

**EFFECTS OF ADOPTED COMPETITIVE STRATEGIES ON THE
PERFORMANCE OF DAVIS & SHIRTLIFF IN EAST AFRICA**

BY

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DECLARATION

This research project is my original work and has not been submitted for a degree in any other university.

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

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DEDICATION

This project is dedicated, first and foremost, God Almighty, with whom nothing is impossible. It is by His grace that I was able to sail through it all.

I also dedicate this project to my late mother Teresa Meroka Ombiro (Grace) who really wanted me to achieve the best, My Aunts Rhoda and Joyce, who have always been very proud of my academic achievements; and to my family, for the support each one of them accorded me throughout the period of my studies

ABSTRACT

The operating environment for businesses has become very dynamic following increased effects of globalization, developments in information, communication and technology and internationalization of firms. In order to outperform other companies in a given industry, organizations need to craft appropriate strategies that align their operations to the changes taking place in the operating environment. Therefore this study sought to investigate the Effects of Adopted Competitive Strategies on the Performance of Davis & Shirtliff limited in East Africa. The objective and purpose of this study was to establish the Effects of Adopted Competitive Strategies on the Performance of Davis & Shirtliff limited in East Africa. The study adopted a case study descriptive research design because the unit of analysis was one organization. The study used primary data collected by the use of an interview guide administered to employees of Davis and Shirtliff Data collected was qualitative in nature as it was collected using an interview guide. Content analysis was used to analyze data collected from the interviewees. The study found that among company had adopted the cost leadership strategy, the differentiation strategy and the market positioning strategy. However the study established that the differentiation strategy was effective to a very great extent while the market positioning strategy was effective to a great extent and the cost leadership strategy was effective to a moderate extent.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The operating environment for businesses has become very dynamic following increased effects of globalization, developments in information, communication and technology and internationalization of firms. In order to outperform other companies in a given industry, organizations need to craft appropriate strategies that align their operations to the changes taking place in the operating environment. These strategies improve the level of efficiency and effectiveness in an organization as they provide clear strategic directions towards the attainment of organizational mission.

Mintzberg, Quinn and Ghoshal (2003) argue that in order for organizations to maintain their competitiveness in an industry, it is important that they need to constantly adapt their strategies to changing environment. These ensure that the operations of the organization are aligned in accordance with the changes happening in the operating environment. An organization's failure to adapt the organization to its environment leads to a strategic problem evidenced by a mismatch between what the organization offers and what the market demands (Munive-Hernandez, Dewhurst, Pritchard & Barber, 2004).

This study is anchored on two theories: open systems theory and the resources based view theory. These theories are relevant for the study because they explain ways how organizations can develop and build sustainable competitive advantage over their competitors. The open systems theory acknowledges the fact that organizations do not exist in a vacuum instead they exist in a society. This therefore means that they are affected by the environment in equal manner that they affect it. As a result, organizations have to

consider their operating environment comprised of different stakeholders in their decision making especially with regard to strategic management (Scott & Davis, 2007). The resource based view theory on the other hand acknowledges that in order for an organisation to establish sustainable competitiveness in an industry, it needs to have adequate resources. The resources could range from human capital, skills, and finances (Wade & Hulland, 2004).

The operating environment of Davis & Shirliff has become very competitive as more and more companies with different products launched on the market in different countries where it operates from. The Davis & Shirliff Group is the leading supplier of water related equipment in the East African region. The business activities in the Company are focused on six principal product sectors including: water pumps, boreholes, swimming pools, water treatment, generators and solar equipment. Due to increasing competition in its traditional market, the group has ventured into different countries across the East Africa. Operating in these new countries has brought about challenges not just in the new markets but also in its operations at the headquarters.

1.1.1 Concept of Strategy

A strategy refers to the management's game plan for growing the business, staking out a market position, attracting and pleasing customers, competing successfully, conducting operations, and achieving targeted objectives (Thompson & Strickland 2008). It provides an organization with direction on which it needs to direct its operations if it has to realize its mission.

It is a plan that integrates an organization's major goals, policies and action sequences into a cohesive whole with the purpose of providing directional cues to the organization thereby permitting it to achieve its objectives while responding to the opportunities and threats in the environment (Pearce & Robinson, 2007).

Strategy according to Farjoun (2008) may be perceived as a combination of competitive moves and business approaches that managers employ to satisfy organizational vision and objectives. Whereas goals represent the ends which the firm is seeking to attain, strategy is the means to the end. A unique strategy contributes effectively to the competitiveness of business firms (Drejer, Olesen & Strandskov, 2005). Strategy can also be conceptualized as a pattern in the stream of firms' actions over time or a tendency of firms to act in a particular way (Chan, 2005). Strategy further refers to a plan, a pattern, a position, a perspective and, can also be a ploy, a manoeuvre intended to outwit a competitor (Spanos & Lioukas, 2011). Thompson, Strickland and John (2010) define strategy as the match between an organization's resources, skills and the environmental opportunities as well as the risks it faces and the purposes it wishes to accomplish.

