COMPETITIVE ADVANTAGE AND PERFORMANCE OF REAL ESTATE FIRMS IN NAIROBI, KENYA

SELINA AUKO KUBUTA

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION UNIVERSITY OF NAIROBI

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DECLARATION

I, the undersigned, declare that this project is my original work and that it has not been presented in any other university or institution for academic credit.

Full Name: Selina Auko Kubuta

Reg. No: D61/81992/2012

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

SUPERVISOR

This project has been submitted for examination with my approval as university supervisor.

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

Prof. Martin Ogutu

University of Nairobi
DEDICATION

In the memory of my mother Truphosa, who passed on the love for reading and respect for education.
ACKNOWLEDGMENTS

First and foremost, I thank the almighty God who gave me the physical and mental strength to undertake and accomplish this project in the prescribed period of time.

Secondly, I wish to extend my heartfelt gratitude to my supervisor Prof. Martin Ogutu for his patience yet firm guidance towards this research. His recommendations and suggestions have been invaluable.

Thirdly, my sincere gratitude to all those who consented to interviews and shared their thoughts towards this research project, including the officers of real estate firms in the sample. I also acknowledge the reference of other writers who have undertaken similar research material that have contributed to the completion of this research.

Finally, I thank my family and friends who have always been supportive.
ABSTRACT

Competitive advantage is what sets an organization apart, its distinctive edge. That distinctive edge comes from the organization’s core competencies, which might be in the form of organizational capabilities. The organization does something that others cannot do or does it better than others can do it. An organization that has competitive advantage is therefore likely to have better performance in its industry of operation.

This study is about competitive advantage and performance of real estate firms in Nairobi, Kenya. It was guided by the following objectives: (i) to determine competitive advantages enjoyed by real estate firms in Nairobi (ii) to establish whether competitive advantages enjoyed influence performance of a real estate firm. A review of the relevant literature was done in order to provide a clear understanding of existing knowledge base in problem area. The literature review is based on authoritative, recent and original sources such as journals, books, thesis and dissertations. The research adopted the survey design which was most appropriate in attaining the objectives of the study. The sample of the study comprised of 38 real estate firms operating in Nairobi. Respondents were subjected to the study through a semi-structured questionnaire which collected primary data. Statistical Package for Social Scientists (SPSS) was used as an aid in the analysis.

The study found out that the real estate firms had adopted various sources of competitive advantages which include; cost leadership which was achieved by offering competitive prices among others, product differentiation which was achieved by the reputation of the firm products, marketing strategies which include a strong brand and efficient customer care service and project infrastructure included all-weather roads in good condition, electric power supply etc. The findings also showed a positive influence of the sources of competitive advantage adopted by real estate firms in Nairobi in their performance with respect to profitability, sales growth, customer satisfaction, market share, employees competencies and innovations to products and services. Recommendations have been made for managerial policy, theory and practice for the real estate firms. The limitations of the study were that it focused on one sector i.e. real estate and the conclusions drawn may not be generalized to other sectors. Also, some of the respondents were cautious about giving away too much information on their sources of competitive advantage. Suggestions for further research include replication of the study on sources of competitive advantage and their influence on performance in other sectors of the economy and conducting empirical studies on the role of company strategy, size and structure on the relationship between core competencies and competitive advantage.
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<td>Balanced Score Card</td>
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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Competitive strategies are long term action plans that are devised to help a company gain competitive advantage over its rivals and to respond to various changes within its environment (Porter, 1988). On the other hand, a firm’s performance is the results of activities of an organization or investment over a given period of time. There is a link between competitive advantage and performance of a firm in that by having competitive advantage over its competitors, the firm is likely to have a good performance in the industry it operates in.

The study is anchored on Resource-Based View theory (Wernerfelt, 1984), it is a basis for the competitive advantage of a firm which lies primarily in the application of a bundle of valuable tangible or intangible resources at the firm's disposal. To achieve competitive advantage, these resources are neither perfectly imitable nor substitutable without great effort. If these conditions hold, the bundle of resources can sustain the firm’s above average returns. The open system theory is also critical; the firm operates in an open system which continuously interacts with its environment where competition exists, (Katz and Kahn, 1978). This interaction with the outside environment implies that open systems need to be able to adapt to the changes that occur in their environment. An organization that is not able to adapt to change will eventually fail to compete with the competition and it will die in the long run, or in organizational terms face bankruptcy.

The real estate sector in Kenya has seen a boom that begun somewhere in the mid to late 2000's because the property market is responding to demand that has been created by the
expanding middle class with disposable income and in which people have become able to buy homes and others service their mortgages. As a result, there have been many entrants into real estate firms to satisfy this demand. Competition is therefore no surprise; the firms have to sharpen their core competencies to deliver unique products at reasonable costs for their survival.

1.1.1 Competitive Advantage

Competitive advantage is anything that a firm does especially well compared to rival firms. When a firm can do something that rival firms cannot do, or owns something that rival firms desire, that can represent a competitive advantage. Getting and keeping competitive advantage is essential for long-term success in an organization.

Two basic types of competitive advantage: cost and differentiation advantage have been identified, (Porter, 1980). In cost advantage, Porter argued that a company could achieve superior performance by producing similar quality products or services but at lower costs. In this case, a company sells products at the same price as competitors but reaps higher profit margins because of lower production costs. The company that tries to achieve cost advantage is pursuing cost leadership strategy. Higher profit margins lead to further price reductions, more investments in process innovation and ultimately greater value for customers and better performance for the firms.

Differentiation advantage is achieved by offering unique products and services and charging premium price for that. Differentiation strategy is used in this situation and company positions itself more on branding, advertising, design, quality and new product
development rather than efficiency, outsourcing or process innovation. Customers are willing to pay higher price only for unique features and the best quality.

Cost and differentiation advantage strategies are not the only strategies used to gain competitive advantage. Innovation strategy is used to develop new or better products, processes or business models that grant competitive edge over competitors.

1.1.2. Firm Performance

Firm performance involves the recurring activities to establish organizational goals, monitor progress toward the goals, and make adjustments to achieve those goals more effectively and efficiently. Strategic planning is also critical in a firm’s performance. It’s a wide process to identify strategic direction, including vision, mission, values and overall goals. Direction is pursued by implementing associated action plans, including multi-level goals, objectives, time lines and responsibilities.

Armstrong and Baron (1998) defined firm performance as a “strategic and integrated approach to increase the effectiveness of companies by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors”. Managing employee performance and aligning their objectives facilitates the effective delivery of strategic and operational goals and hence improve a firm’s competitiveness. Direct financial gains that may be associated with a firm’s performance include; growth of sales, reduced costs in the organization and reduced project overruns among others. To achieve these there is need to have Key Performance Indicators (KPIs) which are a vital means by which firms can judge how well they are performing. They allow businesses to identify some of their most important metrics, and provide a
standardized way of determining whether or not they are meeting their goals, targets and objectives. KPIs are often numbers, but will differ from business to business. One of the most common KPIs measured in this industry is average revenue received through property sales; if this metric increases over the course of the year, it is a safe bet that something is going right in the business.

