs. Ansoff (1987) notes that the environment is constantly changing. In such an environment, organizations have to constantly adapt their operations and internal configurations to reflect the new external realities.

As the external environment changes, organizations find themselves in unfamiliar environment and have to respond by integrating change and internalizing the ability to adapt to the new environment for survival and growth. According to Hill and Jones (1999), Organizations respond to turbulence in the environment by formulating new strategies. These provide directional cues to the organization that permit it to achieve its
objectives while responding to the opportunities and threats in the environment. Pearce and Robinson (1997) argued that organizations have to respond to the turbulence by crafting new strategies that they define as a large-scale future-oriented plans for interacting with the environment.

The study of strategic management therefore emphasizes on monitoring and evaluation of external opportunities and threats in light of a corporation's strengths and weaknesses. This statement emphasizes that the environment is constantly changing and so it is imperative that an organization has to constantly adapt its activities to reflect the new environmental requirements. Having a strategy enables you to ensure that the day-to-day decisions fit in with the long-term interest of an organization. Without a strategy, decisions made today would have a negative impact on future results (Thompson, 1993).

The major task of managers is to ensure survival of the companies they manage. In order to achieve success, the companies have to adequately adjust to meet environmental challenges. Failure to do this will cause the companies to experience a strategic problem. Therefore strategy is a tool which offers significant help that enable the firm cope with turbulent environment facing the firm (Johnson and Scholes, 2002). This problem arises out of the mismatch between the output of the company and the demand in the market place. Strategy is useful in helping managers tackle the potential problems that face their companies (Aosa 1998). Strategy is the tool which offers help for coping with the turbulence confronted by the business firms. Strategy requires to be taken seriously as a managerial tool not only for the firm but also for a broad spectrum of social organization (Ansoff and McDonnell, 1990).
2.3 Competitive Strategy

Competitive strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson & Strickland, 2002). A company has competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces (Thompson & Strickland, 2002). Sustainable competitive advantage is born out of core competencies that yield long term benefit to the company.

This generalization was applied in US firms and can be applied amongst listed companies in Kenya. Owiye (1999) however, argues that findings of studies carried out in one culture could not be assumed to apply to other cultures unless that was supported by research. The environment, i.e. cultural context, in USA is very different from that of Kenya.

2.4 Theories in competitive strategy

2.4.1 Porter's Generic Strategies

According to Porter (1985), low-cost leadership strategy is striving to be the overall low cost provider of a product or service that appeal to a broad range of customers, it is one in which a firm strives to have the lowest costs in the industry and offer its products and services to a broad market at lowest prices. Successful low-cost leaders are exceptionally good at finding ways to drive costs down they acquire cost advantages by improving processes efficiencies, accessing lower cost materials, making optimal outsourcing, vertical integration decision or avoiding some costs altogether. According to Porter (1985) the aim of low-cost leadership strategy is to open up a sustainable cost advantage
over competitors and then use the firm’s lower cost edge as a basis for either under
pricing competitors or gaining market share at their expense.

Differentiation strategy seeks to differentiate the company’s product or services from
those of the rival companies. The value of differentiation commands a premium price. In
differentiation there is perceived quality and signals of values, whether real or not. The
advantage of differentiation strategy is that the perceived quality insulates a company
from threats of the five forces that determine the state of competition in an industry.

Focus or market niche strategy involves targeting a particular market segment a firm
becomes well known for providing products or services within a segment such firms form
a competitive advantage for this the niche market and either succeeds by being a low cost
producer or differentiator within that particular segment .

2.4.2 Strategic conflict

Strategic conflict theory utilizes the tools of game theory to analyze the nature of
competitive interaction between rival firms the main thrust of work in this tradition is to
reveal how a firm can influence the behavior and actions of rival firms and thus the
market environment (Shapiro, 1989). Examples of such moves are investment in capacity
(Dixit, 1980), R&D (Gilbert and Newberry, 1982), and advertising (Schmalensee, 1983).
To be effective, these strategic moves require irreversible commitment. The moves in
question will have no effect if they can be costlessly undone. A key idea is that by
manipulating the market environment, a firm may be able to increase its profits.

This literature, (Baumol, Panzar, and Willig, 1982), has led to a greater appreciation of
the role of sunk costs, as opposed to fixed costs, in determining competitive outcomes.
Strategic moves can also be designed to influence rivals' behavior through signaling. Strategic signaling has been examined in a number of contexts, including predatory pricing (Kreps and Wilson, 1982a, 1982b) and limit pricing (Milgrom and Roberts, 1982a, 1982b). More recent treatments have emphasized the role of commitment and reputation (Ghemawat, 1991) and the benefits of firms simultaneously pursuing competition and cooperation (Brandenburger and Nalebuff, 1996).

In many instances, game theory formalizes long-standing intuitive arguments about various types of business behavior (e.g., predatory pricing, patent races), though in some instances it has induced a substantial change in the conventional wisdom. But by rationalizing observed behavior by reference to suitably designed games, in explaining everything these models also explain nothing, as they do not generate testable predictions (Sutton, 1992). Many specific game theoretic models admit multiple equilibrium, and a wide range of choice exists as to the design of the appropriate game form to be used. Unfortunately, the results often depend on the precise specification chosen. The equilibrium in models of strategic behavior crucially depends on what one rival believes another rival will do in a particular situation. Thus the qualitative features of the results may depend on the way price competition is modeled (Bertrand or Cournot) or on the presence or absence of strategic asymmetries such as first-mover advantages.

The analysis of strategic moves using game theory can be thought of as 'dynamic' in the sense that multi period analyses can be pursued both intuitively and formally. Firms that have a tremendous cost or other competitive advantage vis-a-vis their rivals ought not to be transfixed by the moves and countermoves of their rivals. Their competitive fortunes
will swing more on total demand conditions, not on how competitors deploy and redeploy their competitive assets.

