

**RESPONSE STRATEGIES TO CHALLENGES OF
COMPETITION BY HORTICULTURAL EXPORT FIRMS IN
KENYA**

BY

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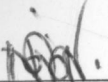
**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF
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DECLARATION

STUDENT'S DECLARATION

I hereby declare that this project is my original work and has never been previously, in its entirety or in part, presented in any other university/college for any degree.

Signed 

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SUPERVISOR'S DECLARATION

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

Signed 

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I would like to dedicate this project to my best friend in life Philip, for his love, moral and financial support during the entire period. Indeed may you reach far and beyond in your quest for knowledge, skills and dreams. I am always proud of you.

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I also dedicate this project to God for his continuous grace and providence to my life.

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CHAPTER 1 INTRODUCTION

ABSTRACT

The study was carried out to determine the response strategies to challenges of competition by Horticultural export firms in Kenya. The objectives of the study were; to establish the challenges of competition facing the horticultural export firms in Kenya, and to determine the response strategies adopted by the horticultural export firms in Kenya to cope with challenges of competition. The study established that horticultural export firms in Kenya are being faced by several challenges including: rivalry within the industry, competition for source of suppliers, competition for warehousing facilities and competition for channels of distribution. Firms must address these challenges to deal with competition from their rivals in the industry. The researcher established that most of the firms don't have strategy implementation department which means that they face challenges in effectively implementing their strategies. The study however established that firms are using several strategies to deal with competition which include: Turn around strategies- an all-round strategy dealing with competition, product diversification, new market penetration, e-marketing of the company's products, investing in packaging and product differentiation, target market, out-sourcing of services, differentiating strategies, refocusing the business and enlarged branch network worldwide. This indicates that the strategies are having a positive impact to the firms in dealing with the challenges of competition in the industry. The study therefore concludes that the firms should establish a strategy implementation department to help in implementing strategies hence dealing with most of the challenges and creating a competitive edge.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The environment in which organizations operate is constantly changing with different factors influencing the organizations. This is because organizations are open systems that operate in environment that carries with it a myriad of challenges. For them to deliver efficiently, they must learn to appreciate the present challenges. Coping with the increasingly competitive environment has called on firms to rethink their strategies (Pearson and Robinson, 2005). The days when companies could wait for clients to walk to their organizations are long gone thus organizations must realize that their services and products regardless of how they are cannot sell themselves (Kotler, 2000).

Firms respond to challenges in their operating environment in different ways. If rivalry among firms in an industry is low, the industry is considered to be disciplined. This discipline may result from the industry's history of competition, the role of a leading firm, or informal compliance with a generally understood code of conduct. Explicit collusion generally is illegal and not an option; in low-rivalry industries competitive moves must be constrained informally. However, a maverick firm seeking a competitive advantage can displace the otherwise disciplined market. When a rival acts in a way that elicits a counter-response by other firms, rivalry intensifies. The intensity of rivalry commonly is referred to as being cutthroat, intense, moderate, or weak, based on the firms' aggressiveness in attempting to gain an advantage. (Porter, Michael E., *Competitive Strategy*, 1999-2010).

1.1.1 Competition and its challenges

The basic argument underlying the contingency theory is that organizations neither function in isolations of the external environment (i.e level of uncertainty may change) nor does it remain static or constant with respect to its internal environment, as for example, competition within industries, forces the size or technology to change, or cause the firm to rethink its pricing strategies, product differentiation, focus (Otley, 1980). As one or more of these factors change, they are likely to cause the company to redesign at least some aspects of its strategy in order to beat the challenges of Competition within the given industry.

George and Stigler (2008) define competition as contest between individual groups, nations, companies, businesses etc for territory or a location of resources. It arises whenever two or more parties strive to for a goal which cannot be shared. In business, there are two conventional types of competition. The Imperfect (monopolistic) and perfect Competition. In monopolistic types of competition, just like with oligopolistic competition, there are interventions by the government or collusion by firms to exclude potential entrants that might compete with the operating firms. (Clark 2000) perfect competition also known as resource based competition means that profit arises through efficiency and superior resources or intangible assets. Pearson and Robinson (1997) noted that "The essence of strategy formulation is coping with Competition" The industry attractiveness and competitive positioning of a firm largely influences and shapes the choice of a competitive strategies adopted. This is therefore seen as key role of Managers in organizations.

Competition is a major component of the environment in which an organization operates. Porter (1985) stated that Competition is at the core of success or failure of firms. While Competitive forces in the industry like rivalry, threat of substitutes, buyer power, supplier power, threat of new entrants and entry barriers, can either be passive or active and this determines the profitability or the attractiveness of the industry which is key consideration for entry or exit. Competitors in an industry continually work to drive the rate of return on capital invested. If the returns are below the expected rate, in the long run the investor seeks alternative industries.

Porter (1980, 1985) argues that superior performance can be achieved in a competitive industry through the pursuit of generic strategy which he defines as the development of an overall cost leadership, differentiation, or focus approach to industry competition which is among the strategic responses that a firm can adopt. If a firm does not pursue one of these strategies, it will be stuck-in-the-middle and will experience lower performance when compared to firms that pursue a generic strategy (Porter, 1980). Measures of competition include firm's profitability, national, regional or global market share. At industry level, it is the ability of the national firms to achieve sustained success against (or compared to) foreign competitors, without protection or subsidies. Measures of competition at industry level include overall profitability of the national firms in the industry, the balance of outbound and inbound foreign direct investment, and direct measures of cost and quality at the industry level. Competitiveness at the industry is often a good indicator of a nation's economic health than competitiveness at the firm level (Enright et al, 1994, 1996).