### 1.1.3. Real Estate Industry in Kenya

In the last decade, Kenya’s real estate has been anything but robust. The real estate boom survived the 2008 Post Election Violence and global economic downturn that crippled other sectors such as tourism and agriculture. The construction sector is approximated to have created 82,000 private sector jobs in 2010. The Kenyan market has been lucrative especially for foreign investors because of the high profit margins of 20 to 30 per cent which analyst Nathan Luesby in 2012 argued that it is impossible even in the United States of America or European markets. Big international real estate firms have invested millions of dollars in luxury properties and the high-end market targeting expatriates, diplomats and wealthy Kenyans. The Knight Frank’s 2011 Prime International Residential Index (PIRI), which monitors price changes across the world’s top-end property markets shows that Kenya’s luxury real estate saw the greatest price increase globally. The value of Nairobi’s prime real estate grew by 25% while at the Kenyan coast it went up by 20% outdoing other major cities like Miami (19.1%), London (12.1%), Moscow (9.8%), New York (3.1%), Shanghai (-3.4%) and Singapore (-4.7%).
The Hass Property Index (2013) has however shown that the upper end of the market is highly saturated, and this price growth may not be sustainable in the future. Some of the big projects include Thika Greens Limited (TGL) stands on 1,135 acres of land in Thika, the $650 million golf estate will have 4,000 housing units when complete. Not too far off is Migaa a project set on 774 acres of land in Kiambu developed by Home Afrika Ltd, the project will feature 2,500 homes, and an 18 hole golf course. Land prices in neighboring areas to these projects have skyrocketed, as sellers anticipate demand following the establishment of new amenities that will transform sleepy rural villages into mega urban estates for middle and high income earners. Real estate industry in Kenya is very competitive and therefore having competitive advantage is key for survival. The major ones include Lloyd Masika Limited, Hass consult, Dunhill Consulting Limited among others.

Affordable housing is however a major problem in Kenya. Informal settlements and slums have continued to grow and a large percentage of the urban population lives here. The slums are characterized by congested tin roofed and mud houses. There is also poor infrastructure with regards to sewerage system, electricity, clean water and access roads. According to Villacare, a real estate firm that has been operating for 20 years, some of the challenges of real estate include; government incentives on housing introduced have not been sufficient enough to make housing affordable to the lower income group where the demand is high and the supply is critical. Increased fraudulent cases on property, thorough due diligence on properties of interest is therefore a must. High competition in the industry and the rising cost of construction materials.
Financing of the real estate industry at both the development stage and end-user finance is also a challenge. Kenya has only two financial institutions specializing in real estate funding. These are the Savings and Loans (S&L) and Housing Finance Corporation of Kenya. The former merged with its mother company, the Kenya Commercial Bank on 1st January, 2010 which now leaves the latter as the only standalone real estate finance company. The limited financing options in the real estate industry in Kenya has been characterized by fairly rigid financing options and relatively high interest rates. In the midst of these challenges it prudent that a real estate firm develops competitive strategies in order to overcome the challenges and also achieve excellent performance.

1.2 Research Problem

It has been argued that achieving a position of competitive advantage is the precursor to the significant performance of a firm (Barney1991; Fahy, 2000). Competitive advantage results from factors such as operational efficiency, types of diversification and organizational structures among others, (King, 2007). Attaining a position of competitive advantage and enhancing a firm's performance relative to its competitors are two of the main objectives that business organizations should strive to achieve. In order to attain a competitive advantage that cannot only match that of their business rivals' but also surpass industrial performance averages, business organizations must first comprehend the relationship between the internal strengths and weaknesses of their organization, as well as the potential effects on their firm's competitive advantage and performance.

The Kenyan real estate market has experienced increased competition both in residential and commercial properties. The market has diversified and more innovative houses have
attracted a huge number of home buyers. The diversified mortgage market has also led to increased competition across the sector. Nairobi and its environ has attracted huge property investors due to its prime market in the high end market. Advanced technology has also contributed to the increased competition. A huge number of property developers and agents have enhanced their online presence to tap a huge online market share. Dunhill Consulting Ltd is among real estate agents who have enhanced their online presence with their highly innovative website. With stiff competition in the real estate market and a wide range of brokerage models working in real estate, competition has never been greater and consumers have never had wider choice with whom to work while buying and selling homes. It is therefore critical a real estate firm has a competitive strategy to enhance its performance in the industry.

Other studies support the importance of having a good strategy to attain competitive advantage from the resource-based view (Gottschalg and Zollo, 2007). A well formulated and implemented strategy can have significant effect on the attainment of competitive advantage level (Porter and Kramer, 2006). The resource-based view provides an avenue for organizations to plan and execute their organizational strategy by examining the position of their internal resources and capabilities towards achieving competitive advantage (Sheehan and Foss, 2007). Based on this evaluation, there exists a gap in literature to warrant a research to be conducted in this industry. The study has two research questions, these are; What are the competitive advantages for real estate firms in Nairobi? How do the competitive advantages influence the performance of real estate firms in Nairobi?
1.3 Research Objectives

The study was guided by the following objectives;

i. To determine competitive advantages enjoyed by real estate firms in Nairobi

ii. To establish whether competitive advantages enjoyed influence performance of a real estate firm.

1.4 Value of the Study

The study aims to make a contribution to theory guiding. The study is anchored on Resource Based View and Open System theory. The aim being to confirm their applicability in the case of competitive advantage and real estate firms in Nairobi.

The study will contribute to the development of literature and enrichment of debates by providing data from real estate firms in Nairobi on competitive advantage and its linkage to performance.

The study is bound to contribute to the body of knowledge on the real estate firms in Nairobi which will provide an opportunity for further research on similar areas of study.

The study aims to provide information to the management on effective competitive advantage strategies, possible challenges and how to address them. It will also enlighten the management on current and future policy formulation and sector management practice.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews the relevant literature available that focuses on the concept of competitive advantage and its link to a firm’s performance. This covers the Theoretical Foundation, Competitive Advantage, Firm Performance and finally, Competitive Advantage and Firm Performance.

2.2 Theoretical Foundation

In the resource-based view theory (Wernerfelt, 1984), to develop a competitive advantage the firm must have resources and capabilities that are superior to those of its competitors. Without this superiority, the competitors simply could replicate what the firm was doing and any advantage quickly would disappear. Resources are the firm-specific assets useful for creating a cost or differentiation advantage and that few competitors can acquire easily. Examples of competitive advantage include; Brand popularity, Strategic assets, Corporate reputation, Low pricing, Superior database management and data processing capabilities among others. Barney (1991) further argues that to have the potential to generate competitive advantage, a firm’s resource must have four attributes: it must be valuable, in the sense that it exploits opportunities and/or neutralizes threats in a firm’s environment; it must be rare among a firm’s current and potential competition; it must be imperfectly imitable; and there cannot be strategically equivalent substitutes for this resource.
According to the open system theory (Katz and Kahn, 1978), the organization is environment dependent and environment serving. i.e. the firm gets its raw materials from the environment, processes them into finished goods which are then consumed by the same environment. The environment also presents opportunities and threats such as competition. Performance is highly dependent on a firm’s ability to achieve its goals and outshine its rivals in the industry. The environment in its nature is turbulent and the organization needs to develop competitive advantage to ensure its survival.

The Profit Impact of Market Strategy (PIMS) database yields solid evidence in support of counter-intuitive principles for gaining and sustaining competitive advantage (Schoeffler et al, 1974). It was developed with the intention of providing empirical evidence of which business strategies lead to success, within particular industries. Data from the study is used to craft strategies in strategic management and marketing strategy. The study identified several strategic variables that typically influence profitability. Some of the most important strategic variables studied were market share, product quality, investment intensity, and service quality, all of which were found to be highly correlated with profitability and competitive advantage.