2.4.3 Resource-based perspective

The resource-based approach sees firms with superior systems and structures being profitable not because they engage in strategic investments that may deter entry and raise prices above long run costs, but because they have markedly lower costs, or offer markedly higher quality or product performance. This approach focuses on the rents accruing to the owners of scarce firm-specific resources rather than the economic profits from product market positioning. Competitive advantage lies 'upstream' of product markets and rests on the firm's idiosyncratic and difficult-to imitate resources.' One can find the resources approach suggested by the earlier preanalytic strategy literature. A leading text of the 1960s (Learned et al., 1969) noted that the capability of an organization is its demonstrated and potential ability to accomplish against the opposition of circumstance or competition, whatever it sets out to do. Every organization has actual and potential strengths and weaknesses; it is important to try to determine what they are and to distinguish one from the other. Thus what a firm can do is not just a function of the opportunities it confronts; it also depends on what resources the organization can master. Learned et al. proposed that the real key to a company's success or even to its future development lies in its ability to find or create a competence that is truly distinctive. The literature also recognized the constraints on firm behavior and, in particular, noted that one should not assume that management will deliver. These insights do appear to keenly anticipate the resource-based approach that has since emerged, but they did not provide a theory or systematic framework for analyzing business strategies.
New impetus has been given to the resource based approach by recent theoretical developments in organizational economics and in the theory of strategy, as well as by a growing body of anecdotal and empirical literature that highlights the importance of firm-specific factors in explaining firm performance. Cool and Schendel (1988) have shown that there are systematic and significant performance differences among firms which belong to the same strategic group within the U.S. pharmaceutical industry. Rumelt (1991) has shown that intra industry differences in profits are greater than inter industry differences in profits, strongly suggesting the importance of firm-specific factors and the relative unimportance of industry effects. Jacobsen (1988) and Hansen and Wemerfelt (1989) made similar findings.

The resource-based perspective puts both vertical integration and diversification into a new strategic light. Both can be viewed as ways of capturing rents on scarce, firm-specific assets whose services are difficult to sell in intermediate markets (Teece, 1980). Empirical work on the relationship between performance and diversification by Wemerfelt and Montgomery (1988) provides evidence for this proposition. It is evident that the resource-based perspective focuses on strategies for exploiting existing firm-specific assets. However, the resource-based perspective also invites consideration of managerial strategies for developing new capabilities (Wernerfelt, 1984). Indeed, if control over scarce resources is the source of economic profits, then it follows that such issues as skill acquisition, the management of knowledge and know-how (Shuen, 1994), and learning become fundamental strategic issues.
2.4.4 The dynamic capabilities approach

The global competitive battles in high-technology industries such as semiconductors, information services, and software have demonstrated the need for an expanded paradigm to understand how competitive advantage is achieved. Well-known companies like IBM, Texas Instruments, Philips, and others appear to have followed a 'resource based strategy' of accumulating valuable technology assets, often guarded by an aggressive intellectual property stance. However, this strategy is often not enough to support a significant competitive advantage. Winners in the global marketplace have been firms that can demonstrate timely responsiveness and rapid and flexible product innovation, coupled with the management capability to effectively coordinate and redeploy internal and external competences. Not surprisingly, industry observers have remarked that companies can accumulate a large stock of valuable technology assets and still not have many useful Capabilities (Shuen, 1994).

We refer to this ability to achieve new forms of competitive advantage as 'dynamic capabilities' to emphasize two key aspects that were not the main focus of attention in previous strategy perspectives. The term 'dynamic' refers to the capacity to renew competences so as to achieve congruence with the changing business environment; certain innovative responses are required when time-to-market and timing are critical, the rate of technological change is rapid, and the nature of future competition and markets difficult to determine. The term 'capabilities' emphasizes the key role of strategic management in appropriately adapting, integrating, and reconfiguring internal and external organizational skills, resources, and functional competences to match the requirements of a changing environment. One aspect of the strategic problem facing an
innovating firm in a world of competition is to identify difficult-to-imitate internal and external competences most likely to support valuable products and services Andrews (1987).

Thus, as argued by Dierickx and Cool (1989), choices about how much to spend (invest) on different possible areas are central to the firm's strategy. However, choices about domains of competence are influenced by past choices. At any given point in time, firms must follow a certain trajectory or path of competence development. This path not only defines what choices are open to the firm today, but it also puts bounds around what its internal repertoire is likely to be in the future. Thus, firms at various points in time, make long term, quasi-irreversible commitments to certain domains of competence.

The notion that competitive advantage requires both the exploitation of existing internal and external firm-specific capabilities and developing new ones is partially developed in Wernerfelt (1984). However, researchers have begun to focus on the specifics of how some organizations first develop firm-specific capabilities and how they renew competences to respond to shifts in the business environment. These issues are intimately tied to the firm's business processes, market positions, and expansion paths. Several writers have recently offered insights and evidence on how firms can develop their capability to adapt and even capitalize on rapidly changing environment. The dynamic capabilities approach seeks to provide a coherent framework which can both integrate existing conceptual and empirical knowledge and facilitate prescription.
2.5 Developing competitive strategies

Business level strategy differs from corporate strategy in that whereas corporate strategy involves decisions about the entire organization, strategic decision under the business units are basically concerned with how customers' or clients' needs can best be met. According to Johnson and Scholes (2002, p356), "Business unit strategy is about how to compete successfully in particular markets". Hill and Jones (1999), states that strategic choice is a process of choosing among the alternatives generated by a SWOT analysis. The strategic alternatives generated can encompass business level, function level and global strategy. According to Thompson and Strickland (2001), Business-level responses refers to plans of action the strategy manager adapt for using a company's resources and distinctive competences to gain a competitive advantage over it's rivals in the market or industry. Companies therefore pursue a business level strategy to gain a competitive advantage that allows them to out perform rivals and achieve above average returns.