Competition possess different challenges to firms in general among them including, price wars among firms, product quality goes down due to companies efforts to cut on production costs, reduced market share. All these challenges call for an organization to rethink their strategies in order to survive. Successful firms are implementing the new competitive strategies of continuous improvement (constant process improvement) and mass customization - a dynamic flow of goods and services via a stable set of processes. IBM System Journal, Research and Development, (2009).

1.1.2 Response strategies

A response strategy is the search for a favorable competitive positioning in the industry in order to beat competition and remain relevant in the market. It aims at establishing a profitable and sustainable position against the forces that determine industry competition. According to (Porter,1980), developing a competitive strategy is developing a broad formula on how the business is going to compete, what its goals should be and what policies would be needed to carry out these goals. He observed a competitive strategy as a combination of the ends (goals) for which the firm is starting and the means (policies) by which it is seeking to get there. He further points out that the intensity of competition in an industry is rooted in the underlying economic structures and goes well beyond the behavior of current competitive forces, the bargaining power of buyers and sellers, the threat of new entrants, potential substitute products and rivalry among existing competitors that determine the inherent profit potential of an industry. Similarly, Aosa (1992) saw strategy as creating a fit between the external and internal conditions of a firm in order to solve a strategic problem.

There are two types of strategic responses. Operational and strategic response. Strategic responses are of two levels, where we have corporate and business response. According to Johnson and Scholes (2000) the corporate level strategy deals with overall scope and purpose of the organization and ensures that stakeholders' expectations are met. It enables the business to decide which business line to concentrate through diversification integration, divestiture and portfolio management. The business level strategy determines and defines how the organization competes in its market and how long-range objectives will be achieved. This can either be through existing or new products and markets. It involves fitting new strategies to changing business environment or stretching and exploiting the competences of an organization. Operational Response is aimed at ensuring that the organization activities are being performed in the best way possible. It focuses on excellence in whatever the organization does. Its purpose is to ensure that the organization is efficient.

1.1.3 Horticultural Industry in Kenya

Horticulture sector in Kenya has grown in the last decade to become the second largest earner of foreign exchange, employer and contributor to food needs in the country. Currently the horticulture industry is the fastest growing agricultural sub sector. Kenya's ideal tropical and temperate climatic condition makes it favorable for production of wide range of fruits, vegetables and flowers. (Fresh Produce exporters Association of Kenya, 2012). Kenya is now by far the largest exporter of vegetables to the European Union (Dolan and Humphrey 2000).

The global horticulture industry is being fuelled by increasing consumer demand for high quality products along with soaring seed demand to cater to a rapidly expanding global population. Consumers are demanding quality for money, especially when it comes to flowers. Commonly used for day-to-day home decoration in the past, flowers are playing an increasingly important role in the occasion's sector, with increasing numbers of consumers opting to give flowers to mark celebrations such as anniversaries or retirement parties (National Seeds Corporation Ltd Company Report for Year 2012). This is fueling demand for horticulture industries to adjust accordingly due to challenges that come with increased demand and quality checks for them to compete effectively.

Kenya is currently ranked the largest supplier of cut flowers to the European Union. It is the second largest developing-country exporter of flowers in the world after Colombia. It is the second largest horticultural exporter in the sub-Saharan Africa after South Africa. The second largest developing country supplier of vegetables to the European Union after Morocco. (Export processing zones Authority, 2005). Leguminous and 'Asian' vegetables have increasingly replaced coffee and tea as the major export crops (Jaffee, 1995). Horticultural produce (which includes vegetables, flowers and fruit) represents 13% of the value of Kenya's exports and is one of the top four foreign exchange earning industries (Chweya, Kimenye et al. 1995). Since 1995 the volume and value of horticultural exports has continued to grow reaching Ksh 14.9 million in 1998 (Government of Kenya 2000).

1.1.4 Horticultural Export Firms in Kenya

Horticulture has continued to be one of the fastest growing sub sectors in Kenya's export sector, growing at over 7% annually. Since 2003 horticultural exports have been the leading foreign exchange earner in the agricultural sector. In 2005, horticultural exports grew by over 19.1% over the 2004 export value (Export Promotion Council, 2012). This continued growth is attributed to the dynamic private sector and the effective facilitative role provided by the relevant public and private sector institutions. The horticultural industry in Kenya is committed to the production of high quality and environmentally friendly products while preserving the health and welfare of the workers. In order to meet changing market requirements and ensure proper use of agro-chemicals, the Government has put in place the Pest Control Products Board (PCPB), which licenses and registers all the pest control products imported and used in this country. They ensure that the pesticides used in horticultural production are safe and are also approved for use in other parts of the world.

The Government and the industry stakeholders train farmers on the safe use of pesticides. The farmers' training covers issues on application of chemicals in the right quantities and intervals to ensure that the maximum residue limits are not exceeded. This ensures environmental protection and serves to ensure that Kenya's horticultural exports meet the Maximum Residue Levels (MRLs) requirements. The Kenya horticultural industry has also come up with a harmonized National Code of Practice. This Code of practice aims at ensuring good agricultural practices and due diligence to safeguard the consumer, the environment and the health of the workers. The National Code of Practice also addresses the post-harvest handling process. (Fresh Produce exporters association of Kenya, 2012).