2.3 Competitive Advantage

A competitive advantage strategy consists of all the moves and approaches a firm has taken and is taking to attract buyers, withstand competitive pressures and improve its market position (Thompson and Strickland, 1993). Barney (1991) defines competitive advantage as the implementation of a value creating strategy which is not simultaneously being implemented by any current or potential competitors. Porter (1998) argues that
competitive advantage strategy is the ability of the firm to outperform rivals on the primary performance goal. Competitive advantage can be something a firm does that is different from its competitors, or superior to its competitors. Kurtz and Clow (1999) highlight four requirements for a competitive advantage to qualify to be sustainable: the concept must be valued by customers as to result to additional sales, it must be non-substitutable, the firm must have the resources and capability of delivering competitive advantages to customers and finally it must not be easily copied by customers. The extent of the return a firm can obtain from a competitive advantage, however, depends upon the sustainability of the competitive advantage, which the resources and capabilities confer upon the firm. Porter (1985) suggested that sustainability could be achieved when “advantage resists erosion by competitive behaviour”. This was because of the existence of barriers that make imitation difficult. Additionally sustainability can only be created when the resources and capabilities are durable, that is, they do not physically depreciate. The potential sources of competitive advantages are many and varied. Bharadwaj et al. (1993) outline the potential sources of competitive advantages for service organizations. For example corporate culture, scale, brand equity and functional skills are all hypothesized as being potential areas for competitive advantages. Importantly, however, Bharadwaj et al. (1993) suggest that information technology and implementation skills are two other opportunities for competitive advantages.

Most discussions of competitive advantage focus on defensive strategies based on existing resource strengths. For example, Grant (1991) considers the sustainability of the competitive advantage along the dimensions of durability, mobility and replicability. Durability determines how long the competitive advantage can be sustained and is
considered in terms of the ability of competitors to imitate through gaining access to the resources on which the competitive advantage is built. This is because the speed at which the uniqueness of the resources of an organization becomes accessible dictates the speed at which the competitive advantage of an organization diminishes (Chaharbaghi and Lynch, 1999). In fast moving competitive environments, sustaining competitive advantage involves creating safe-havens from cut-throat competition by continuously creating gaps through unique resources that cannot be easily bridged by the competitors (Chaharbaghi and Lynch, 1999).

Dell became really successful by exploring the web as a distribution channel. Gillette has made a fortune by establishing a continuous relationship with customers based on its disposable razors. Apple resurged based on its core capacity of bringing design to computers and electronic gadgets. Cisco became famous for its capacity of configuring activities in new and innovative supply chains. Intel thrived for its capacity to get partners to build on its processing platform. Google tapped in an innovative revenue streams by linking highly specific search results and content with text ads. Wal-Mart became dominant by its ability to slash cost throughout its business model.

Capabilities refer to the firm's ability to utilize its resources effectively. An example of a capability is the ability to bring a product to market faster than competitors. Such capabilities are embedded in the routines of the organization and are not easily documented as procedures and thus are difficult for competitors to replicate. The firm's resources and capabilities together form its distinctive competencies. These competencies enable innovation, efficiency, quality, and customer responsiveness, all of which can be
leveraged to create a cost advantage or a differentiation advantage (Porter, 1998). Competitive advantage is created by using resources and capabilities to achieve either a lower cost structure or a differentiated product.

2.4 Firm Performance

Performance at the firm level is measured in many different ways. Such ways include accounting measures of profitability, sales per input and total factor productivity. While correlated, the various measures capture different aspects of the firm performance, and exposure to a global market is not expected to affect these aspects in the same way. Variables relating the firm to its competitors include; market share, a variable which has been widely used in strategy and is emphasized by (Buzzell and Gale, 1987).

The main issues associated with traditional performance measurement may be summarized as: lack of alignment between performance measures and strategy; failure to include non-financial and less tangible factors such as quality, customer satisfaction and employee morale; mainly backward looking, thus poor predictors of future performance; encouraging short-termism; inwards-looking measures giving misleading signals for improvement and innovation (Ghalayini and Noble, 1996). Consequently, out of recognition of the inappropriateness of traditional approaches to performance measurement, in a globalized, highly dynamic, market focused and stakeholder driven economy, the contemporary approaches to performance measurement were born (Kaplan and Norton, 1992). Contemporary approaches to performance measurement include the intangible dimensions, such as public image and perception, customer satisfaction,
employee satisfaction and attrition, skills levels, innovations in products and services investments into training and new value streams and so on (Kasul and Motwani, 1995).

The nature of the relationship between firm size and economic performance has received considerable attention and has provoked vigorous debate. Several arguments favour larger firm sizes in attaining higher performance. Large firms are more likely to exploit economies of scale and enjoy higher negotiation power over their clients and suppliers (Singh and Whittington 1975). In addition, they face less difficulty in getting access to credit for investment, have broader pools of qualified human capital, and may achieve greater strategic diversification (Yang and Chen 2009). On the other hand, small firms exhibit certain characteristics which can counterbalance the handicaps attributed to their smallness. They suffer less from the agency problem and are characterized by more flexible non-hierarchical structures, which may be the appropriate organizational forms in changing business environments (Yang and Chen 2009).

As Neely (2005) finds out in his study of performance measurement system and manufacturing strategy, balanced scorecard (BSC) continues to be the dominant performance measurement system applicable. BSC (Kaplan and Norton, 1992) which encapsulates not only the financial performance measures but also other related elements (customer, internal process and learning & growth perspectives) manages to capture a comprehensive outlook into the performance dimension.
2.5 Competitive Advantage and Firm Performance

Earlier leanings have the strong basis about the link between cost advantage and organizational performance. Firms having margin in cost competency relative to their rivals as low built-up, low manufacture cost, low cost of goods sold and low prices have practiced relatively better performance.

In the study of (Rose, Abdullah and Ismad, 2010), it is inspected that the organizational edge from the resource based view is as vital as it can be. It is used as conceptual guideline for business organization for enhancing their differential advantage position. The Performance via appliance and manipulation of known internal resources of companies are also increased by using competencies. They put into the body of knowledge by using experimental approach and Resource Based View. The firm’s excellence can be enhanced by using these qualities.

Literature has shown that there is a strong link between competitive advantage and the sales assessment of organizations. There are many studies that concluded about the positive association between competitive advantage and the performance of organizations. Wang and Lo (2003) measured the organizational excellence by using the efficient organizational internal processes. Morgan, Kaleka and Katsikeas (2004) argued that different resources and capabilities have an effect on export business enterprise. Different options and the positional improvement achieved in the export market which in turn change export venture performance. The research reveals that the key resources and capabilities are associated with each other and are directly linked with the export
venture’s competitive strategy choices. A significant relationship of product quality and performance of organization has also been acknowledged.

There are several researchers who have empirically investigated the impact of Porter’s competitive advantage strategies on the performance of companies. Dess and Davis (1984) examined the performance effects of the competitive advantage strategies based on a sample of non-diversified manufacturing firms. They found that those firms can be classified into four clusters based on the strategies that they adopt: cost leadership, stuck in the middle, focus and differentiation. In terms of sales growth, the four groups were found to be significantly different from one another. The focus cluster was found to have the highest sales growth, followed by cost leadership, differentiation, and stuck in the middle clusters. In terms of return on total assets, the performance difference was not significant among the four groups. While the highest return was evident in the cost leadership group, the lowest was evident in the focus group.