According to Hill and Jones (1999), focus strategy concentrates on serving particular market niche which can be defined geographically by type of customer or by segment of the product line. It is directed towards serving the needs of a limited customer group or a segment hence the company is specialized in some way. A focus strategy provides an opportunity for an entrepreneur to find and then exploit the gap in the market by developing an innovative product that a customer cannot do without. The company has enormous opportunity to develop its own niche and compete against low-cost and differentiated enterprises which tend to be larger.
A company's goal in pursuing a cost leadership strategy is to outperform competitors by doing everything it can to produce goods or services at a cost lower than theirs. The cost leader chooses a low level of product differentiation. The cost leader aims at a level of differentiation not markedly inferior to that of differentiator but maintain a level obtainable at low cost (Hill and Jones, 1999).

The objective of differentiation strategy is to achieve a competitive advantage by creating a product (goods and services) that is perceived by customers to be unique in some important way. The strategy seeks to provide products and services that offer benefits which are different from those of competitors and are valued by most buyers. Competitive advantage would be achieved by offering the valued products or services at same price or at a slightly higher price. The differentiated company's ability to satisfy a customer's need in a way that the competitors cannot match means that it can charge a premium price (Johnson and Scholes, 2002).

Recent changes in production techniques particularly development of flexible manufacturing technologies have made the choice between cost leadership and differentiation strategies less clear-cut. With technological development, companies can now easily obtain the benefits of both strategies as the new flexible technologies allow firms to pursue a differentiation strategy at a low cost since the two strategies can be combined. A company can also reduce both production and marketing costs if it limits the number of models in the product line by offering packages of option rather than letting the consumer decide exactly what options they require. Just-in-time inventory system too can help reduce cost as well as improve on the quality and reliability of a company's products (Hill and Jones, 1999).
Here the organization focuses its effort on one particular segment and becomes well known for providing products/services within the segment. They form a competitive advantage for this niche market and either succeeds by being a low cost producer or differentiator within that particular segment. Examples include Roll Royce and Bentley. With both of these strategies the organization can also focus by offering particular segments a differentiated product/service or a low cost product/service. The key is that the product or service is focused on a particular segment.

These generic strategies are not necessarily compatible with one another. If a firm attempts to achieve an advantage on all fronts, it may achieve no advantage at all. For example, if a firm differentiates itself by supplying very high quality products, it risks undermining that quality if it seeks to become a cost leader. Even if the quality did not suffer, the firm would risk projecting a confusing image. For this reason, Michael Porter argued that to be successful over the long-term, a firm must select only one of these three generic strategies. Otherwise, with more than one single generic strategy the firm will be "stuck in the middle" and will not achieve a competitive advantage. Porter argued that firms that are able to succeed at multiple strategies often do so by creating separate business units for each strategy. By separating the strategies into different units having different policies and even different cultures, a corporation is less likely to become "stuck in the middle (Barney, 1991).

However, there exists a viewpoint that a single generic strategy is not always best because within the same product, customers often seek multidimensional satisfactions such as a combination of quality, style, convenience and price (Hill & Jones, 2001). There have been cases in which high quality producers faithfully followed a single
strategy and then suffered greatly when another firm entered the market with a lower-quality product that better met the overall needs of the customers.

The concept of dynamic capabilities was introduced by (Teece & Pisano, 1994; Teece et al., 1997) who asserted that in a dynamic environment a firm’s competitive advantage will rest on the firm’s internal processes and routines that enable the firm to renew and change its stock of organizational capabilities thereby making it possible to deliver a constant stream of new and innovative products and services to customers. Dynamic capabilities can therefore be perceived as the routines in a firm that guide and facilitate the development of the firm’s organizational capabilities by changing the underlying resource base in the firm (Eisenhardt & Martin, 2000). Both dynamic and organizational capabilities can be seen as organizational routines, but their outcomes are different. Organizational capabilities enable the firm to produce goods and services whereas the dynamic capabilities ensure the renewal and development of the organizational capabilities. The interest in dynamic capabilities has created focus on the processes in a firm aimed at developing and renewing the resource bases of the firm (Dosi, Nelson, & Winter, 2000; Wheeler, 2002). The key implication of dynamic capabilities is that firms not only are competing on their ability to activate and exploit their existing resources and organizational capabilities, firms are also competing on their ability to renew and develop these.

In the dynamic markets of today competitive advantage rest on the ability to constantly develop organizational capabilities that form the basis for products and services offered by the firm, thereby constantly renewing the competitive advantages of the firm. Building on previous research on the resource based view of the firm (Barney, 1991, 2001) the
dynamic capabilities concept has added to our understanding of the challenges involved in following a resource based approach to strategy. Strategy should also be a battle for sustained development of the firm’s organizational capabilities (Teece et al., 1997) and not just a battle for strong market positions. In the long run it is insufficient to have strong resources and organizational capabilities, the firm must also possess strong organizational routines for developing and renewing these resources and organizational capabilities. This is especially true for companies competing in dynamic markets (Wheeler, 2002). Dynamic capabilities can be seen as an extension of resource based view where the firm is conceived as a collection of resources, e.g. technologies, skills, and knowledge-based resources. Competitive advantage originates from the creative integration and subsequent exploitation of these resources in the market place (Teece, 2007). Furthermore, it has, within the resource based view, been emphasized that the key to achieving a sustainable competitive advantage from the firm’s stock of resources lies in the ability to integrate different resources to form strong organizational capabilities (Verona & Ravasi, 2003).

Empirical research on dynamic capabilities has begun to fill the vacuum area of the transformational mechanisms. According to literature review, the study points out five important research agenda. They are nature and component factors of dynamic capabilities (Teece, 2007), formation process of dynamic capabilities (Newbert, 2005), influential factors of dynamic capabilities (Griffith & Harvey, 2001), the impact of dynamic capabilities on performance (Zott, 2003), and other applications (Chang & Hou, 2007).
2.6 Challenges in the implementation of competitive strategies

The implementation of strategies may be hindered by competitive challenges which reduce the effective utilization of strategies developed. Lamb and Boyden (1984) identified three competitive challenges that may hinder an organization's ability to take advantage of new opportunities. The challenges are financial requirements, government and industry imposed regulatory issues, and the ability of the firms' owners and managers. Challenges faced by firms when implementing strategies include availability of financial resources, high cost of borrowing funds, marketing abilities, staff skills, changing customer and external environmental needs, government regulation, and the complexity of coordinating all the firm's activities in pursuit of the agreed strategy (Porter 1998; Ansoff and McDonell, 1990). They also points out that the real challenge in implementation of a generic strategy is in recognizing all the supportive activities and putting them in place properly.