1.2 Research Problem

Response strategies are the various measures that an organization employs in wake of threats in the environment it exists. Organizations have to adequately and promptly respond to these challenges in the environment for them to be successful. Ansoff (1999) brought out the need of organizations to match their strategies to the level of competitiveness in the operating environment. The environment in which businesses operate faces stiff competition due to the existence of other firms producing and/or selling the same products or services. Businesses have as a result to cope with competition and to adopt response strategies to it or risk being thrown out of the market by the same competition. An organization can adopt different response strategies in order to beat competition challenges. If a firm wishes to pursue cost leadership, it has to be below cost products in its industry. A firm may gain cost advantage through economies of scale, proprietary technology, cheap raw material, etc. The strategy of differentiation can be used by offering products that are emphasizing different functional areas within the firm. Firms can also rely on process innovations and take advantage of the experience curve phenomenon to improve product quality and stay ahead of its competitors.

Horticultural firms are facing severe competition due to various factors affecting the industry. Meeting performance standards of the European markets is greatly affecting the horticultural exports in Kenya. The requirements of international regulations and the need for very large and regular consignments of produce in EU markets have combined to concentrate export horticulture in the hands of the larger and highly capitalized producers. In addition, It is essential for EU importers to receive supplies from known sources and to be able to check agricultural practices and handling standards on the farms. This favors large commercial farms than small-

scale farmers. Lack of technological expertise is also affecting the firms, There are low export demands sometimes and prolonged dry seasons posing a great challenge to the industry. These calls for the Horticultural Export firms in Kenya to study on how they are adopting to these challenges and Competition in the industry and the response strategies they are employing in order to beat competition within the industry.

Many studies have been done in regarding response strategies to environmental challenges that face organizations in general. Some of them include; Sheik (2000) did strategic responses by Kenyan Insurance companies following liberalization, Kombo (1997) did responses strategies by firms facing changed environmental conditions in motor vehicle franchise holders, Kandie (2001) did responses strategies by Telkom Kenya Ltd in a competitive environment, Atheru (2007) did responses strategies by meteorological department to the needs of their customers. Kiptugen (2003) researched on response strategies by Kenya commercial bank to changing environment and established that Kenya Commercial Bank responded to its changing competitive environment through restructuring, marketing, embracing information technology and culture change.

Even though most of these studies focused on firm's competitiveness environment, no two organizations are perfectly similar and thus whatever works for one may not work for the other. This study will endeavor to bring out response strategies adopted by Horticultural Export firms in Kenya due to competition challenges and seek to fill the knowledge gap in this area by answering the following questions. What are the competition challenges facing the Horticultural

Export firms?, What are the response strategies adopted by the Horticultural export Firms in Kenya in order to cope with challenges of competition?

1.3 The objective of the study

The objectives of the study were:

- i. To establish the challenges of competition facing the Horticultural export firms in Kenya.
- ii. To determine the response strategies adopted by the horticultural export firms in Kenya to cope with challenges of competition.

1.4 Value of the study

Knowledge is power. This study is of importance to stakeholders such as theory building and policy, and practice. They will establish the adequacy or capability of major responses to the ever-increasing changing environment in the face of deregulation and liberalization, and how they can apply them in challenging environmental surrounding in their day-to-day business activities / ventures and help to bridge the knowledge gap that exists in this area of study.

This study is also a benefit the Horticultural export firms in Kenya, by offering a range of response strategies that they can use in order to remain relevant in the market, and cope with the changing business environment. The study is of beneficiary to future scholars in that it forms a base for further research, and also provides an understanding of the responses adopted by Horticultural Export firms in Kenya due to Competition challenges in the environment.

The study sheds light to the managers in the organizations on the various responses that needs to be taken into consideration, in order to beat competition. Agricultural agencies both public and private are also a beneficiary of this project study.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews the literature on response strategies in the Horticultural export firms in Kenya. The chapter begins with response strategies and then talks on the organizations and the environment, challenges of competition and the response strategies. A company can use one, or a combination of the various strategies discussed depending on the nature of the competition in the industry.

2.2 Concept of Strategy

Competitive response to competition is a vital requirement for any organization to be able to cope with competition. According to Montgomery (1991), strategy is viewed as a means to an end. The core concept of strategic Management is strategy. Strategy is a multi-dimensional concept and finds its application in all fields of study. Strategy is the common thread in an organization giving direction and scope of the organization in the long run (Ansoff 1967). It can also be said to be the unified comprehensive and integrated plan that relates the strategic advantage of the firm to the challenges of the environment and that is designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organization (Jauach and Gluek, 1984). This includes environmental scanning (both internal and external), strategy formulation (strategic or long- range planning), strategy implementation, evaluation and control.



Strategy can be seen as either building defense against competitive forces or as the finding of position in the industry where the forces are weakest (Pearce and Robinson 1997). In his view Robert (1993) argued that the real issues in strategy are strategic management and thinking critically. He sees these as decisions pertaining to products and services, customers, market segments and geographic areas and claims that decisions about which products and services to offer, the customers to be served, the market segments in which to operate and the geographical areas of operations should be basis of a simple driving force.