1.1.2 Competitive Strategies

Competitive strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Panayides, 2008). Porter (2008) defines competitive strategy as deliberately choosing a different set of activities to deliver a unique mix of value. The activities form the basis of

competitive advantage. It concerns what a firm is doing in order to gain a sustainable competitive advantage. Because of increased competition in the operating environment, all organizations are struggling to outperform their competitors. This is well accomplished through competitive strategies that respond to the changes taking place.

Pearce & Robinson (2005) argue that business managers evaluate and choose strategies that they think will make their business successful. Businesses become successful because they possess some advantage relative to their competitors. The two most prominent source of competitive advantage can be found in the businesses cost structure and its ability to differentiate the business from competitors. Porter (1980) also viewed competitive strategies as a two dimensional phenomenon with a supply side strategic scope; and a demand side – strategic strength. He later simplified the scheme into three generic strategies which included: overall cost leadership; differentiation and focus.

Johnson, Scholes & Wittington (2006) on the other hand, perceive competitive strategies from a business level perspective and believe that it is the achievement of competitive advantage by a business unit in its particular market. They advocate for a hybrid strategy which provides a market-facing element to Porter's (2008) model in the form of price as a new dimension and its combination with differentiation. Johnson & Scholes (2009) state that strategy can be seen as a matching of the activities of the organization to the environment in which it operates or can be referred to as the search for a strategic fit. It thus implies that organizations need to adopt strategies that are suitable for the environment a competitive strategy is suitable for a competitive environment.

Sidorowicz (2007) on the other hand sees competitive strategies as more skill-based and involving strategic thinking, innovation, execution, critical thinking, positioning and the art of warfare. For Porter (1998), competitive strategies primarily evolve explicitly through a planning process or implicitly through approaches dictated by a firm's professional orientation and the incentives of its directors. Although Porter (2008) pioneered thinking in this field, several scholars have questioned his ideas, thus leading to further research and debate on the topic, with key works coming from Gamble, Strickland & John (2005) and Hax and Wilde (1999). However it is Porter's (1998) pioneering thinking and his Five Forces Model that has gained popularity and become the predominant framework for analyzing the competitiveness of firms within an industry. Nevertheless, newer competitive strategy frameworks have built on Porter's (1985) model since then; the Strategy Clock being one of them (Johnson et al., 2006). Many markets and companies are not stable any longer because the forces at work in the environment are rapidly changing. New technology in particular is reshaping companies and organisations are busy trying to disrupt the status rather than preserve it. Organisations will therefore try to build barriers to preserve advantage in the different ways as will be discussed in this paper.

1.1.3 Performance

The nature of the competitive strategy-firm performance relationships can be traced to Bain (1956) and Mason's (1939) industrial organization framework of industry behaviour, whereby firm profitability is viewed primarily as a function of industry structure. Characteristics of the industry and not the organisation are the key influences on organisational performance (Barney, 1986).

The performance of a firm may be defined as the measure of the results achieved by that firm (Beal, 2004). Performance is an abstract concept and must be measured relative to an agreed standard unit of measure or reference point. The more aligned the mix between endogenous and exogenous competitive strategies with the corresponding internal and external competitive forces, the higher the ability of the given firm to utilize the competitive force to its favour (Robson & Haigh, 2008). Scholars argue that a firm utilizing several competitive forces to its favour and several others to its defence, will be able to benefit from more opportunities in the market place that would result in an increase in its revenue thereby allowing it to overcome more threats that would otherwise require the firm to spend more from its current resource base.

Therefore, availability of more revenue resources and lower resource expenses indicates that the firm has more residual resources to have a higher market share or have a higher potential of performing better than other firms in its area of specialisation. In order to achieve a performance that may be considered well relative to other firms in the industry, Porter (2008) proposes a strategy that requires a firm to identify growth segments, work at achieving operational efficiency and continuously enhance the quality of its products and services. Porter highlights further that it is the continuous measurement of these performance indicators and their management that determines the long term direction of the firm and its survival. For the water related equipments supplying firms in Kenya, strategy formulation and implementation process is equally important to the continuous measurement of the key performance metrics in order to achieve and maintain competitiveness.

The use of a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis is a key component during strategy formulation and implementation (Johnson *et al*, 2006). Through this framework, a firm may easily identify and manage its strategic capability and be able to stretch or add capabilities as a responsive mechanism to varying degrees of the intensity of competitiveness within the water related equipments supplying industry. The importance of strategy according to Warren (2002) is the need for firms to differentiate themselves from their rivals by choosing to perform some activities differently. The competitiveness of firms can greatly be improved if the chosen strategy is carefully executed by linking three processes: people, strategy and operation. According to Beal (2004), a firm should create an effective structure; enhance its communication; improve its information sharing; introduce incentives; control systems; institute adequate policies and procedures and employ an effective change management strategy in order to improve its performance. Kaplan and Norton (2006), also suggest that the use of the balanced score card as a strategy map can help to translate the strategy into operational terms thus the improving the organisational performance. The pattern for operational zing the strategy must include nine important items: setting strategic goals; developing strategic measurements; developing strategic initiatives; establishing business goals; action to be taken by members of the team; spelling out responsibility of each team member; developing performance indicators; working out the budget and undertaking progress reviews (Kaplan, 2006).