Thompson and Strickland (2003) points out that the major fits are between strategy and organizational capabilities, between strategy and reward structures, between strategy and the internal support systems and between strategy and organizational culture. The organization's practices should fit what is required for strategic success in order to ensure that the organization has a unified stand towards the accomplishment of strategy. The major challenge with cost leadership strategy is the ability of competitors to produce a similar product at a lower cost. The success of competitors in realizing this would put the cost leader at par with competitors rendering the strategy unsustainable. The ability of competitors to imitate a firm's production process and product also renders the strategy unsustainable. This strategy therefore places high demands on an organization to invest in
new technology and modern equipment in order to sustain the strategy. Porter (1985) points out that another great risk of the strategy is the desire to reduce costs which may lead to loss of sight in changes to customers’ needs.

The major challenge with the differentiation strategy is the firm’s ability to maintain its product’s perceived uniqueness. Competitors may imitate and copy the product thus eroding the uniqueness held by the firm. Another risk lies with the cost differential between low cost competitors and the differentiated firm. When the difference in cost is high, it may be difficult to hold brand loyalty of buyers who may perceive cost savings as a motivator to switch loyalty to the low cost competitors (Porter, 1985). A major challenge with the focus niche is that it can easily be eroded by technological changes and changes in consumer tastes. Once focused in a niche market, it is not easy to move to new niches because of the enormous resources and competencies concentrated in one or few niches. Differentiators can also compete for the same niche targeted by a focuser by offering products that satisfy the demands of the focuser’s customers.

Fundamentally, strategy is about out-performing the competition – but a strategy can be foiled by a highly effective response by a key competitor. For instance, Kmart’s cost cutting and price reduction strategy was quickly foiled by competitive responses by Wal-Mart. By Wal-Mart being a low cost retailer in the discount segment, Kmart could have anticipated a swift and effective response from at least one competitor and possibly others. Some strategies fail because someone beats the company to market with a similar idea or strategy. Similarly, some strategies fail because they leave the company undistinguished in the market (i.e. others are pursuing the same strategy and/or market position) (Mintzberg, 1999).
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research design and methods that were used in the collection of data pertinent in answering the research questions.

3.2 Research Design

Research design is the plan and structure of investigation so conceived as to obtain answers to research questions. The plan is the overall scheme or program of the research (Robson, 2002). According to Cooper & Schindler (2003), there are many definitions of research design but no one definition impacts the full range of important aspects. The study design therefore includes an outline of what the investigator will do from writing hypotheses and their operational implications to the final analysis of data (Leedy, 1989). A research design expresses both the structure of the research problem and the plan of investigation used to obtain empirical evidence on relations of the problem (Cooper & Schindler, 2003).

In this study a survey design was used. This research problem can best be studied through the use of a descriptive survey. Descriptive research portrays an accurate profile of persons, events, or situations (Robson, 2002). Gay (1983) defines descriptive research as a process of collecting data to test hypothesis or to answer questions concerning the current study. The researcher has to collect data to answer questions to research questions in order to provide recommendations. Furthermore, descriptive research determines and
reports the way things are. It portrays the facts as it really is; if another researcher goes to the field now, he or she will find the situation as described (Mugenda & Mugenda, 2003).

3.3 Population

A population is an entire group of individuals, events or objects having common characteristics that conform to a given specification (Mugenda & Mugenda, 2003). According to Saunders et al (2003) the population is the full set of cases from which a sample is taken. According to Cooper and Schindler (2003), a population element is the subject such as a person, an organization, customer database, or the amount of quantitative data on which the measurement is being taken. The target population included the 23 flower companies in Nairobi registered with the Kenya Flower Council.

3.4 Data collection

Data collection is gathering empirical evidence in order to gain new insights about a situation and answer questions that prompt undertaking of the research (Flick, 1998). Primary and secondary data are the types of data collected. Data collection methods involve operationalising the research design into instruments of data collection with a view to collecting data in order to meet the research objectives. They include questionnaires, interviews, focus groups, observations and review of documents (Chandran, 2003).

The main instrument in data collection was through semi structured questionnaires targeting one management staff in each company. Questionnaires were either dropped and picked later or emailed to the respondents. Questionnaires provide a high degree of data standardization and adoption of generalized information amongst any population.
They are useful in a descriptive study where there is need to quickly and easily get information from people in a non-threatening way (Davies, 1997; Patton, 1990).

3.5 Data Analysis

The whole process which starts immediately after data collection and ends at the point of interpretation and processing data is data analysis (Cooper & Schindler, 2003). Chandran (2003), defines statistics as a discipline that provides the tools of analysis in research and one which refers to facts, information or data and to a system of data collection and analysis. Mugenda (2003) points out it as a process of bringing order, structure and meaning the mass information collected. Therefore, editing, coding, classifying and tabulating are the processing steps used to process the collected data for a better and efficient analysis.

Data editing examined the collected new data to detect errors and omissions for correction to ensure accuracy and consistency. Data coding assigned symbols to answers classified or categorized responses. Data was analyzed in the form of descriptive statistics including mean, standard deviation, frequencies and percentages and presented in terms of tables, graphs and pie charts to indicate the pictorial impression of the results.
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter entails the findings of the study based on the data collected from the field. The responses were compiled into frequencies and converted into percentages and presented in charts, tables, measures of central tendencies (mean) and measures of dispersion (standard deviation); this was to facilitate easy analysis. The analysis and interpretations were done on the basis of study objectives and research questions.