2.3 Organizations and Competition

Pearson and Robinson (1997) notes that the essence of strategy formulating is to cope with competition. The industry attractiveness and competitive positioning of a firm largely influence and shape the choice of competitive strategies adopted. Managers are expected to perform and produce results in an environment that is becoming increasingly uncertain, confused and incoherent. The traditional signals and barometers which guided them to a given destination are changing around them as the internal and external environment with which they were familiar become pressured by the twin forces for change and consolidation in acute services.

Strategic scholars have essentially remained in two schools; namely those who believe in the rational formulation, implementation and evaluation of strategy and those who place greater credence of behavioral influences on strategy. The seminal work of porter on competitive strategy is in the rational school of thought and provides an essential framework for understanding and analyzing the environment within which the organization operates and the relative strengths and weaknesses of the competitive forces within the market. Porter believes

that such an understanding will assist the organization in formulating a view on the current and future environment and the organization's response to it. The model of competitive forces present consists of five main elements: potential entrants to the market; rivalry within the industry; bargaining power of purchasers; bargaining power of suppliers and threats of substitutes. Porter (1985) stipulates that competitive position of a firm is determined by how well the firm identifies its key success factors like marketing distribution network and technology knowledge of the underlying sources of competitive pressure highlighting the critical strengths and weakness of the company.

New entrant to an industry bring new capacity and a desire to gain market share that puts pressure on prices, costs and the rate of investment necessary to compete. Particularly when new entrants are diversifying from other markets, they can leverage existing capabilities and cash flows to shake up competition. The threat of new entrants therefore puts a cap on the profit potential of an industry. Entry barriers are advantages that incumbent have relative to new entrants. Powerful suppliers capture more of the value for themselves by charging higher prices, limiting quality or services, or shifting costs to industry participants. Powerful customers can capture more value by forcing down prices, demanding better quality or more services, thereby driving up costs.

Pearce and Robinson (1997) notes that every industry has an underlying structure or set fundamental economic and technical characteristics that gives rise to competitive forces. The strongest forces usually determine the profitability of the industry. It is therefore crucial for the strategists to devise a plan of action that will provide defense against the competitive forces and

also influence the balance of the forces through strategic moves that match the company's strength and weakness.

2.4 Organizations and environment

The firm's competitive environment is its immediate environment. Firms are dependent on the environment for survival in terms of resources and profitable market opportunities for their products in order to deal with competition. This therefore makes it important for firms to scan their environment in order to spot the trends and conditions that could affect the industry and adapt to them (Thomson and Stickland, 1993) and also identify if there are factors in the environment which influence the capability of an organization to position itself and gain competitive advantage (Johnson and Scholes, 1999). The firm's external environment includes three interrelated factors which determine the nature of opportunities, threats and constraints it faces. The remote environment has factors originating beyond the firm's operating situation- Economic, Social, Technological and Ecological (Pearce and Robinson, 2003). Considering that performance is the major objective of an organization, it is generally accepted that the structure and decision making in an organization is influenced by environmental complexity and volatility (e.g., Miles and Snow 1987; May et al. 2000).

According to Hunger Wheelen (1996) the environment consists of variables that form the context within which the firm exists. As Pearce and Robinson (2000) noted, an environment can be divided into two main subsets: Internal and external environment. They argued that the internal environment comprises factors such as the organizations competitive capabilities and both tangible and intangible resources that affect the firm's ability to meet its objectives. As Porter (1979) noted, it is prudent for any firm to understand the underlying sources of competitive pressure in their industry in order to formulate appropriate strategies to respond. Firms often respond to such environmental changes through strategic responses. Organizations have to cope with pressure of globalization, rapid changes in technology, rise of e-commerce, situations where customers and suppliers can be both competitors and allies and a change in emphasis from quantity to quality and from product to services.

2.5 Response Strategies

Porter (1996) argues that a competitive strategy is about "being different" He adds, "It means deliberately choosing a different set of activities to deliver a unique mix of value." In short, Porter argues that strategy is about competitive position, about differentiating yourself in the eyes of the customer, about adding value through a mix of activities different from those used by competitors. In his earlier book, Porter defines competitive strategy as "a combination of the ends (goals) for which the firm is striving and the means (policies) by which it is seeking to get there." Thus, Porter seems to embrace strategy as both plan and position. Aaker (1992) asserts that given the current focus in business, there is need to understand the competitor strength in the market and then position one's own offering to take advantages of weaknesses and avoid head on clashes against strength

Focus strategy concentrates on a narrow segment and within that segment attempts to achieve

Strategy is an essential part of any effective business plan. By using an effective competitive strategy, a company finds its industry niche and learns about its customers (Porter, 1980). Porter (1985) asserts that there are three basic business strategies- differentiation, cost leadership, and focus-and a company performs best by choosing one strategy on which to concentrate. However, many researchers feel that a combination of these strategies may offer a company the best chance to achieve a competitive advantage (Cross, 1999; Dess and Miller, 1993; Johnson and Scholes, 1993; fuerer and Chaharbaghi, 1997; Hlavacka et al., 2001). Whatever strategy a company chooses, it must fit with the company's goals and objectives to gain a competitive advantage (Kippenberger, 1996; Surowiecki, 1999; Ross, 1999). Porter purports companies must be competitive to become an industry leader (Murdoch, 1999; Suutari, 1999), to be successful both nationally and abroad (Niemira, 2000; Davidson, 2001; Anon, 1998), and these strategies for gaining competitive advantage apply to all industries in most nations.