1.1.4 Water Industry in Kenya

Kenya is a water scarce country (Onjala, 2006) and faces numerous management challenges. It is in this recognition that the Government prioritized increasing access to sustainable and affordable water services within its overall policy framework of the economic recovery strategy for wealth and employment creation. The sector has thus undergone major structural reforms aimed at improving service provision. The Government through the Ministry of Water and Irrigation found it necessary to modernize the sector to conform to emerging challenges like climate change, population pressure, environmental degradation, and limited endowment of water resources, temporal variation in the availability of water, national policies, increased water-use conflicts, rapid urbanization and the challenges of low-income areas.

Water supply and sanitation are also among the key issues emphasized under the social pillar of the Kenya Vision 2030. The Vision envisages availability and access of water to all by the year 2030. In order to address the challenges associated with access and provision of water services, the Kenya water sector underwent significant reforms after the Water Act 2002 was enacted by parliament. The main objective of the reforms was to manage water services and resources efficiently by separating responsibilities of providing water to consumers from water provision and management.

1.1.5 Davis & Shirliff Group

The Davis & Shirliff Group is the leading supplier of water related equipment in the East African region. Founded in 1946, business activities are focused on six principal product sectors- Water Pumps, Boreholes, Swimming Pools, Water treatment, generators and solar equipment. The group is Kenyan based and operates through a network of Kenyan branches as well as regional subsidiaries in Uganda, Tanzania, Zambia, Rwanda, South Sudan and a partnership in Ethiopia (Davis & Shirliff, 2015).

Davis & Shirliff regionally distributes high quality equipment sourced from a number of industry leading companies from around the world as well as carrying out manufacture and assembly of various water related products. With a total complement of over 500 highly trained and professional staff, particular emphasis has been placed on infrastructure investment and the company is extremely well resourced with modern office facilities, a fully integrated ICT network and large product and spare parts stocks.

The Nairobi headquarters cover an area of 10,000m² with extensive warehousing, manufacturing, training and administrative facilities from where products are efficiently distributed by the company's own fleet of trucks. The company is also ISO 9001:2008 certified to demonstrate the quality focus (Davis & Shirliff, 2015).

1.2 Research Problem

Competitive strategy specifies the distinctive approach which the firm intends to use in order to succeed in each of the strategic business areas. Competitive strategy gives a company an advantage over its rivals in attracting customers and defending against competitive forces. The choice of a competitive strategy is critical for the survival and success of any company. Successful survival of any organization depends on how well it formulates and implements its strategies for competitive advantage.

There are many roots to competitive advantage, but the most basic is to provide customers with what they perceive to be of superior value, a good or service at an affordable price, a superior service that is worth paying for, or a best value offering that represents an attractive combination of prices, features, quality, service, and other attributes that customers find attractive. Competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition. Davis & Shirliff Group has faced fierce competition as more and more companies enter into its Small and Medium sized enterprises market segment.

In order to stay a head in this segment and outperform its rivals, the Bank initiated several strategies. Regulations governing the business sector that the group operates in have been varying from one country to another especially with regard to taxation. In addition, human capital has been a challenge as the Company has had to rely on its Kenyan staff for the regional expansion which has proven to be costly. These challenges coupled with political instabilities in some countries like South Sudan have negatively influenced the performance of the group (Davis & Shirliff, 2015).

Akingbade (2014) examined competitive strategies and improved performance of selected Nigeria telecommunication companies. The findings revealed that there is a relationship between competitive strategies, its constituents and performance of telecommunication companies. However, this study was carried out in Nigeria whose operational environment is different from Kenya hence the need to undertake the current study.

Ali and Hadi (2012) conducted a study on surveying and identifying factors affecting successful implementation of business strategies in the food industry of Fars Province industrial towns in Iran. The results suggest that all the five dimensions being studied have a considerable deterrent role in implementing the strategies. The ascending role order of these dimensions is individual/personal obstacles, obstacles related to the consequences of planning, organization obstacles, environmental obstacles and management obstacles.

Kohtamaki and Salmela-Mattila (2009) studied the successes and failures of strategy implementation in a higher education institution in Finland and found that among the sampled institutions they aspired to have successful implementation due to their future oriented strategic change. Much of this change had to do with the organisation's readiness for change; to integrate education programmes and units, to integrate R&D and teaching, to centralise the functions and to establish new co-operation with new partners and to learn new strategy based management.