4.2 Response rate

This section sought to show the actual number of respondents who responded in the study against the targeted sample size. The findings are shown in table 4.1 below.

Table 4.1 Response rate

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-respondents</td>
<td>5</td>
<td>21.7%</td>
</tr>
<tr>
<td>Actual-response</td>
<td>18</td>
<td>78.3%</td>
</tr>
<tr>
<td>Target population</td>
<td>23</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Research Data 2010

The study targeted 23 respondents who were a representation of 100% of the total sample size. However, the study managed to collect data from 18 respondents who represented 78.3% of the total sample size.
4.3 Demographic information

In order to capture the general information of the respondents, issues gender, age bracket, level of education, position in the organization, department in the organization, period worked in the organization were addressed in the first section of the questionnaire. This was important because it enhanced reliability and gave the basic understanding of the respondents.

4.3.1 Gender

The study sought to establish the gender of the respondents in the flower firms and the following figure 4.1 shows the findings.

Figure 4.1 Gender

![Gender Pie Chart]

Source: Research Data 2010

The study indicated that majority of the management staff in the flower firms were male and was represented by 83% whereas 17% represented female.
4.3.2 Age

This section of the study sought to establish the age of the respondents. The questionnaire was designed to capture the respondents' ages in age brackets. Figure 4.2 below shows the results of the findings.

Figure 4.2 Age bracket

<table>
<thead>
<tr>
<th>Age Bracket</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>36 years and above</td>
<td>22%</td>
</tr>
<tr>
<td>31-35 years</td>
<td>67%</td>
</tr>
<tr>
<td>26-30 years</td>
<td>11%</td>
</tr>
</tbody>
</table>

Source: Research Data 2010

The study indicated that majority of the respondents belonged to the age bracket of 31-35 years and were represented by 67%, 22% were between the ages of 36 years and above whereas 26-30 years were 11%.

4.3.3 Level of education

The study sought to establish the highest level of education that the respondents in the firms had attained. Figure 4.3 shows the findings.
The study shows that majority of the respondents 100% had attained university education.

4.3.4 Position in the organization

This section of the study sought to establish the position that the respondents held in the flower companies and the following figure 4.4 shows the findings.
The following figure shows that majority of the respondents 56% were in the middle level management staff while those in the top management were represented by 44%.

4.3.5 Department

The study sought to establish the various departments that the respondents belonged to in the flower firms and the following figure 4.5 shows the results of the findings.
The study established that majority of the respondents 44% were in the production department, 22% were in the human resource/general administration, 17% were in the marketing and finance departments respectively.

4.3.6 Period worked in the department

This section of the study sought to establish the period/duration that the respondents had worked in the various departments indicated. The following figure 4.6 shows the findings.

**Figure 4.6 Period worked in the organization**

![Pie chart showing period worked in the organization](image)

Source: Research Data 2010

Majority of the respondents indicated that they had worked in their various departments for over 6 years and this was represented by 56% while 44% had worked in the flower firms for 3 to 5 years.
4.4 Competitive strategies adopted by flower firms

This section of the study sought to establish the competitive strategies used by the flower firms, conflict strategies, resource based strategies and the dynamic capabilities strategies used by the organization.

4.4.1 Competitive strategies

The respondents were asked to determine the extent to which the company applied focus strategy, differentiation and cost leadership strategy (Table 4.2).

**Table 4.2 Extent to which the company applies the following competitive strategies**

<table>
<thead>
<tr>
<th>Competitive Strategy</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus strategy</td>
<td>3.22</td>
<td>0.81</td>
</tr>
<tr>
<td>Differentiation</td>
<td>2.83</td>
<td>0.71</td>
</tr>
<tr>
<td>Cost leadership strategy</td>
<td>2.78</td>
<td>0.94</td>
</tr>
</tbody>
</table>

Source: Research Data 2010

Nb: A likert scale of 1-5 was used where scale 1 represented no extent, 2 low extent, 3 moderate extent, 4 great extent and 5 very great extent.

Majority of the respondents said that the company applied competitive forces strategy at a moderate extent and this was represented by a mean score of 3.22. Differentiation and cost leadership strategy were applied by the company at a moderate extent and this was represented by a mean score of 2.83 and 2.78 respectively.
4.4.2 Extent to which the company applies conflict strategies

The respondents were asked to determine the extent to which the company applied advertising, investment in capacity and strategic pricing (Table 4.3)

Table 4.3 Extent to which the company applies the following conflict strategies

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>3.39</td>
<td>0.92</td>
</tr>
<tr>
<td>Investment in capacity</td>
<td>2.78</td>
<td>1.17</td>
</tr>
<tr>
<td>Strategic pricing</td>
<td>2.72</td>
<td>1.13</td>
</tr>
</tbody>
</table>

Source: Research Data 2010

Nb: A likert scale of 1-5 was used where scale 1 represented no extent, 2 low extent, 3 moderate extent, 4 great extent and 5 very great extent.

Majority of the respondents indicated that the company applied advertising as a conflict strategy to a moderate extent; this was represented by a mean score of 3.39. In addition the respondents indicated that investment in capacity and strategic pricing were conflict strategies applied to a moderate extent and represented with a mean score of 2.78 and 2.72 respectively.

4.4.4 Extent to which the company applies resource based strategies

The respondents were asked to determine the extent to which the company applied vertical integration, diversification, skill management and applying technology (Table 4.4).
Table 4.4 Extent to which the company applies the following resource based strategies

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Mean</th>
<th>Std deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vertical integration</td>
<td>3.67</td>
<td>1.19</td>
</tr>
<tr>
<td>Diversification</td>
<td>3.00</td>
<td>1.19</td>
</tr>
<tr>
<td>Skill management</td>
<td>2.78</td>
<td>0.88</td>
</tr>
<tr>
<td>Applying technology</td>
<td>2.61</td>
<td>0.85</td>
</tr>
</tbody>
</table>

Source: Research Data 2010

Nb: A likert scale of 1-5 was used where scale 1 represented no extent, 2 low extent, 3 moderate extent, 4 great extent and 5 very great extent.