Powers and Hahn (2004) examined the performance impact of competitive advantage strategies in banking. Their study indicated that banks fall into five clusters based on the type of strategy they used: general differentiation strategy, focus strategy, stuck in the middle, cost leadership strategy and customer service differentiation strategy. They found that, overall firms employing a strategy perform better (in terms of return on assets) than the ones that are stuck in the middle. The performance of cost leadership followers was significantly higher than those stuck in the middle firms. However, other strategy followers could not gain significant performance advantage over the stuck in the middle group.
Companies experiencing a product based margin on their rivals have been revealed to attain relatively better performance. Morgan, Kaleka and Katsikeas (2004) measured product competency in terms of higher product quality, packaging, design and style. Similarly research illustrated that there is a significant association of services based advantage on the organizational consequences. Companies gained benefits from services as competitive edge contrast to their rivals. For example more product elasticity, convenience, delivery speed, consistency and technological support have verified to achieve relatively better performance.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

Chapter three elaborates on the research design implemented, population of the study, sampling design, methods of data collection used and data analysis techniques.

3.2 Research Design

The research adopted the survey design to assist in attaining the objectives of the study. This was considered the most suitable method since it involves getting views on the sources of competitive advantage and how they influence the performance of real estate firms in Nairobi. Therefore, the use of survey procedures helped to identify interrelationships among variables being studied.

This is specifically the relationship between sources of competitive advantage and their influence on the performance of real estate firms in Nairobi. Furthermore, this has been necessitated by the fact that survey research is used to obtain a considerable amount of information, which can be generalized to an entire population.

3.3 Population of the Study

In this research study, the target population was Real Estate firms registered by Estate Agents and Valuers Registration Board under Ministry of Land, Housing and Urban Development. According to the Board there were 80 firms that had registered with them operating in Nairobi as real estate firms as at 30th June, 2014.
3.4 Sampling Design

Simple random sampling design was used to come up with a properly represented target population. The sample size was calculated by use of a formula by Chava and Nachmias (1996), this is a simplified formula to calculate sample sizes.

\[ n = \frac{Z^2 pqN}{e^2 (N-1)} + Z^2 pq \]  

- \( n \) represents the sample size
- \( N \) represents the population
- \( e \) - Acceptable error (\( e=0.05 \), since the estimated error should be true value error)
- \( p \) - Sample population estimated to have characteristics being measured
- \( Z \) - The standard normal deviate at the required confidence level i.e. 1.96

- The sample size for the Real Estate firms registered in Nairobi was given by;

\[ n=1.96^2*0.95*(1-0.95)/0.05^2(80-1) + 1.96^2*0.95(1-0.95) \]

\[ n=38 \]

The sample size helped to determine the number of questionnaires sent to target population.

3.5 Data Collection

A questionnaire was used to collect primary data in this study. This is because, in this technique large amounts of information can be collected from many of people in a short period of time and in a relatively cost effective way. Also, the results of the questionnaires can usually be quickly and easily quantified by either a researcher or through the use of a software package.
The questionnaire in this study consisted of both open and closed ended questions so as to get as much information from the respondents as possible and save on time. The closed ended questions were presented on a Likert type scale. The ratings were on a scale of 1(lowest meaning not at all) to 5 (highest meaning very great extent) Some questionnaires were administered to the respondents through a face to face interaction for ease of clarification if need arose. Drop and pick later method of data collection was also applied; this left room for respondents to fill the questionnaire at their own free time. A desk study was also conducted by going through all the property magazines in Kenya, newspapers and real estate journals.

In order to satisfy the first objective of the study, a listing of the various possible sources of competitive advantage was provided and the respondents were asked to tick as appropriate the extent to which they have adopted each of the sources of competitive advantage. In order to satisfy the second objective, the respondents were provided with performance indicators and were asked to tick on the five point scale in category their firms fell as far as performance is concerned.

3.6 Data Analysis
The data collected was edited for accuracy, consistency and completeness. The data was then coded and cross tabulated to enable the responses to be statistically analysed. Descriptive statistics was used to analyse data because this study was modelled on a descriptive framework. Data pertaining to demographic information of the real estate firm was then analysed using frequency distributions and percentages.
Data on the sources of competitive advantage of the real estate firms and the influence these sources of competitive advantages on the firm’s performance was analysed using Statistical Package for Social Scientist (SPSS) through computation of mean scores and standard deviations.
CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

The research objective was to establish the sources of competitive advantages of the real estate firms and its influence on performance of the firms. This chapter presents the analysis, findings and the discussion with regard to the objectives. The findings are presented in percentages and frequency distributions, mean and standard deviations.

4.2 Background Information

The demographic information considered in this study included the firm’s characteristics such as the number of years the firm had been in operation, size of the workforce and the composition of the firm’s ownership. A total of 38 questionnaires were issued out. The completed questionnaires were edited for completeness and consistency. Of the 38 questionnaires distributed, 30 were returned. The remaining 8 were not returned. The returned questionnaires’ represented a response rate of 78.95% and this response rate was deemed to be adequate in the realization of the research objectives.

4.2.1 Real Estates Operation Period

The results indicates that half of the respondents had been in existence for a period of between 6 and 10 years, 26.67% said their firm had been in operation for 11 and 15 years while 23.33% had also operated for over 15 years. The period under consideration refers to the year that the business unit started operating and not necessarily when it was registered as shown in Table 4.1 below.
Table 4.1: The company operation period

<table>
<thead>
<tr>
<th>Years</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>6-10</td>
<td>15</td>
<td>50.0</td>
<td>50.0</td>
</tr>
<tr>
<td>11-15</td>
<td>8</td>
<td>26.67</td>
<td>76.67</td>
</tr>
<tr>
<td>16-20</td>
<td>7</td>
<td>23.33</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Research data

All of the real estate firms that responded had operated for over five years and it is expected that with such a number of years of being in operation, they will have identified their areas of competitive advantage. A firm’s competitive position is identified over a period of time and weighting one’s operations against the other firms in the business. It is from this comparison that a firm will be able to identify their respective sources of competitive advantage to leverage it. Consequently, it follows that the firms had unique competitive advantage.

4.2.2 Size of the Real Estate Firm

This section sought to establish the number of branches, employees, sales turnover and capital employed by the real estate firms. The findings of the section was varied in the sense that some of the firms had only one branch especially single proprietorship firms while for the private limited firms for the partnership and private limited firms, they had more than three branches spread over various towns in Kenya. The sales turnover of the firms was not able to be established for most of the real estate firms but for the few that
answered, their turnover ranged from Ksh 10M – 100M. The number of staff varied but most of the real estate firms had between 5 - 90 members of staff. The staff level, just like the capital employed, depends on the number of branches that the real estate firm had and the more the branches were, the employees number tended to increase.

4.2.3 Ownership structure

<table>
<thead>
<tr>
<th>Ownership Structure</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sole proprietorship</td>
<td>3</td>
<td>10.0</td>
<td>10.0</td>
</tr>
<tr>
<td>Private limited company</td>
<td>24</td>
<td>80.0</td>
<td>90.0</td>
</tr>
<tr>
<td>Partnership</td>
<td>3</td>
<td>10.0</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>30</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Research data

The findings on Table 4.2 shows ownership of the real estate firms, it indicates that 80% of the firms are privately owned while 10.0% said their company was a sole proprietorship and similarly 10.0% of the firms were a partnership. The ownership of the companies varied due to the fact that some companies had been transformed from sole proprietors to private limited firms in order to enter into much significant business deals than if in the primary ownership structure.