Cost leadership strategy emphasizes efficiency. By producing high volumes of standardized products, the firm hopes to take advantage of economies of scale and experience curve effects. A firm attempts to maintain a low cost base by controlling production costs, increasing their capacity utilization, controlling material supply or product distribution and minimizes other costs including R&D and advertising (Prajogo, 2007). With a differentiation strategy, the unique attributes or perceptions of uniqueness and characteristics of a firm's product other than cost provides value to customers.

Focus strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation. Because of their narrow market focus, firms pursuing a focus strategy have lower volumes and therefore less bargaining power with their suppliers. Market penetration is a growth strategy where the business focuses on selling existing products into existing markets. Market development is also a growth strategy used by a business, in which it can seek to sell its existing products into a new market. This can include approaches like venturing into new geographical markets for competitiveness. Product development is a strategy that involves a business aiming to introduce new products into existing markets. Diversification is a growth strategy where a business markets new products in new markets. The main purpose of diversification is to allow an organization to grow (Thomas and Mason, 2006). Mintzberg (1994) argues that strategy emerges over time as intentions collide with and accommodate a changing reality.

3.3 Target Population

The targeted population for this study was all Horticultural export firms in Kenya. According to (EPZ authority, 2009), there are thirty six (36) firms majority export oriented. The firms are regulated by government and private agencies for smooth operations. These firms constituted the population of the study.

3.4 Data Collection

This study made use of primary. The primary data was obtained through data collected using semi structured questionnaire rated on Likert scale. The questionnaire had three major sections.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This section discusses the methods that were used in the collection and analysis of data, and how presentation of findings was done. It also discusses how the objectives of the study were met. It specifically covers issues to do with the research design to be used, the target population, data collection, and data analysis.

3.2 Research Design

Research design refers to how a researcher puts a research study together to answer a question or a set of questions. There are two types of research designs:- Case study and a Survey. This research was conducted through a survey of horticultural export firms in Kenya, given its nature and scope. A survey was suitable because it helped to compare the firms of different categories in terms of response strategies. Further, since the study was carried out on more than one firm, a survey provided a more insightful approach for it allows comparison.

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The first section comprised general information, the second brought out the challenges faced by horticultural export firms, and the third section focused on the response strategies adopted by the Horticultural export firms. The target respondents included the management staff in each of the firms, the strategic managers, or marketing managers. The researcher administered the questionnaire through “drop and pick” to respondents of the study:

3.5 Data Analysis

Data analysis involves reducing accumulated data into manageable size, developing summaries, looking for patterns and applying statistical analysis techniques .The data collected in this survey was subjected to identification of errors with an aim of excluding them from the analysis report. The data was coded and analyzed through SPSS and using descriptive statistics which was used to give the frequencies of responses. Mean and standard deviation were also used. The analyzed data is presented in form of tables and charts for easy understanding and interpretation where the results have been used to draw conclusion on dependent and independent variables on how the Horticultural export firms are responding to challenges of competition.

5 - 10 years	2	12.5
10 -15 years	3	31.3
15 - 20 years	6	37.5
20 - 25 years	1	6.2
25 - 30 years	2	12.5
Over 30 Years	0	0
Total	16	100.0

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter represents analysis and findings as set out in the research methodology on the response strategies adopted by horticultural export firms in Kenya. Every response was recorded against the set variables while quantitative data was analyzed through the use of SPSS version 17 where frequencies of the responses were given. The coded data in the SPSS spread sheet was analyzed using descriptive statistics where frequency, percentages, mean score and standard deviation of the responses was given and then presented in form of tables and charts for easy understanding. The chapter is divided into three sections i.e the general information, challenges of competition and Response strategies.

4.2 General Information

Table 4.1: Duration of organization operation in Kenya

Period of Operation	Frequency	Percentage
0-5 Years	0	0
5 - 10 years	2	12.5
10 -15 years	5	31.3
15 - 20 years	6	37.5
20 - 25 years	1	6.2
25 - 30 years	2	12.5
Over 30 Years	0	0
Total	16	100.0

The results in table 4.1 above, indicate that most of the horticultural export firms in Kenya (37.5) have operated in Kenya for a period of between 15-20 years, then followed by (31.3%) of the firms which have operated between 10 -15 years, while very few of the firms (6.2%) of them have been in existence for a period of between 20 - 25 years.

Table 4.2: Existence of branches of the company

Possession of branches	Frequency	Percent
Had branches	11	64.7
No branches	6	35.3
Total	17	100.0

From the study findings, the results in table 4.2 above indicate that most of the horticultural export firms under study (64.7%) have branches operating in the country while (35.5%) of the firms have no branches in the country.

Table 4.3: Comparison of performance of the branches

Performance of branches	Frequency	Percent
good	10	83.3
excellent	2	16.7
Total	12	100.0

In Comparison of the performance of the branches of the horticultural export firms under study, the results in table 4.3 indicate that the performance of the branches in the country was good (83.3%) as compared to (16.7%) which was excellent performance.

Table 4.4: Firms and Operation in other parts of the world other than Kenya

Operation of firms outside Kenya	Frequency	Percent
Operation outside Kenya	2	12.5
No operation outside Kenya	14	87.5
Total	16	100.0

The results indicate that most of the horticultural export firms under study (87.5%) do not operate in other parts of the world, while (12.5%) of the firms have operations in other parts of the world apart from Kenya.