Atiori and Atiogbe 2011 carried out a study carry out a comparative evaluation of strategic planning in public universities in Ghana and to examine the flexibility of the resulting strategic plans in the face of emerging challenges. The study established that the results indicate that the nature, form, and sophistication of information and communication technology (ICT) use influenced successful implementation of strategic plans for two public

universities. Afande (2015) examined competitive strategies and firm performance in the mobile telecommunication service industry using a case of Safaricom Kenya Limited. The findings also show that the strategies adopted by Safaricom Kenya Limited included vigorous pursuit of cost reductions; providing outstanding customer service; improving operational efficiency; controlling quality of products/services; intense supervision of frontline personnel; developing brand or company name identification; targeting a specific market niche or segment; and providing specialty products/services. This study was only a case of one organization yet the current study is a cross-sectional study cutting across several players in the telecommunication industry.

Mwangangi (2014) carried out a study to establish the service recovery strategies commercial banks in Kenya use to deal with service failures. The study found out those service recovery strategies: comprehensive formal strategy, accessibility and influence strategy, central authority strategy and intensity strategy are all adopted in almost equal proportions by commercial banks in Kenya. The study also found out that comprehensive formal strategy and central authority strategy have positive effect on service quality while accessibility and influence strategy and intensity strategy have negative influence on service quality. Munyiri (2014) examined competitive strategies and customer retention among commercial banks in Kenya and established that the banks adopted low prices of the bank products, new products development to meet the market demands; differentiation strategies by offering superior goods and services of high quality to their customers.

Muraya (2010) studied strategic responses adapted by Davis & Shirtliff in the changing environment in Kenya and established that pricing and Government funding as elements of customers tastes and preferences and Political/legal environment were the most influential external environmental factors. The findings of this study may not apply to the current study because it only considered Kenyan business as opposed to the East African market.

From the above review of existing studies, it can be noted that the existing studies were either done on one country and not a whole region or in other industries such the telecommunication industry and the banking industry. Therefore, this making it difficult for their findings to apply in the context of the current study. This study will therefore seek to answer one research question: What are the effects of competitive strategies on the performance of Davis & Shirtliff across east Africa?

1.3 Research Objective

The research objective of the study was to establish the effects of adopted competitive strategies on the performance of Davis & Shirtliff in east Africa.

1.4 Value of the Study

The findings of this study will also be valuable to managers at the Davis & Shirtliff as it will guide their future decision making in strategy formulation and implementation for optimal effect on performance. The findings of this study will identify the strengths of different strategies and how they have affected the performance of the group. The findings will also be valuable to policy makers in Government of Kenya. More specifically, the Ministries of Industrialization and water and natural resources as it will inform their policy formulation and implementation in the industry. Through the findings of this study, the policy makers will be informed on how to develop better policies to spur economic growth.

The findings of this study will be important to future researchers and scholars as they it will act as a source of literature on competitive strategies and organizational performance by extending on what previous scholars have found. It will also suggest areas for further research where they area can be expounded thus direct future research.

1.5 Chapter Summary

This chapter provided background information of the study relating to competitive strategies from global, regional and local perspectives. It highlighted the research problem clearly bringing out the research gap to be filled by the study. The chapter also presented the research objectives and the value of the study.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of the literature related to the subject under study as presented by various researchers. The materials are drawn from several sources which are closely related to the theme and the objectives of the study. The chapter first presents the theoretical framework on which the study is founded and then the concept of competitive strategy, competitive strategies adopted and the effects of these strategies on performance of the firm.

2.2 Theoretical Foundation

This study is based on the following theories; The Resource Based View Theory and the Open Systems Theory which explain the way organizations are affected by the environment and how they can use the resources that have to gain competitive advantage.

2.2.1 Resource Based Theory View

Resource Based Theory view has become one of the most influential and cited theories in the history of the management theorizing. It aspires to explain the internal sources of a firm's sustained competitive advantage (Bates & Flynn, 2005). Perirose (2007) first provides a logical explanation to the growth rate of the firm by clarifying the causal relationship among firm resources, production capability and performance. Her concern is mainly on efficient and innovative use of resources. She claims that the bundles of productive resources controlled by firms could be improved by firms to a great extent, that the firms in this sense are fundamentally heterogeneous if ever they are in the same industry.

Wernerfelt (1984) took a resource perspective to analyze antecedents of products and ultimately organizational performance and believed that resources and products are two sides of the same coin and enterprises grow based on the available resources and continue to accumulate through acquisition behaviors. The Knowledge based literature of the business fosters and develops the Resource Based Theory in that it considers knowledge to be the most complex of any resources (Galbreath, 2005). The Resource Based Theory states that a company's competitive advantage is derived from the company's ability to assemble and exploit an appropriate combination of resources. Such resources can be tangible or intangible and represent the inputs into a firm's production process such as capital, equipment, the skills of individual employee and patents. As a company's effectiveness and capabilities increase, the setoff available resources tends to become larger.