4.3 Sources of Competitive Advantage

This section of the questionnaire sought to answer the first objective which was to establish the sources of competitive advantage enjoyed by the real estate firms. The source of a real estate competitive advantage was sought from their product
differentiation, cost leadership, marketing and infrastructure. The results are represented in the sections that follow.

The respondents were asked to indicate the extent of competitive advantage on a 5-point Likert scale. The range was ‘not at all (1)’ to ‘very great extent’ (5). The scores of not at all/little extent have been taken to present a variable which had a mean score of 0 to 2.5 on the continuous Likert scale; (0≤ L.E <2.4). With a mean greater than 3.5, it implies that the respondents supported that the action had led to the real estate firm enjoying some competitive advantage. A standard deviation greater than 1 indicated a higher variation among the respondents on the given source of competitive advantage while the lower the standard deviation shows a much less variation in the answers among the respondents.

4.3.1  Product Differentiation

The ability of a firm to differentiate its products and services from other competitors in the market will enable it develop a niche market that makes the customers get attracted to the firms services. The differentiation process might take different forms such as quality, reputation of the firm and after sale services
The real estate offers unique products in the market | 3.6250 | 1.30247 |
---|---|---|
The reputation of a firm and of its products is different from the competitors | 4.1250 | .83452 |
The Real estate product differs in quality from each other depending on the target market. | 4.1250 | .64087 |
The firm offers different after sales benefits for different construction products | 3.6250 | 1.06066 |
---|---|---|
**Grand Mean** | **3.875** | |

**Source: Research data**

The findings on Table 4.3 show that the real estate firms strategy of differentiating themselves from the others through the reputation difference was the most effective form of gaining competitive advantage over the players in the market (Mean= 4.125, SD= 0.835). The ability of the firms to differentiate themselves through the type of quality services they offered also was found to be a major strategy. The low variation of the findings on the quality aspect shows that most of the firms employ the strategy to increase their sales revenue and concur that indeed quality of service is a popular differentiating strategy. The uniqueness of the products and the after sales differentiation had the least mean to offer necessary differentiation competitive advantage to the real estate firms at (Mean=3.625, SD=1.06066)
4.3.2 Cost Leadership

A firm’s ability to offer a product or service of high quality at a competitive cost is a source of competitive advantage because from the same, the firms pricing will also be competitive. The researcher also sought to establish cost leadership strategy employed by the real estate firms and the findings is represented in the Table 4.4.

Table 4.4: Cost leadership

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outsourcing some of the real estate’s services</td>
<td>3.2500</td>
<td>1.38873</td>
</tr>
<tr>
<td>Competitive property prices</td>
<td>3.5000</td>
<td>1.19523</td>
</tr>
<tr>
<td>Employ superior technology and continuous innovations</td>
<td>3.5000</td>
<td>1.19523</td>
</tr>
<tr>
<td>Project location i.e. proximity to raw materials and labour</td>
<td>3.7500</td>
<td>.70711</td>
</tr>
<tr>
<td>Exploiting linkages with suppliers and /or customers, in the firm’s value chain.</td>
<td>3.7500</td>
<td>1.03510</td>
</tr>
<tr>
<td><strong>Grand Mean</strong></td>
<td>3.55</td>
<td></td>
</tr>
</tbody>
</table>

Source: Research data

The firms’ cost leadership position was determined through establishment of offices within localities that are easily accessible by the customers (mean = 3.75, SD = 0.70711) as well as exploiting linkages with suppliers in the firms value chain with the aim of determining and eliminating any activity that does not add value in the firms activities. The findings shows that all the results had a mean of over 3.0 and this implies that the real estate firms to a large extent identified themselves with the identified strategies of
managing their costs. Outsourcing some of the real estate services had the least mean at (Mean=3.2500, SD=1.3887)

4.3.3 Marketing Strategy
With the increased players in the management of real estate business, it is imperative that the business units advertise their service to potential customers and also make their presence be felt in the market. The market strategy that is a source of competitive advantage to the firms include customer care service, strong brand name, advertising and the provision of the after sale services.

Table 4.5: Marketing Strategy

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective customer care service</td>
<td>4.1250</td>
<td>.83452</td>
</tr>
<tr>
<td>A strong brand name</td>
<td>4.5000</td>
<td>.53452</td>
</tr>
<tr>
<td>Understanding customers preferences</td>
<td>4.2500</td>
<td>.70711</td>
</tr>
<tr>
<td>Attractive advertising strategy</td>
<td>4.6250</td>
<td>.51755</td>
</tr>
<tr>
<td>High potential in customer retention</td>
<td>4.5000</td>
<td>.53452</td>
</tr>
<tr>
<td>Always provide after sales service</td>
<td>3.6250</td>
<td>.91613</td>
</tr>
<tr>
<td><strong>Grand Mean</strong></td>
<td><strong>4.27</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research data

The findings on Table 4.5 show that the marketing strategies that the real estate firms undertake to gain competitive advantage came out as more popular methods across the firms. The real estate firms indicated that they undertake advertising of their services (Mean = 4.625, SD = 0.517) through the use of various mediums and the high mean value
shows that all the firms interviewed applied the strategy. In addition, it was also found that the real estate firms value their strong brand name that is associated with transparency and efficiency and which has been tested by many more players. Further, the firms valued high customer retention, customer service understanding and customer preference. After sales provided the least competitive advantage at (Mean=3.6250, SD=0.91613).

4.3.4 Infrastructure Strategy
In the real estate business, proximity of the properties to basic infrastructure amenities such as roads, schools, electricity, trunks for waste disposal also came out as a popular strategy to gain competitive advantage. This section therefore sought to establish the property characteristic of the business activities that the respondents dealt with. The results are presented in Table 4.6.
Table 4.6: Infrastructure strategy

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Availability of all-weather roads in good condition</td>
<td>3.7500</td>
<td>1.28174</td>
</tr>
<tr>
<td>Access to clean water</td>
<td>4.0000</td>
<td>1.41421</td>
</tr>
<tr>
<td>Proximity to social amenities e.g. hospitals, schools, shopping centre etc.</td>
<td>3.7500</td>
<td>1.28174</td>
</tr>
<tr>
<td>Availability of sewer trunks for waste disposal</td>
<td>4.1250</td>
<td>1.45774</td>
</tr>
<tr>
<td>Availability of reliable electric power source with a back-up generator</td>
<td>3.8750</td>
<td>1.35620</td>
</tr>
<tr>
<td>Grand Mean</td>
<td>3.9</td>
<td></td>
</tr>
</tbody>
</table>

Source: Research data

From the findings, access to clean water (Mean = 4.0, SD=1.41), availability of sewer trunks and availability of power. Proximity to schools of the residential houses is an important parameter to be considered by prospective buyers. It therefore follows that if a real estate player identifies properties that have sewerage and water supply in place, there are going to have a competitive advantage in their business line compared to other players in the market. Proximity to social amenities e.g. shopping centre had the least score at (Mean=3.7500, SD=1.28174)
4.4 Influence of Competitive Advantage on the Performance of Firms

The second objective of the research was to establish whether the competitive advantage enjoyed by the real estate firms through the four parameters identified was influencing the performance of the firms. The four sources of competitive advantage identified were product differentiation, cost leadership, marketing and infrastructure. The results of the same findings are represented in Table 4.7 and 4.8.