Table 4.5 Existence of strategy implementation department

Existence of Department	Frequency	Percent
Department	1	5.9
No Department	16	94.1
Total	17	100.0

Table 4.6 Competition Challenges

As indicated in Table 4.5 above, the majority of the horticultural export firms in Kenya under this study, (94.1%) do not have a strategy implementation department in their organization while only (5.9%) of the firms have a strategy implementation department within their organization.

4.3 Competition Challenges

Under this section, the researcher sought to establish the various competition challenges in the horticultural export firms in Kenya. The respondents were required to give feedback on a scale of 1-5 where 1= not at all; 2= little extent; 3= moderate extent; 4= great extent; 5= very great extent. The findings have been presented in table 4.6 below and their interpretation given thereof.

quality standard of products	2.71	1.047
imitation by competitors	2.95	1.144
competitors wider branch network	2.47	1.328
competition for customers or markets	2.65	1.115
lack of distribution networks	2.76	1.480
competition for warehousing facilities	3.00	1.458
competition for channels of distribution	3.18	1.468
recruiting of qualified staff	2.24	1.522
Grand mean	2.73	1.22

The study sought to establish the competition challenges in the horticultural export firms in Kenya. From the results illustrated in the table 4.6 above, it is clear that there are four distinct competition challenges in the horticultural export firms. These includes; rivalry within the industry, competition for source of suppliers, competition for warehousing facilities and competition for channels of distribution. All the four challenges had a mean score of 3 and

Table 4.6 Competition Challenges

Competition Challenges	Mean	Standard Deviation
quality packaging by competitors	2.59	1.121
competition for transport challenges	2.59	1.064
quality standard of products	2.71	1.047
threat of new entrants to the market	2.47	.943
market dominance by strong competitors	2.94	1.478
unique products by the competitors	2.71	1.105
rivalry within the industry	3.18	.883
price wars within the industry	2.88	1.111
competition for source of suppliers	3.18	1.185
imitation by competitors	2.06	1.144
competitors wider branch network	2.47	1.328
competition for customers or markets	2.65	1.115
lack of distribution networks	2.76	1.480
competition for warehousing facilities	3.00	1.458
competition for channels of distribution	3.18	1.468
poaching of qualified staff	2.24	1.522
Grand mean	2.73	1.22

The study sought to establish the competition challenges in the horticultural export firms in Kenya. From the results illustrated in the table 4.6 above, it is clear that there are four distinct competition challenges in the horticultural export firms. These includes; rivalry within the industry, competition for source of suppliers, competition for warehousing facilities and competition for channels of distribution. All the four challenges had a mean score of 3 and

above, an indication that they are the major challenges the firms must address when competition with their rivals in the industry.

A number of challenges were found to have insignificant effect on the competition of horticultural export firms in Kenya. These include: quality packaging by competitors, competition for transport challenges, threat of new entrants to the market, competitors wider branch network, imitation by competitors and poaching of qualified staff. These competition challenges have a mean score below 2.6 .This indicates that the horticultural export firms in Kenya should not give much attention to these challenges since they do not pose any significant threat in the industry.

4.4 Response Strategies

Under this section the study sought to establish the response strategies employed by the horticultural export firms in Kenya in order to deal with competition challenges in the industry. The respondents were required to give feedback on a scale of 1-5 where 1= not at all; 2= little extent; 3= moderate extent; 4= great extent; 5= very great extent. The findings have been presented in table 4.6 below and their interpretation given thereof.

turn around strategies	2.24	1.362
investing in packaging and product differentiation	3.59	1.121
forming larger and acquisition	1.94	1.029
differentiating strategies	3.48	1.219
refocusing the business	4.12	1.054
enlarge branch network worldwide	3.18	1.590
Grand mean	3.07	1.196

Table 4.7 Response Strategies

Response Strategies	Mean	Standard Deviation
turn around strategies- an all-round strategy dealing with competition	3.24	1.562
product diversification	3.47	1.281
new market penetration	3.76	1.251
competitive reward and remuneration package to attract and retain qualified staff	2.82	1.015
establishment of distribution network	2.35	1.222
e-marketing of the company's products	3.12	.993
forming strategic alliances with other firms	2.53	1.231
Investing in packaging and product differentiation	3.59	1.121
forming merger and acquisition	1.94	1.029
retrenchment strategies	2.00	1.000
price hikes	2.76	1.033
target market	3.94	1.088
out-sourcing of services	3.47	1.328
closing down of some branches of the firms to cut on costs	2.12	1.317
differentiating strategies	3.88	1.219
refocusing the business	4.12	1.054
enlarge branch network worldwide	3.18	1.590
Grand mean	3.07	1.196

The study sought to establish the response strategies that the horticultural export firms in Kenya are using to deal with challenges of competition within the industry. It is clear from the study findings that the firms are using several strategies which include: Turn around strategies- an all-round strategy dealing with competition, product diversification, new market penetration, e-marketing of the company's products, investing in packaging and product differentiation, target market, out-sourcing of services, differentiating strategies, refocusing the business and enlarged branch network worldwide. The response strategies above had a mean score of 3 and above which indicates that the strategies are having a positive impact to the firms in dealing with the challenges of competition.

From the study findings, it was established that several factors have not been very effectively used by the horticultural export firms in Kenya in dealing with the competition challenges. These include: establishment of distribution network, forming merger and acquisition, retrenchment strategies and closing down of some branches of the firms to cut on costs. All these factors have mean score below 2.5. This means that the firms rarely use these factors.