2.2.2 Open System Theory

Traditional theories regarded organisations as closed systems that were autonomous and isolated from the outside world. Recognising that traditional theory had failed to take into account many environmental influences that impacted the efficiency of organizations, most theorists and researchers embraced an open-systems view of organisations. The term open systems reflect the newfound belief that all organizations are unique and that they should be structured to accommodate unique problems and opportunities. Environmental influences that affect open systems can be described as either specific or general. The specific environment refers to the network of suppliers, distributors, government agencies, and competitors with which a business enterprise inter-acts (Hatch, 1997).

The general environment encompasses four influences that emanate from the geographic area in which the organization operates. These are: cultural values, which shape views about ethics and determine the relative importance of various issues; Economic conditions and many other regional factors that affect a company's ability to grow and prosper. Economic influences may also partially dictate an organisation's role in the economy; Legal/political environment, which effectively helps to allocate power within a society and to enforce laws. The legal and political systems in which an open system operates play a key role in determining the long-term stability and security of the organization's future and create a fertile environment for the organisation; and Quality of education, which is an important factor in high technology and other industries that require an educated work force.

Businesses will be better able to fill such positions if they operate in geographic regions that feature a strong education system (Scott & Davis, 2007). The open-systems theory also assumes that all large organizations are comprised of multiple subsystems, each of which receives inputs from other subsystems and turns them into outputs for use by other subsystems. The subsystems are not necessarily represented by departments in an organization, but might instead resemble patterns of activity. An important distinction between open-systems theory and more traditional organisation theories is that the former assumes a subsystem hierarchy, meaning that not all of the subsystems are equally essential. Furthermore, a failure in one subsystem will not necessarily thwart the entire system (Pfeffer, 1997).

2.3 Competitive Strategies

Businesses require competitive strategies for their survival. This is particularly the case if the company is contending in markets overflowing with alternatives for consumers. A competitive strategy refers to a long-term plan of action that a company devises towards achieving a competitive advantage over its competitors after examining the strengths and weaknesses of the latter and comparing them to its own.

The strategy can incorporate actions to withstand the market's competitive pressures, attract customers and assist in cementing the company's market position (Warren, 2002). Competitive strategies are the method by which an organisation achieves a competitive advantage in the market. There are typically three types of competitive strategies that can be implemented. They are cost leadership, differentiation and a focus strategy. A mixture of two or more of these strategies is also possible depending on the organisation's objectives and current market position (Porter, 1997).

Porter (2008) explains that every firm competing in an industry has competitive strategy whether explicit that is developed through formal planning process or implicit that is developed through the various functional planning activities of the firm. The goal of competitive strategy is to find a position in the industry where the company best defend it against competitive forces or use them in favour. Companies pursue competitive strategies to gain competitive advantage that allows them to outperform rivals and achieve above average profitability. Competitive strategy grows out of an understanding of the rules that guide competition.

A business strategy is only powerful if it produces a sizeable and sustainable competitive advantage. The strategy should emphasize on improvement in the competitive position of a firm's product in the market. Business strategy is essentially concerned with how the firm competes within a particular market or industry; it must establish a competitive advantage over its rival's also known as competitive strategy (Hunger and Wheelen, 2006).

There are two basic types of competitive advantage an organisation can strike to achieve: low cost or differentiation. The two basic types of competitive advantage combined with the scope of activities for which an organisation seeks to achieve them, lead to three generic strategies for achieving above average performance in an industry: cost leadership, differentiation, and focus. The focus strategy has two variants, cost focus and differentiation focus.

2.3.1 Cost Leadership Strategy

The rationale of cost leadership strategy is to be a lower cost producer in comparison to competitors. Cost leadership strategy involves the organisation winning market share by appealing to cost conscious customers; it involves being a low cost producer in an industry for a given level of quality. This is achieved by having the lowest prices in the target market segment, or at least the lower price compared to what customers receive. Thus, this strategy is beneficial if the market is one where price is an important factor. A firm may acquire cost advantages by achieving a high asset turnover in the form of production of high volumes of output for manufacturers and thus leading to mean fixed costs being spread over a large number of units of the product or service, resulting in a lower unit cost, the firm therefore, takes advantage of economies of scale and experience curve effects (Porter, 2008).

Firms can achieve lower operating costs by offering high volumes of standardized products, offering no-frills products and limiting customisation and personalisation of service. Production costs are maintained low by using few components, using standard components, and limiting the number of models produced to ensure larger production runs. Overheads are kept low by paying low wages, locating premises in low rent areas and establishing cost conscious culture. Firms can also achieve lower operating costs by controlling the supply chain. This could be achieved by bulk buying to enjoy quantity discounts, bargaining on supplier prices, instituting competitive bidding and adopting vendor managed inventory. For firms to acquire cost advantage, they need to improve process efficiencies, make optimal outsourcing and vertical integration decisions or avoid some costs altogether (Baack & Boggs, 2008).