The questions were tailored to establish how the various sources of competitive advantage influenced performance of real estate firms in terms of market share, profitability, sales growth, customer satisfaction, employee competency and innovations in products and services. The answers were represented in a five point Likert scale with 5=very great extent and 1=not at all effect.

4.4.1 Current performance of the firm

This section of the questionnaire sort to establish how the performance of the firm is at present having been in operation for more than five years
The findings on Figure 4.1 show that majority of the firms reported that their performance at present was good (62.5%) and 25% pointed that they are experiencing excellent performance with. In summary therefore, 87.5% of the firms are satisfied with the current performance and anticipate positive performance in the future.

### 4.4.2 Performance indicators of the real estate firms the last 3 years

A firm’s source of competitive advantage can be attributed to different resources within the firms that cannot be imitated easily by competitors. In this section, the researcher sought to establish from the firms their performance indicators and how they have been influenced by the sources of competitive advantage. The performance of the real estate firms can be measured by assessing different factors.
Table 4.7: Firm Performance for the last 3 years

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market share</td>
<td>3.3750</td>
<td>.91613</td>
</tr>
<tr>
<td>Profitability</td>
<td>3.7500</td>
<td>.46291</td>
</tr>
<tr>
<td>Sales growth</td>
<td>3.8750</td>
<td>.35355</td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>4.2500</td>
<td>.70711</td>
</tr>
<tr>
<td>Employees competency</td>
<td>4.1250</td>
<td>.83452</td>
</tr>
<tr>
<td>Innovations in products and services</td>
<td>4.1250</td>
<td>.83452</td>
</tr>
<tr>
<td><strong>Grand Mean</strong></td>
<td><strong>3.93</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research data

The findings on Table 4.7 show that the firms customer level of satisfaction was pointed out to be excellent and thus the firms put more effort to maintain good customer service with the various sources of competitive advantage (Mean = 4.25, SD = 0.70711). Identification of areas superior technologies and innovations that the real estate firms use as their competitive advantage has led to improvement in employees’ competence in the firms as well as improved the firms capacity to innovate new products and services. However, the firms market share was the least (Mean=3.3750, SD=0.91613) since the industry is very competitive. The findings show that the sources of competitive advantage variables researched in the study adopted by a real estate firm greatly influences its performance given the high mean scores attained on the different key performance indicators due to sources of competitive advantage employed by the firms.
4.5 Discussion of the Findings

The objective of the study was to establish sources of competitive advantage to real estate firms and how the same affected the firms performance. The findings of the study show that a firm’s competitive advantage is sourced from factors that a firm has and that cannot be easily imitated by other competitors in the industry. This finding is similar to resource based theory and advocated by Hunt (2007) to the extent that resource advantage is necessary in a dynamic and competitive environment. A firm needs to develop appropriate strategy that will give it necessary competitiveness in the face of competition from other players.

As Porter (1980) pointed, development of an appropriate strategy is an essential part of any effective business plan. By using an effective competitive strategy, an organization finds its industry niche and learns about its customers. In the study, the sources of the real estate firms’ competitive advantage that was investigated included differentiation, cost leadership, marketing and infrastructure. These strategies were developed in line with those identified by Porter (1985) that included differentiation, cost leadership, and focus. A company performs best by choosing one strategy on which to concentrate. The findings support the competitive advantage theory advanced by Porter (1985) in the sense that an organization need to establish those strategies that are unique to the firm and that cannot be imitated by other competitors in the market.

The product differentiation strategy as a source of competitive advantage was found to originate from the real estate firms having unique products and tailored to different market segments and also ensuring that the quality of services being offered by the firm is of higher quality and differentiated from the other competitors in the industry. Indeed
as Hlavacka et al., (2001) pointed out successful implementation of the differentiation strategy requires resources and skills such as strong marketing capabilities, product engineering skills, creative flare, corporate reputation for quality, reliable and durable products and/or technological leadership, and strong cooperation from distribution channels. The findings were also that for the firm’s differentiation strategy to be effective, the message of differentiation must reach the clients, as the customer's perceptions of the company are important. These results are consistent with McCracken, (2002) findings that the key step in devising a differentiation strategy is to determine what makes a company different from a competitor's. Factors including market sector quality of work, the size of the firm, the image, graphical reach, involvement in client organizations, product, delivery system, and the marketing approach have been suggested to differentiate a firm.

The firms cost leadership strategy was found to be anchored on exploiting linkages with suppliers and customers and eliminating any non-value adding activities in the value chain. The firms were also found to employ superior technology in their operation and the firms outsourcing some of their services and consequently concentrate on their core activities. This finding supports the position taken by Malburg (2000) who posited that in order to achieve a low-cost advantage; an organization must have a low-cost leadership strategy, low-cost manufacturing, and a workforce committed to the low-cost strategy. The resource based theory supports the identification of unique and not easily copied strategies to give a firm the necessary competitiveness.
With many players in the real estate business in Nairobi, it is imperative that the firms adopt appropriate marketing strategy to inform the potential customers on the services that they provide. Consequently, the findings supported the position that firms should endeavour to use appropriate medium of communication that will reach the targeted customer base. In the real estate business, availability of social amenities and infrastructure was found to be a source of a firm’s competitive advantage. It was found that the ability of the firm to choose or construct facilities that are near social amenities such as hospitals, schools as well as sewerage system provides competitiveness to the firm in that it will register improved sales compared to other players in the market.

However, unique resources always derive from specific capabilities or properties, including know-how, reputation, business secrets, learning, and certain specialized production facilities. These specific capabilities and properties cannot always be purchased or acquired via transactions. According to Barney (1986), even if they could be, they generally have a relatively short useful lifetime, and thus any specific capability gained through the purchase would quickly be lost. Thus, specific capabilities must be produced by a distinctive organizational routine.

In the study, it was also found out that the various sources of competitive advantage greatly influenced a firm’s performance. This is similar to studies conducted by Powers and Hahn (2004) who looked into whether or not there are any links between competitive methods, generic strategies and a firm’s performance. Their article showed that in financial businesses, a cost leadership strategy did perform better than differentiation and focus. However, those which have chosen differentiation and focus, performed better
than the company that was stuck-in-the middle. Day and Wensley (1998) also say that choosing a strategy based on the competitive advantage in the market will make a firm successful, because it is dependent upon which resources are available to them.
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the results gathered from the analysis of the data, as well as the conclusions reached. The chapter incorporates the various suggestions and comments given by the respondents in the interview. Findings have been summarized alongside the objectives of the study, conclusions have been drawn from the study, recommendations for action are also given, limitations of the study and suggestions for further research.

5.2 Summary

The study shows that majority of the respondents firms had operated for more than five years with decentralized operations to other urban centres. The size of workforce of these firms were on average 50 employees majorly because of the nature of business that the real estate firms undertake. With the longer operation period, most of the firms will have identified appropriate areas of competitiveness to their operations. Competitive advantage is the extent to which an organization is able to create a defensible position over its competitors and it comprises capabilities that allow an organization to differentiate itself from its competitors and is an outcome of critical management decisions. The study found out that the real estate firms achieve competitive advantage through superior quality of services that is differentiated, cost leadership strategy, marketing strategies, and project infrastructure location. The real estate firms combine their resources to develop a strategic path highlighting the interaction between the industry and the firm,
having the foresight to identify which resources or capabilities and processes, would lead to superior performance and capabilities.