4.5 Discussion of Findings

This study had two research objectives: To establish the challenges of competition facing the Horticultural export firms in Kenya, and to determine the response strategies adopted by the horticultural export firms in Kenya to cope with challenges of competition. Competition is a major component of the environment in which an organization operates. Porter (1985) states that Competition is at the core of success or failure of firms. While Competitive forces in the industry like rivalry , threat of substitutes, buyer power, supplier power, threat of new entrants and entry

barriers, can either be passive or active and this determines the profitability or the attractiveness of the industry which is key consideration for entry or exit. Competitors in an industry continually work to drive the rate of return on capital invested. If the returns are below the expected rate, in the long run the investor seeks alternative industries. The findings of this study are consisted with the theory of Porter (1985) since the Horticultural export firms in Kenya have come up with strategies to deal with the competition challenges within the industry in order to remain relevant and avoid being faced off.

The findings of this study are in line with Pearson and Robinson (1997) theory which notes that the essence of strategy formulating is coping with competition. This is because horticultural export firms have gone an extra mile to come up with ways of dealing with issues that can affect their firm's attractiveness and competitive positioning which largely influence and shape the choice of competitive strategies adopted. Managers are expected to perform and produce results in an environment that is becoming increasingly uncertain, confused and incoherent. The traditional signals and barometers which guided them to a given destination are changing around them as the internal and external environment with which they were familiar become pressured by the twin forces for change and consolidation in acute services.

Pearson and Robinson (1997) noted that "The essence of strategy formulation is coping with Competition" The industry attractiveness and competitive positioning of a firm largely influences and shapes the choice of a competitive strategies adopted. This is therefore seen as key role of Managers in organizations. These study findings are consisted with this theory since it has triggered firms to enhance ways of production of quality products based on customer needs

and preference so as remain relevant in the competitive industry. Using strategies like Turn around strategies- an all-round strategy dealing with competition, product diversification, new market penetration, e-marketing of the company's products, investing in packaging and product differentiation, target market, out-sourcing of services, differentiating strategies, refocusing the business and enlarged branch network worldwide shows aggressiveness of firms in quest of dealing with the threats within their operating environment.

Cost leadership strategy emphasizes efficiency. By producing high volumes of standardized products, the firm hopes to take advantage of economies of scale and experience curve effects. A firm attempts to maintain a low cost base by controlling production costs, increasing their capacity utilization, controlling material supply or product distribution and minimizes other costs including R&D and advertising (Prajogo, 2007). With a differentiation strategy, the unique attributes or perceptions of uniqueness and characteristics of a firm's product other than cost provides value to customers. The findings of this study are not in line with this theory since most firms are not cutting cost on issues like retrenchment of staff, closing down on some branches but they are still dealing the environment challenges of competition. This implies that firms should clearly know their weaknesses or threats and come up with proper strategies of dealing with them in order to avoid being faced off and create a competitive advantage.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of findings, conclusions and recommendations drawn from and based on the objectives the study was set to achieve. The study objectives were to establish the competition challenges facing the horticultural export firms in Kenya and to establish the response strategies the firms were using in dealing with the challenges of competition. The findings are as presented below.

5.2 Summary of findings

The study sought to establish the challenges of competition faced by horticultural export firms in Kenya and the response strategies the firms are using to deal with the competition challenges. From the study findings, the study established most of the organizations have operated in Kenya for a period between 15 - 20 years. Most of the firms under study had branches within the county with most of them having a good performance. The study also establishes that most of the firms do not operate in other countries apart from Kenya and they do not have a strategy implementation department within their organization.

The study established that the firms are being faced by several challenges including: rivalry within the industry, competition for source of suppliers, competition for warehousing facilities and competition for channels of distribution. All the four challenges had a mean score of 3 and above, an indication that they are the major challenges the firms must address when competing with their rivals in the industry. The firms face challenges in effectively implementing their strategies due to lack of strategy implementation department.

From the study findings, it was also established that the firms are using several strategies in dealing with the challenges of competition. These include: Turn around strategies- an all-round strategy dealing with competition, product diversification, new market penetration, e-marketing of the company's products, investing in packaging and product differentiation, target market, out-sourcing of services, differentiating strategies, refocusing the business and enlarged branch network worldwide.

5.3 Conclusion of the study

From the study findings, it can be concluded that horticultural export firms in Kenya are facing various challenges of competition in the industry which could be causing their performance operations. These challenges include rivalry within the industry, competition for source of suppliers, competition for warehousing facilities and competition for channels of distribution. The study also concludes that in order to stay in pace with the changes in the operating environment, the Corporation also developed some strategies to deal with the challenges. These strategies include turn around strategies- an all-round strategy dealing with competition, product diversification, new market penetration, e-marketing of the company's products, investing in packaging and product differentiation, target market, out-sourcing of services, differentiating strategies, refocusing the business and enlarged branch network worldwide.

The researcher established that most of the firms do not have a strategy implementation department. It can therefore be concluded that the horticultural export firms should establish strategy implementation departments within their organizations to help in implementation of

their strategies hence have a competitive advantage against their rivals. It can also be concluded that the firms should enlarge their operations to other parts apart from Kenya to help them focus on other ripe markets for their produce.