Baack and Boggs (2008) argue that the main dimension of the cost leadership strategy is efficiency, the degree to which inputs per unit of output are low. Efficiency can be subdivided into two categories: cost efficiency which measures the degree to which costs per unit of output are low, and asset parsimony which measures the degree to which assets per unit of output are low. Together, cost efficiency and asset parsimony capture a firm's cost leadership orientation. Firms that are following an efficiency strategy succeed in deploying the minimum amount of operating costs and assets needed to achieve the desired sales, thereby improving their performance (Lestor, 2009).

The extent that a cost leadership strategy is built on such generic solutions related to operational efficiency, one expects that such a strategy would be more susceptible to imitation by competitors and peers, implying that the comparative cost advantages would dissipate over time. Therefore, many firms are maximizing on capacity utilization and

observing economies of scale. They are also forming linkages with service providers, suppliers and other supplementary institutions. Firms enter into long term partnership with their agencies and use many suppliers to hedge on cost exploitation (David, 2011). Moreover, the firms give a lot of attention to individuals who want to be developed and outsource distribution and some services to cut on operation cost.

2.3.2 Differentiation Strategy

In a differentiation strategy a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. It selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions itself to meet those needs. Differentiation may be actual or perceived. Actual differentiation involves creating products that are not currently available in the economic market place. Perceived differentiation takes a little more work on the part of companies (Porter, 2000). Ndubai (2003) also reports that differentiation strategy is one in which a firm offers products or services with unique features that customers value. The value added by the uniqueness commands a premium price.

The significant characteristic of differentiation strategy is whether the perceived quality is real or not. This may be through superior product design, technology, customer service or other dimensions (Coutler, 2002). Differentiation strategy requires for the development of products or services that offer, unique attributes to the customers. The firm hopes to cover the extra costs by the premium price commanded by the product or service uniqueness. If suppliers increase their prices, the firm may be able to pass along the costs to its customers who cannot find substitute products easily. The advantage of differentiation strategy is that the perceived quality protects a company from threats from any of the five forces that

determine the state of competition in an industry. In addition, firms using differentiation strategy have some internal strength including high research and development capabilities, strong sales team and corporate reputation for quality and innovation. Thomson, Strickland & Gamble (2001) contend that differentiation is essential for sustainability of the firm and making it more expensive to enter and follow. The risks associated with differentiation strategy include imitation by competitors and changing customer tastes and preferences.

2.3.3 Market Focus Strategy

This strategy recognises that marketing to a homogenous customer group may not be that effective a strategy for the product the business is selling. Instead the business focuses its marketing efforts on a different selected market segments. That is, identify the needs, wants and interests of the particular market segments and customise marketing techniques to reflect those characteristics. Therefore focus strategy can be of cost leadership or differentiation aimed at narrow market segment.

Porter (2000) posited that the advantages of focus strategy include having power over buyers since the firm may be the only source of supply. Buyers do not have a strong bargaining power a firm competitive advantage. However the risks associated with focus strategy include being at the mercy of powerful suppliers since the firm is only able to buy in small quantities. Small volumes also mean higher production costs. Porter (2008) argues that these generic strategies are not compatible to one another. A firm that attempts to achieve an advantage on all fronts may achieve no advantage at all. For example if a firm differentiates itself by supplying very high quality it risks undermining that quality if it seeks to become a cost leader.

Therefore according to Porter to be successful over a long term a firm must select one and only one of the three generic strategies. Otherwise with more than one a firm risks being “stuck in the middle” and may not achieve competitive advantage. Those firms that succeed with multiple generic strategies do so by creating separate business units for each strategy (Wang & Lo, 2003).

2.4 Firm Performance

Measures of firm performance generally include such bottom-line, financial indicators as sales, profits, cash flow, return on equity, and growth. It is important to determine how a firm compares with its industry competitors when assessing firm performance (Dess and Robinson, 1984). With the multitude of competitive environments faced by firms in different industries, knowing only absolute financial numbers such as sales, profits, or cash flow is not very illuminating unless viewed in the context of how well the firm is doing compared to their competition. Therefore, it is important to use an industry comparison approach when making firm performance assessments for organizations sampled from a wide variety of industries.

The two main items used to measure performance are the firms market share within the particular industry in which it operates and its profitability. Profitability is then used to measure the company return on capital employed hence value to its shareholders. Accountants and economists have derived and used various financial ratios to assess company financial performance. These ratios mainly involve the company liquidity- cash flow ratio, debt management, financial leverage index, asset management-return on total assets, profitability-cash flow margin and finally return on investment –dividend yield (Fahy, 2000).