Majority of the respondents indicated that the company applied vertical integration strategy at a high extent and this was represented by a mean score of 3.67. The diversification strategy was applied at a moderate extent whereas skill management strategies and applying technology were applied at a moderate extent this was represented by a mean score of 3.00, 2.78 and 2.61 respectively.

4.4.6 Extent to which the company applies the following dynamic capabilities strategies

The respondents were asked to determine the extent to which the company applied organizational performance, capitalizing on core competences, product quality and making use of its factors of production (Table 4.5).
Table 4.5 Extent to which the company applies the following dynamic capabilities
strategies

<table>
<thead>
<tr>
<th>Strategies</th>
<th>Mean</th>
<th>Std deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational performance</td>
<td>2.72</td>
<td>0.67</td>
</tr>
<tr>
<td>Capitalizing on core competencies</td>
<td>2.50</td>
<td>0.86</td>
</tr>
<tr>
<td>Product quality</td>
<td>2.00</td>
<td>0.77</td>
</tr>
<tr>
<td>Making use of its factors of production</td>
<td>1.78</td>
<td>0.65</td>
</tr>
</tbody>
</table>

Source: Research Data 2010

Nb: A likert scale of 1-5 was used where scale 1 represented no extent, 2 low extent, 3 moderate extent, 4 great extent and 5 very great extent.

Majority of the respondents indicated that the company applied organizational performance strategies at a moderate extent and this was represented by mean score of 2.72. Capitalizing on core competencies strategy was applied at a low extent whereas product quality strategy was also applied at a low extent they were represented by 2.50 and 2.00 respectively. The respondents further indicated that the company applied and made use of its factors of production and this was represented by a mean score of 1.78.

4.5 Challenges faced by the company in implementing the formulated competitive strategies

The respondents cited various challenges that the company faced in implementing competitive strategies. There was a less motivated force and a mismatch of competence/skills of the job. The distance of the markets and the perish ability of the products made
it difficult to effectively implement cost leadership strategy. Other challenges were high
cost of capital, inability to meet up with changes in demand variability and service
improvement. The respondents indicated that its was not easy to come up with long term
strategies say for 5 years due to the dynamics of the market, the cost of implementing
some strategies may be prohibitive. It was also difficult to analyze markets and meet
customer requirements; competitors had a lot of confidentiality which made it hard to
decide on the right competitive strategy.

There was lack of enough resources for new technologies, market dynamics thus
affecting any strategic pricing, family ownership thus influencing any strategic
management or thinking. There was also lack of commitment and follow up by the
company thus a limited consumer feedback due to distance of market and fluctuation of
the dollar, sterling pound and euro internationally. The changing environment was also
another challenge since the customers’ needs kept on changing all the time and if one say
was sending flowers directly to the supermarkets the prices in the auction may have
improved significantly almost forcing one to reconsider packaging for auction, if one
chose that direction by the time one was sending flowers the prices in the auction might
have come down due to increased supply.

4.6 Discussion of the Results

Majority of the respondents revealed that their companies applied and used competitive
forces strategies that is, focus, differentiation and cost leadership strategy though to a
moderate extent. This finding is in line with the findings of Murage (2001) who found out
that service stations used differentiation as a method of obtaining competitive advantage
over other service stations. In addition, Omondi (2006) carried out a study on the competitive strategies adopted by airlines in Kenya and found that airlines sought to add value to their products through differentiated customer service.

The study also sought to determine the extent to which the company applied the resource based strategies. From the findings, majority of the respondents indicated that their companies applied vertical integration strategy, diversification, skills management strategies as well as improved technology; this is in line with an earlier study by Shuen, (1994) who revealed that if control over scarce resources is the source of economic profits, then it follows that such issues as skill acquisition, the management of knowledge and know-how, and learning become fundamental strategic issues. Moreover, empirical work on the relationship between performance and diversification by Wemerfelt and Montgomery (1988) provided evidence for this proposition. It is evident that the resource-based perspective focuses on strategies for exploiting existing firm-specific assets. In addition, Gathoga (2001) focused on competitive strategies by commercial banks in Kenya where she revealed that banks in Kenya used various means in order to remain competitive, she also concluded that expansion into other areas by opening new branches has also, been used as a strategy.

The respondents also indicated that the companies applied organizational performance strategies though to a moderate extent; on the other hand, dynamic capabilities strategies such as capitalizing on core competencies, product quality strategy and the company making use of its factors of production were applied to a low extent. According to Shuen, (1994), industry observers have remarked that companies can accumulate a large stock of valuable technology assets and still not have many useful Capabilities. Dierickx and Cool
(1989), also argued that choices about how much to spend (invest) on different possible areas are central to the firm's strategy. These issues are intimately tied to the firm's business processes, market positions, and expansion paths.

The study also sought to establish the challenges faced by flower firms in implementing competitive strategies formulated. The respondents cited challenges such as less motivated force and a mismatch of competence /skills of the job. The distance of the markets and the perish ability of the products also made it difficult to effectively implement cost leadership strategy. The respondents also cited high cost of capital, inability to meet up with changes in demand variability and service improvement. This is in line with earlier studies by Porter (1998); Ansoff and McDonell, (1990) who revealed that there are challenges faced by firms when implementing strategies; this included, high cost of borrowing funds, marketing abilities, staff skills, changing customer and external environmental needs, government regulation, and the complexity of coordinating all the firm's activities in pursuit of the agreed strategy. Another challenge was creation of transformation strategies to turn vision and mission into reality and changing market and product condition moment by moment. It was also revealed that it was not easy to come up with long term strategies say for 5 years due to the dynamics of the market and the fact that the cost of implementing some strategies may be prohibitive. It was also difficult to analyze markets and meet customer changing needs/requirements (Porter 1998; Ansoff and McDonell, 1990).
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the findings of the research, the conclusion and the recommendations of the study which sought to find out the competitive strategies adopted by flower firms in Kenya and establish the challenges faced by flower firms in implementing competitive strategies so formulated.