The study established that the real estate firms uses resource based strategy in order to achieve competitive advantage and this was achieved through resources and capabilities that enables it to achieve competitive advantage, greater efficiency and therefore lower costs, increased quality and the possibility of greater market share through the resources that are difficult for rivals to buy or copy. The firms have a low cost strategy mindset which they all work towards achieving the objective of minimizing the costs. The real estate firms have achieved low cost strategy by focusing on a select target market and tailoring their structures to differentiated market segments. The study found out that by the real estate firms enhancing their quality of services, incorporating promotional benefits to sales, adopting competitive pricing, establishment of projects near sources of raw materials, exploiting linkages with suppliers and customers as well as development of appropriate infrastructure in the properties developed or sold has provided necessary competitive advantage to the firms. The level of competitive advantage to the firms however varies depending on the level of uptake of the identified strategies. It was therefore found that indeed absorption by the firms of various strategies has influenced positively the performance of the real estate firms.

5.3 Conclusion
The essence of a firm developing appropriate competitive advantage is concerned with being able to contribute more value to customers than competitors in a competitive environment. It endeavours to drive the largest gap between the buyer’s willingness-to-
pay and the supplier’s opportunity cost. Competitive advantage is the result of a firm’s planned strategy. As seen, many factors are equally important in producing appropriate competitive advantage. Some of these are industrial factors; others are resources and competencies of the firm. The sum of all these factors results in creating and sustaining successful competitiveness. The findings indicate that the real estate firms use various strategies, resources and capabilities in order to achieve competitive advantage.

Due to the multiplicity of factors that lead to a firm’s competitive advantage, there is need for a firm to identify appropriate industry resource, firm resource and capability formation in a manner that is going to lead to synergy between the industry and the firm. The other conclusion that can be deduced from the study is that firms should be able to identify an appropriate strategy that it can employ in order to gain the necessary competitive advantage because even though two firms operate in the same industry, their sources of competitiveness might differ due to the market segment that it has concentrated on. A firm’s ability to develop an appropriate competitive advantage grows out of value a firm is able to create for its buyers that exceeds the firm’s cost of creating it. In this context, value is what buyers are willing to pay, and superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price. All these factors have significant impact on the overall performance of the real estate firms in Nairobi.
5.4 Recommendations
This study makes several recommendations for theory, managerial policy and practice as follows:

5.4.1. Recommendation for managerial policy
The study has established that the real estate firms use several strategies in order to ensure that they achieve competitive advantage and it is recommended that the firms should use only those strategies which would ensure that they maximize the advantage in order to reduce costs to manageable level.

5.4.2. Recommendation for theory
The findings of the study is consistent with the resource based theory which forms the basis for competitive advantage of a firm which lies primarily in the application of a bundle of valuable and tangible or intangible resources at the firm’s disposal. It is recommended that researchers and academicians explore further research on the symbiotic relationship and organizational performance in other sectors.

5.4.3. Recommendation for practice
The study has established that the real estate firms should consider using latest technology in their operations in order to reduce their operational cost and offer their services at competitive pricing. It is recommended that the firms should continue training their employees on how to maintain the low cost strategy and at the same time they should not incur the costs which they can do away with by outsourcing the services which will leave them to concentrate on their core objective. The real estate firms should at the same time continue evaluating their customer service in order to compete effectively with other players in the market.
5.5 Limitations of the study
These study findings have to be viewed in account of the following shortcoming that occurred in the course of conducting the study. The respondents studied in this research were from one sector i.e. real estate and the conclusions drawn from this study may not representative and therefore cannot be generalized to other sectors.

Also, given the competitive nature of the real estate industry in Kenya, some respondents were cautious about giving away too much information on their sources of competitive advantage.

5.6 Suggestions for further research
The study confined itself to real estate firms operating in Nairobi, Kenya and the findings may not be applicable in other sectors as a result of uniqueness of the housing sector. It is therefore recommended that the study is replicated in other sectors such as telecommunication and technology to establish their strategies adopted to gain competitive advantage.

Empirical studies on the role of company strategy, size, and structure on the relationship between core competencies and competitive advantage could also be undertaken to create a body knowledge for management.
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www.abndigital.com

www.hassconsult.com
APPENDIX I: INTRODUCTION LETTER

TO WHOM IT MAY CONCERN

The bearer of this letter, SELINA AKIRI KIBUTA, is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University. He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

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

Thank you.

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS
APPENDIX II: QUESTIONNAIRE

DECLARATION

This is a questionnaire on real estate firms on their competitive advantages and how they influence a firm’s performance. The questions are for academic analytical purposes only. Confidentiality will be upheld.

Instructions: Please tick appropriately and for explanations be brief.

SECTION A: DEMOGRAPHIC INFORMATION OF THE REAL ESTATE FIRM

1. Name of Real Estate Firm………………………………………………………………………..

2. Please indicate location of the Real Estate Firm

...........................................................................................................................................

3. Number of years the real estate firm has been in operation

   0-5 [ ] 6-10 [ ] 11-15 [ ] 16-20 [ ] 20> [ ]

4. How large is the real estate firm in terms of:

   Number of branches………………………………………………………………………………

   Number of employees ……………………………………………………………………………

   Sales turnover………………..……………………………………………………………………..

   Capital employed…………………………………………………………………………………..

II
5. What is the mode of ownership/ the managers of the real estate firm

Sole proprietor [ ] Private Limited Company [ ]
Partnership [ ] Franchise [ ]
Other (Specify) .................................................................................................

SECTION B: SOURCES OF COMPETITIVE ADVANTAGE

6. To what extent is each of the following a types/sources of competitive advantage for the firm?

Use a 5-point scale. Where; 1=Not at all, 2=Little extent, 3=Moderate extent, Great 4=extent 5= Very great extent: Tick in the appropriate column

<table>
<thead>
<tr>
<th>Product differentiation</th>
<th>Not at all=1</th>
<th>Little extent=2</th>
<th>Moderate extent=3</th>
<th>Great extent=4</th>
<th>Very Great Extent =5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offer unique products in the market</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The reputation of a firm and of its products.</td>
<td></td>
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</tr>
</tbody>
</table>
The firm’s product differs in quality from each other depending on the target market.

The firm offers different after sales benefits for different construction products.

Use a 5-point scale. Where; 1=Not at all, 2= Little extent, 3=Moderate extent, Great 4=extent 5= Very great extent: Tick in the appropriate column

<table>
<thead>
<tr>
<th>Cost Leadership</th>
<th>Not at all=1</th>
<th>Little extent=2</th>
<th>Moderate extent=3</th>
<th>Great extent=4</th>
<th>Very Great Extent =5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitive property prices</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employ superior technology and continuous</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