2.5 Performance and competitive Strategies

In order to achieve a performance that may be considered good, relative to other firms in the industry strategies that requires a firm to identify growth segments, work at achieving operational efficiency and continuously enhance the quality of its products and services should be established (Porter, 1990). According to Porter (1990), it is the continuous measurement of these performance indicators and their management that determines the long term direction of the firm and its survival. For the firms, not only is the continuous measurement of the key performance metrics important to achieve and maintain competitiveness, but also the strategy formulation and implementation process as well.

According to porter (2008), the ability of a company to outperform its competitor depends on five major factors. The first four set is the strategic direction for success. These are ability to take advantage of market activity trends, ability to capture and protect unfair share of markets, ability to capture premium pricing, prudent creation and introduction of new products. This entails having people, processes and technology for execution excellence.

Cost leadership strategy is a positioning strategy to create a competitive advantage based on production of goods and services with much less costs compared to rivals (Wensley, 2007). The overall cost leadership strategy attempts to increase market share by emphasizing low cost relative to competitors. Generally, a low cost leadership strategy is most viable for larger firms capable of taking advantage of economies of scale, greater access to recourses and lower overhead resulting in overall lower per-unit cost (Koh and Nam, 2004) thereby improved performance.

For the present analysis, specific attention is accorded to performance from the perspective of both financial and non-financial, the main elements of which consist of sales-based and organisational-based (Falshaw, Glaister & Ekrem, 2006). Studies have found that there is a significant relationship between competitive strategies and the sales-based performance of organisations, when sales-based performance was measured by the level of sales revenue, profitability, return on investments, productivity, product added value, market share and product growth (Neely, 2005).

2.6 Empirical Review

Day and Wensley (2008) focused on two categorical sources involved in creating a competitive strategy; superior skills and superior resources. Porter (2008) argues that there are three generic competitive strategies which firms can employ. These are cost leadership, differentiation and focus. This generalisation was applied in US firms and can be applied amongst mobile telecommunication companies in Kenya. Jonsson and Devonish (2009) carried out an exploratory study on competitive strategies among hotels in a small developing Caribbean state. The study established that those firms that have properly planned and applied competitive strategies have a tendency to have higher performance than those that have not. It was concluded that competitive strategies can lead to high organisational performance, customer satisfaction and increased competitiveness in the face of competitors.

In Kenya, a study by Murage (2011) focused on the competitive strategies in the petroleum industry and found that service stations use differentiation as a method of obtaining competitive advantage over other service stations. Arasa and Gathinji (2010) carried out a study to examine the relationship between competitive strategies and organizational performance among firms in the mobile telecommunications industry in Kenya. The study revealed that competition was high in the industry and product differentiation and low cost leadership were the most commonly used strategies.

Karanja (2002) did a survey of competitive strategies of real estate firms in the perspective of Porter's generic model. These studies reveal that firms in different industries adopt different competitive strategies which are unique in each context. Kimotho (2012) did a study on the impact of competitive strategies on the financial performance of CFC Stanbic Bank Limited. The results indicated that the bank was effective at bringing innovative new products and services to the market thus gaining a huge competitive edge in the banking sector. The results therefore attributed the improvement in financial performance on the competitive strategies that the bank has been undertaking in the past years of its existence.

2.7 Research Gap

Previous studies have dwelt very much on service industry companies while only a select few have focused on companies in the commodity sector. Nonetheless, none of those studies has focused on the water- equipments supplying industry. Therefore, as the business environment continues changing and presenting new challenges, it is important that the existing knowledge from these previous studies be updated. This study will therefore fill the existing void by answering the question: What are the effects of competitive strategies on the performance of Davis & Shirliff across east Africa?

2.8 Chapter Summary

This chapter reviewed the literature that informs the formation of study variables. In particular, it reviewed the theoretical perspective where the resource based view theory and Open systems theory were highlighted. The study then presented competitive strategies adopted by organizations as urged out by other scholars and researchers.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presented the research design that was used to meet the objectives of the study which was to establish the effects of the adopted competitive strategies on the performance of Davis & Shirtliff in east Africa. The chapter was thus structured into research design, target population and sample, data collection and data analysis.

3.2 Research Design

Research design is a plan outlining techniques and strategies on how information is to be gathered for evaluation that includes identifying the data gathering method, the instruments to be used, how the instruments were administered and how the information were organized and analysed (Verd, 2004). The study adopted a case study research design because the unit of analysis is one organization. Case studies have various advantages, in that they present data of real-life situations and they provide better insights into the detailed behaviors of the subjects. Musa (2005) indicates that one can use interviews, questionnaires and observations to get study behavior patterns and obtain raw data.

3.3 Target Population

Target population refers to a well defined or set of people, services, elements, events, group of things or households that are being investigated (Ngechu, 2004). Target population is the specific population about which information is desired. The target population of this study will comprise five countries within east Africa where Davis & Shirtliff runs its operations.

The five country senior managers have been selected because they are in charge of all strategies developed for their specific segment markets (Countries). Because of the small population and easy accessibility of the offices through mail and telephone through co-ordination of the Kenyan Headquarters, all of the five offices will be included in the study hence a census.