5.2 Summary of findings

The main purpose of the study was to determine the competitive strategies applied by flower firms and to establish challenges faced by flower firms in implementing competitive strategies so formulated in Nairobi. The following is the summary of key findings.

5.2.1 Competitive Strategies Adopted by Flower Firms in Kenya.

Majority of the respondents indicated that their companies applied competitive forces strategies that is, focus, differentiation and cost leadership strategy to a moderate extent. The respondents further revealed that the company used competitive forces strategies to moderate extent. On the company's application of conflict strategies, majority of the respondents indicated that the companies applied advertising, investment in capacity and strategic pricing to a moderate extent. In general, majority of the respondents indicated that the company used conflict strategies to a moderate extent with only a few
respondents indicating that conflict strategies were used to a great extent in their companies. The study also sought to determine the extent to which the company applied the resource based strategies. From the findings, majority of the respondents indicated that their companies applied vertical integration strategy to a high extent while a number applied diversification, skill management strategies and applying technology to a moderate extent. In general, majority of the respondents revealed that their companies used resource based strategies to a moderate extent. Moreover, the respondents indicated that the company applied organizational performance strategies at a moderate extent; however, dynamic capabilities strategies such as capitalizing on core competencies, product quality strategy and the company making use of its factors of production were applied to a low extent. Majority of the respondents though indicated that their companies used dynamic capabilities strategies to a great extent.

5.2.2 Challenges Faced by Flower Firms in Implementing Competitive Strategies so Formulated.

The study also sought to establish the challenges faced by flower firms in implementing competitive strategies formulated. The respondents cited challenges such as less motivated force and a mismatch of competence /skills of the job. The distance of the markets and the perish ability of the products also made it difficult to effectively implement cost leadership strategy. The respondents also cited high cost of capital, inability to meet up with changes in demand variability, service improvement and lowering in bound costs. Another challenge was creation of transformation strategies to turn vision and mission into reality and changing market and product condition moment
by moment. It was also revealed that it was not easy to come up with long term strategies say for 5 years due to the dynamics of the market and the fact that the cost of implementing some strategies may be prohibitive. It was also difficult to analyze markets and meet customer requirements; competitors had a lot of confidentiality which made it hard to decide on the right competitive strategy. Moreover, the respondents revealed that there was lack of enough resources for new technologies, market dynamics thus affecting any strategic pricing, family ownership thus influencing any strategic management or thinking. There was also lack of commitment and follow up by the company thus a limited consumer feedback due to distance of market and fluctuation of the dollar and euro internationally.

5.3 Conclusions of the Study

The purpose of the study was to determine the competitive strategies applied by flower firms in Nairobi. The following are the major conclusions based on the summary of findings.

The study established that most companies applied competitive forces strategies that is, focus, differentiation and cost leadership strategy to a moderate extent. Besides, the company used competitive forces strategies to moderate extent. The study also established that companies have applied conflict strategies such as advertising, investment in capacity and strategic pricing to a moderate extent. Moreover, most of the companies used conflict strategies to a moderate extent.

The study further established that companies applied resource based strategies such as vertical integration strategy to a high extent while diversification, skill management strategies and applying technology were applied to moderate extent. The study also
revealed that resource based strategies were used to a moderate extent. Dynamic capabilities strategies such as capitalizing on core competencies, product quality strategy and the company making use of its factors of production were applied to a low extent while organizational performance strategies were applied to a moderate extent. Moreover, it was found out that companies used dynamic capabilities strategies to a great extent.

The researcher would also like to conclude that flower firms are faced with challenges in implementing competitive strategies formulated. Some of the challenges cited were mismatch of competence /skills of the job, less motivated workforce. The distance of the markets and the perish ability of the products also made it difficult to effectively implement cost leadership strategy. The respondents also cited high cost of capital, inability to meet up with changes in demand variability, product and service improvement and lowering in bound costs. Another challenge was creation of transformation strategies to turn vision and mission into reality and changing market and product condition moment by moment.

It was also revealed that it was not easy to come up with long term strategies say for 5 years due to the dynamics of the market and the fact that the cost of implementing some strategies may be prohibitive. It was also difficult to analyze markets and meet customer requirements; competitors had a lot of confidentiality which made it hard to decide on the right competitive strategy. Moreover, the respondents revealed that there was lack of enough resources for new technologies, market dynamics thus affecting any strategic pricing, family ownership thus influencing any strategic management or thinking. There was also lack of commitment and follow up by the company thus a limited consumer
feedback due to distance of market and fluctuation of the dollar, sterling pound and euro internationally.

5.4 Recommendations

By way of recommendation; the researcher would like to indicate that differences in firm's performances across time are driven primarily by their unique resources, strategies and capabilities rather than by an industry's structural characteristics. With increasing effectiveness of strategies, the set of resources available to the firm tends to become larger. Individual resources may not yield to a competitive advantage however; competitive advantage can be achieved through the synergistic combination and integration of sets of resources that competitive advantages are formed. As a source of competitive advantage, capabilities should neither be so simple that it is highly imitable, nor so complex that it defies internal steering and control.

To help organizations develop dynamic capabilities there should be the fundamental and enduring task of executive leadership. Pursuing the same strategy and sticking with the same core competencies may make a firm successful in the short-term but is likely to be fatal in the long-term. Senior leaders are responsible for ensuring that this does not happen. Unfortunately, the evidence is that too often firms get trapped by their own success. The only way out of this trap is for senior leaders to help their firms develop the dynamic capabilities that promote sustained competitive advantage. Dynamic capabilities should be concrete set of mechanisms that help managers address the fundamental question of strategy—to develop a truly sustainable competitive advantage. Interestingly, firms have began to realize that sustainability is fleeting unless it is aligned with
capabilities to continually sense how the marketplace is changing and seize these changes through dynamic organizational realignment.