5.4 Limitations of the study

Time and financial constraints were limiting factors to this study. This made it hard for exhaustive and comprehensive study to be carried out on strategic response to challenges of competition by Horticultural export firms in Kenya. The availability of respondents was also a challenge due to their busy schedules, and this meant that they were in haste when they got time to respond which could have contributed to important information being left out which could make this research better.

The respondents were also skeptical on how much information about their companies could get to their competitors and expose the firms to threats. However, the researcher assured the respondents of high level of confidentiality and the purpose for the research, which was academic only.

5.5 Suggestions for further Research

The study aimed at establishing response strategies to challenges of competition by Horticultural Export Firms in Kenya. To this end therefore, a further study should be carried out to determine the challenges faced by Export firms in implementing the response strategies within the organizations. In addition, the study focused on horticultural export firms in Kenya, thus it is

highly recommended that a study should be carried out in other industries apart from the Agriculture sector. Again, a further research should be carried out to establish the relationship between the response strategies and the competition challenges within organizations.

The researcher further suggests that a similar study be done on the agricultural agencies, both private and public for the purposes of ensuring a proper way of dealing with the challenges that are facing horticultural export firms. This is because Operating environment has become very volatile following the high level of globalization effects on organizational performance. This means that firms have to always invent new ways of dealing with their issues in order to survive the high competition levels within the industry.

The operating environment, both external and internal have become very turbulent and thus a study should be done to show how firms should cope with the volatile environment by formulating relevant strategies and effectively implementing them to deal with the ever changing environment.

5.6 Recommendations for policy and practice

The study recommends that Horticultural Export firms in Kenya should adopt or aim at establishing response strategies that are in line with the companies' objectives and goals of the strategy unit. The response should be in line with the external and internal environment in order for the organization to remain relevant in the market. In addition, the study recommends that strategies should be in line with and in accordance to the mission and vision of the organization. The strategic context of the business and corporate objectives should be brought into perspective clearly.

The study recommends that the Horticultural Export firms should look beyond competitive forces in the environment, by scanning the external and internal environment in search of other opportunities for revenue generation and competitive advantage. Focusing so much on competitive forces makes the organization loose on ripe opportunities that could be a great advantage for the firm.



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APPENDICES

Appendix 1: Letter of Introduction

May, 2012

Dear Sir/ Madam;

RE: REQUEST TO COLLECT DATA FOR MBA RESEARCH PROJECT

I am a student at the University of Nairobi's School of Business Pursuing a Master of Business Administration Degree program.

Pursuant to the pre-requisite course work, I would like to conduct a research project on
**RESPONSE STRATEGIES TO CHALLENGES OF COMPETITION BY
HORTICULTURAL EXPORT FIRMS IN KENYA.**

In this regard you have been kindly selected to participate in the research through the filling of the attached questionnaire. The information provided will be treated as confidential and used for academic purposes only.

Thank you in advance.

MIRIAM MUTHOKA

MBA STUDENT

Appendix 11: Questionnaire

Please answer all questions according to the given instructions

SECTION A: GENERAL INFORMATION

1. What is the name of your organization? _____
2. How long has your company been in operation in Kenya (Tick whichever appropriate)

0 – 5Years	☐	5 - 10Years	☐
10 - 15years	☐	15 – 20 years	☐
20 – 25years	☐	25 – 30 years	☐
Over 30 years	☐		
3. Does your company have branches? _____
A} Yes { ☐ B} No { ☐
4. How can you compare the performance of the branches? _____
(A) Good { ☐ (B) Excellent { ☐ (C) Poor { ☐
5. Do you operate in other parts of the world apart from Kenya? _____
(A) Yes { ☐ (B) No { ☐
6. Do you have strategy implementation unit/department in your organization?
Yes { ☐ (B) No { ☐

SECTION B: COMPETITION CHALLENGES FACED BY YOUR FIRM

To what extent does your company experience each of the following challenges due to competition? Please tick as appropriate.

(Key: 1= not at all; 2= little extent; 3= moderate extent; 4= great extent; 5= very great extent)

	1	2	3	4	5
1. Quality packaging by competitors					
2. Competition for transport challenges					
3. Quality standards of products					
4. Threat of new entrants to the market					
5. Market dominance by strong competitors					
6. Unique products by the competitors					
7. Rivalry within the industry					
8. Price wars within the industry					
9. Competition for source of supplies					
10. Imitations by competitors					
11. Competitors wider branch networks					
12. Competition for customers or markets					
13. Lack of distribution networks/channels					
14. Competition for warehousing facilities					
15. Competition for channels of distribution					
16. Poaching of qualified staff					

SECTION C: RESPONSE STRATEGIES

To what extent does your company employ each of the following response strategies to cope with competition in the Horticulture industry? Please tick as appropriate.

(Key: 1= not at all; 2= little extent; 3= moderate extent; 4= great extent; 5= very great extent)

	1	2	3	4	5
1. Turnaround strategies –an all round strategy dealing with competition					
2. Product diversification					
3. New Market penetration					
4. Competitive reward and remuneration package to attract and retain qualified staff					
5. Establishment of distribution networks/channels					
6. E-marketing of the company’s products					
7. Forming strategic alliances with other firms					
8. Investing in packaging and product differentiation					
9. Forming Merger and Acquisition					
10. Retrenchment strategies					
11. Price hikes					
12. Target marketing					
13. Out-sourcing of services					
14. Closing down some branches of the firms to cut on costs					
15. Differentiation strategies					
16. Refocusing the business					
17. Enlarge branch networks worldwide					