IV
<table>
<thead>
<tr>
<th>innovations</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Outsourcing some of the companies activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economies of scale</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project location i.e. proximity to raw materials and</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>labour</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exploiting linkages with suppliers and /or customers,</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>in the firm’s value chain.</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Use a 5-point scale. Where; 1=Not at all,  2= Little extent,  3= Moderate extent, Great 4=extent  5= Very great extent: Tick in the appropriate column
<table>
<thead>
<tr>
<th>Marketing strategies</th>
<th>Not at all=1</th>
<th>Little extent=2</th>
<th>Moderate extent=3</th>
<th>Great extent=4</th>
<th>Very Great Extent =5</th>
</tr>
</thead>
<tbody>
<tr>
<td>A strong brand name</td>
<td></td>
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<td></td>
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<tr>
<td>Have efficient</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>customer care service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Understanding</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>customers preferences</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attractive</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>advertising strategy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Always provide after sales service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have high potential in customer retention</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Use a 5-point scale. Where; 1=Not at all, 2= Little extent, 3=Moderate extent, Great 4=extent 5= Very great extent: Tick in the appropriate column
<table>
<thead>
<tr>
<th>Infrastructure</th>
<th>Not at all=1</th>
<th>Little extent=2</th>
<th>Moderate extent=3</th>
<th>Great extent=4</th>
<th>Very Great Extent =5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project served by all-weather roads in good condition</td>
<td></td>
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</tr>
<tr>
<td>Plans to provide reliable electric power source with a back-up generator provided.</td>
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</tr>
<tr>
<td>Is the project close to social amenities e.g. hospitals, schools, shopping centre etc.</td>
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<tr>
<td>Are there sewer trunks for waste disposal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access to clean water</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>
7. Suggest improvements /ways of increasing competitive advantage in your firm

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SECTION C: FIRM PERFORMANCE

8. How would you rate the performance of your firm in the market?

   Excellent [ ]   Good [ ]   Average [ ]   Poor [ ]

9. To what extent does your firm perform well in each of the following with the various sources of competitive advantage?

   Use a 5-point scale. Where; 1=Not at all, 2= Little extent, 3=Moderate extent, 4=Great extent, 5=Very great extent: Tick in the appropriate column

<table>
<thead>
<tr>
<th>Performance Indicator</th>
<th>Not at all=1</th>
<th>Little extent=2</th>
<th>Moderate extent=3</th>
<th>Great extent=4</th>
<th>Very Great Extent =5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market share</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profitability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
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<tr>
<td>------------------</td>
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<td>----</td>
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<td></td>
</tr>
<tr>
<td>Sales growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees competency</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovations in products and services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

10. What percentage would you rate your firm’s performance in each of the following aspects for the last 3 years with the given sources of competitive advantage?
<table>
<thead>
<tr>
<th>Performance Indicator</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market share</td>
<td>-------%</td>
</tr>
<tr>
<td>Profitability</td>
<td>-------%</td>
</tr>
<tr>
<td>Sales growth</td>
<td>-------%</td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>-------%</td>
</tr>
<tr>
<td>Employees competency</td>
<td>-------%</td>
</tr>
<tr>
<td>Innovations in products and services</td>
<td>-------%</td>
</tr>
</tbody>
</table>

11. Suggest ways that your firm can improve its performance

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Thank you.
APPENDIX III: LIST OF REAL ESTATE FIRMS

1. VillaCare Kenya
2. Hass Consult
3. Lynex Holdings
4. East gate apartments Ltd
5. LlyodMasika Ltd
6. JamiaValuers& Estate Agent Management
7. Urban Bliss Realstore
8. Knight Frank Ltd
9. Milligan International Ltd
10. Regent Management Ltd
11. Neema Management Ltd
12. CB Richard Ellis Ltd
13. Alliance Realtors Ltd
14. Paragan Property Ltd
15. Lowanjo Properties Ltd

17. Tysons Ltd
18. Norkan Investments Ltd
19. Masterways Properties Ltd
20. Cornerstone International Ltd
21. Dunhill Consulting Ltd
22. Home Afrika Ltd
23. Wesco Property Consultations Ltd
24. Acorn Properties Ltd
25. Canaan Properties Ltd
26. Pinnacle Properties Ltd
27. SEB Estate Ltd
28. Liberty Real Estate Ltd
29. Bluehills Real Estate Ltd
<table>
<thead>
<tr>
<th>Number</th>
<th>Company Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>30.</td>
<td>Guardian Properties Ltd</td>
</tr>
<tr>
<td>31.</td>
<td>Sundown Valuers &amp; Realters Ltd</td>
</tr>
<tr>
<td>32.</td>
<td>Axis Real Estate</td>
</tr>
<tr>
<td>33.</td>
<td>Homelands Holdings Ltd</td>
</tr>
<tr>
<td>34.</td>
<td>Mudas Properties Services Ltd</td>
</tr>
<tr>
<td>35.</td>
<td>Legend Valuers &amp; Estate Agents</td>
</tr>
<tr>
<td>36.</td>
<td>Diversity Property Ltd</td>
</tr>
<tr>
<td>37.</td>
<td>Kimly Properties Ltd</td>
</tr>
<tr>
<td>38.</td>
<td>Easy Properties Ltd (K)</td>
</tr>
<tr>
<td>39.</td>
<td>Eackelberg &amp; Co. Ltd</td>
</tr>
<tr>
<td>40.</td>
<td>Silverrock Properties Ltd</td>
</tr>
<tr>
<td>41.</td>
<td>Gampr Investments Ltd</td>
</tr>
<tr>
<td>42.</td>
<td>Colburne Holdings Ltd</td>
</tr>
<tr>
<td>43.</td>
<td>Savannah Consulting Ltd</td>
</tr>
<tr>
<td>44.</td>
<td>Joskinyagat Ltd</td>
</tr>
<tr>
<td>45.</td>
<td>Ryden International Ltd</td>
</tr>
<tr>
<td>46.</td>
<td>Real Appraisal Ltd</td>
</tr>
<tr>
<td>47.</td>
<td>Jeankins Investments Ltd</td>
</tr>
<tr>
<td>48.</td>
<td>Realken International Ltd</td>
</tr>
<tr>
<td>49.</td>
<td>Heri Properties Ltd</td>
</tr>
<tr>
<td>50.</td>
<td>Valentine First Venture(K) Ltd</td>
</tr>
<tr>
<td>51.</td>
<td>Frank Valuers &amp; Properties Management Ltd</td>
</tr>
<tr>
<td>52.</td>
<td>Wakama Estate Agency Ltd</td>
</tr>
<tr>
<td>53.</td>
<td>Terestam Properties Management Ltd</td>
</tr>
<tr>
<td>54.</td>
<td>Paradise Properties Ltd</td>
</tr>
<tr>
<td>55.</td>
<td>Chapter Consultants Ltd</td>
</tr>
<tr>
<td>56.</td>
<td>Perscale Properties Ltd</td>
</tr>
<tr>
<td>57.</td>
<td>Property Point Ltd</td>
</tr>
<tr>
<td>58.</td>
<td>ENA Properties Ltd</td>
</tr>
<tr>
<td>59.</td>
<td>Menga Management Ltd</td>
</tr>
<tr>
<td>60.</td>
<td>Nile Real Appraisee Ltd</td>
</tr>
<tr>
<td>61.</td>
<td>Maestro Properties Ltd</td>
</tr>
<tr>
<td>62.</td>
<td>Town House Agencies</td>
</tr>
<tr>
<td>63.</td>
<td>Etion Property Consultants</td>
</tr>
<tr>
<td>64.</td>
<td>Add Property Consultants</td>
</tr>
<tr>
<td>65.</td>
<td>Tuco Properties Ltd</td>
</tr>
</tbody>
</table>
66. Sortmaster Properties Ltd
67. Heritage Property Consultants
68. Value Build Management Ltd
69. Konaken Investment Ltd
70. Ngumo Properties Ltd
71. Elegant Investments Ltd
72. Arkpoint Properties Ltd
73. Karen Link Ltd
74. Vera Property Ltd
75. Beryt Properties Investments Ltd
76. Opus Property Ltd
77. Nairobi Homes Ltd
78. Rank Global Ltd
79. Landmark Realtors Ltd
80. Property Ins Ltd