On differentiation strategy it should be noted that successful product differentiation requires a broad skills and knowledge base, both internally within the corporation but also externally along the value chain. There must be many links and continuous cooperation between customers and suppliers, special help from consultants and also provocative comments from industry analysts. There should also be a good understanding on the customers' behaviour, then have improved skills to position a new differentiated product into the market.

Lastly, for competitive strategies applied to the company to be successful the firms should employ improved technology, quality customer service since they have an effect on the strategies applied. Moreover, the company should carry out marketing research and implement research projects to monitor and improve knowledge of the consumer decision process, customer service and expectations, and competitive activity.

5.5 limitations for the study

In terms of methodology, this study has several potential limitations. First, the population of the study consisted of 23 flower companies registered with KFC as at end of May 2010 located in Nairobi, leaving out other flower companies located in other areas of the country. The study used drop-pick later method where as in some cases questionnaires were emailed to the respondents in data collection; this method highly results to non-response in some questionnaires as compared to the case where the researcher personally administers the questionnaires and takes the respondents through the process. Personal administration of questionnaires would ensure data collected is adequate.
5.6 Suggestions for further studies

The research recommends the following areas for further studies

The researcher suggests that for effective conclusive study on competitive strategies adopted by flower firms to gain competitive advantage, a replicate study be carried out in another industry for comparison of results. Probably a case study/in-depth approach would uncover more. Semi structured questionnaires targeting one management staff in each company was used to collect data. The researcher suggests that future studies be conducted using an interview guide and involving the respondents in discussions. This would help the researcher direct the conversation toward the topics and issues on competitive strategies adopted and the challenges faced. The sample size should also be increased to cover more management staff.
REFERENCES


Grant, M, R. (2000). *Contemporary Strategy Analysis*: concepts, techniques, applications


Appendix 1: Questionnaire

I am Sammy Chesinya, an M.B.A student at the University of Nairobi. I am conducting a study on Competitive Strategies applied by flower firms in Kenya in Nairobi as part of my M.B.A project. The findings of this study will provide crucial information to flower firms on how they are able to compete effectively in the changing environment. I have specific questions to ask you related to how you view your firm. All the information shared will be strictly confidential.

Section One: General Background Information

1. Name of the flower firm

2. What is your Gender?

   Male [ ] Female [ ]

3. Select the appropriate age bracket

   18-25 yrs [ ] 26-30 yrs [ ] 31-35 yrs [ ] 36 yrs and above [ ]

4. Your level of education

   Secondary [ ] University [ ]

   College [ ] Others (Specify)

5. Which category best describes your position in the organization:

   o Top Management staff [ ]
4. Which department do you work at?

- Human Resource/General Administration [ ]
- Finance [ ]
- Marketing [ ]
- Production [ ]

6. How many years have you been working at your current department?

- 0 to 2 Years [ ]
- 3 to 5 Years [ ]
- Over 6 Years [ ]

Section B: Competitive Strategies

7. To what extent does the company apply the following competitive forces strategies? Where 1 is to a very great extent, 2 is to a great extent, 3 is to a moderate extent, 4 is to a low extent and 5 is to no extent.

<table>
<thead>
<tr>
<th>Strategy</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Leadership strategy</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Differentiation strategy</td>
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<td></td>
</tr>
<tr>
<td>Focus strategy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
8. In general, to what extent does the company use competitive forces strategies?

To a very great extent [ ]  To a great extent [ ]

Moderate extent [ ]  Low extent [ ]  No extent [ ]

9. To what extent does the company apply the following conflict strategies? Where 1 is to a very great extent, 2 is to a great extent, 3 is to a moderate extent, 4 is to a low extent and 5 is to no extent.

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in capacity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertising</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic pricing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

10. In general, to what extent does the company use conflict strategies?

To a very great extent [ ]  To a great extent [ ]

Moderate extent [ ]  Low extent [ ]  No extent [ ]

11. To what extent does the company apply the following Resource Based strategies?

Where 1 is to a very great extent, 2 is to a great extent, 3 is to a moderate extent, 4 is to a low extent and 5 is to no extent.
| Diversification | 1 | 2 | 3 | 4 | 5 |
| Vertical integration |  |  |  |  |  |
| Skill management |  |  |  |  |  |
| Applying Technology |  |  |  |  |  |

12. In general, to what extent does the company use Resource based strategies?

- To a very great extent [ ]
- To a great extent [ ]
- Moderate extent [ ]
- Low extent [ ]
- No extent [ ]

13. To what extent does the company apply the following Dynamic capabilities strategies? Where 1 is to a very great extent, 2 is to a great extent, 3 is to a moderate extent, 4 is to a low extent and 5 is to no extent.

| Making use of its factors of production | 1 | 2 | 3 | 4 | 5 |
| Capitalizing on core competencies |  |  |  |  |  |
| Organizational performance |  |  |  |  |  |
| Product quality |  |  |  |  |  |

14. In general, to what extent does the company use Dynamic capabilities strategies?

- To a very great extent [ ]
- To a great extent [ ]
Section C: Challenges in competitive strategy implementation

15. What are the challenges faced by the company in implementing the formulated competitive strategies?

THANKS FOR YOUR RESPONSE AND COOPERATION
Appendix II: List of flower firms located in Nairobi

1. Africalla Lilies Ltd
2. Aquila Dev. Co. Ltd
3. Bawan Roses Ltd
4. Beverly Flowers Ltd
5. Black Petals Ltd
6. Charm Flowers Ltd
7. Dave Roses
8. Harvest Ltd
9. Homegrown (K) Ltd
10. Kreative Roses
11. Lake Flowers Ltd
12. Lathyflora Ltd
13. Magana Flowers Kenya
14. Matasia Valley Roses
15. Mosi Ltd
16. Ol Njorowa Ltd
17. P.J Dave Flowers
18. Subati Flowers Ltd
19. Suera Flowers Ltd
20. Terrasol Ltd
21. Valentine Growers Co. Ltd
22. Waridi Ltd
23. Xpressions Flora Limited