3.4 Data Collection

The study collected both primary data using an interview guide. The study targeted senior managers at the subsidiary offices because of their key involvement in both strategy formulation and implementation. They are also charged with the implementation of strategies in their respective subsidiaries thus are more conversant with the information required in this study. The study specifically targeted five subsidiary managers one from each country within the east Africa countries. The interview guide contained questions on the demographic information of the respondents, competitive strategies and the effects of competitive strategies on performance. The interview guide was administered in person by booking appointments with the target respondents.

3.5 Data Analysis and Presentation

The data obtained from the interview guide was analyzed using content analysis.

Kothari (2004) explains content analysis as the analysis of the contents of documentary and verbal material, and describes it as a qualitative analysis concerning the general import of message of the existing documents and measure pervasiveness. The researcher analyzed the information provided by the interviewees against competitive strategies and firm performance. The analyzed data was presented in prose.

3.6 Chapter summary

This chapter presented, explained and justified the different research approaches, techniques and processes the researcher adopted in the course of the study. These included the research design, target population, data collection methods and data analysis and presentation. The researcher adopted the interview guide as the instrument of data collection.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research objective and methodology. The objective of the study was to establish the effects of adopted competitive strategies on the performance of Davis & Shirtliff in east Africa. Out of the targeted 10 respondents, 8 senior managers were interviewed by the researcher thus giving a response rate of 80%. This response rate was excellent, representative and conforms to Mugenda and Mugenda (2003) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent.

4.2 General Information

The study collected some background information about the interviewees so as to determine their suitability in providing the information sought by the study. The interviewees were first asked to indicate the countries that the company operates in, and it was established that Davis and Shirtliff operates in Kenya, South Sudan, Tanzania, Uganda, Rwanda, Zambia, Ethiopia and South Africa. The interviewees were requested to indicate the position they held in the organization. From the responses, 3 were operational managers, 2 were financial executives and the last 3 were administrators. This was an indication that the respondents were in positions of authority that required them to make decisions on behalf of the business and hence the information collected from them was reliable.

The interviewees were also asked to indicate the number of years they had worked at Davis and Shirtliff and it was established that the employees had worked for a period of between 1 to 15 years. Most of the employees had worked for over 5 years while just a few had worked for a period of less than one year. This implied that the respondents had great experience working with the company and therefore the information received from them was reliable. The respondents were then asked to give the number of employees in each of the branches. The respondents indicated that each of the branches had between 10 and 15 employees.

4.3 Cost Leadership Strategy

The interviewees were asked if Davis and Shirtliff charges lower than its competitors in order to remain competitive. The interviewees indicated that the company price lower than its competitors in order to remain competitive, that the company offers low prices and sells quality products this makes it more competitive than the competitors. The interviewees were asked if Davis and Shirtliff manage low operating costs and assets to achieve the desired low prices for our products. The respondents showed that this was true and that the company usually ensures that its operating cost is as low as possible so as to be the cheapest and still gain profit and competitive advantage.

The interviewees were asked if the company formed linkages with service providers, suppliers and other supplementary institutions to manage costs. The interviewees showed that the company had strong linkages with their suppliers and strong relationship with their suppliers and service providers which was a great way of reducing operational cost and other costs related with poor relationships.

The interviewees were asked if the company often does mass production and distribution to lower the unit cost. The interviewees showed that the company often produces its products so as to reduce cost of production since producing smaller units would mean high cost of production to the company.

The interviewees were asked if the company maintains just adequate staff to keep operating cost low. The interviewees indicated that Davis and Shirtliff had adopted that as a strategy since most of its branches just had 10 to 15 employees .Despite it having so many branches across east Africa it just had 500 employees. This greatly keeps the operating cost of the company low. Asked if the company prices were slightly low than its competitors. The interviewees showed that that was applied and that Davis and Shirtliff had gained competitive advantage by pricing lower than its competitors.

4.4 Differential Strategy

The interviewees were asked if Davis and Shirtliff offer unique products from those of competitors. The interviewees showed that this was true to some extent. That the products they offered would do a better job than the ones offered by their competitors and that their products had special features not found in the products offered by the competitors. When asked if the company differentiates the value on customer value propositions the interviewees showed that the company had differentiated its products according to what the customer perceive to be of value, their products are meant in a way that they satisfy the customer. The interviewees were asked if the company differentiates its products offering through skilled and qualified staff. The interviewees showed that the company had skilled and well qualified staff that ensured that the products produced are quite different from those produced by their competitors.

The interviewees were asked if the company offers a wide range of differentiated services than its competitors. The interviewee showed that the company has a completely wider range of product varieties that its competitors do not offer to their customers. The interviewees were asked if the company offers branded products to differentiate itself from its competitors. The interviewees showed that Davis and Shirtliff products were branded in a way totally different from its competitors and that their products would easily be identified in the market by customers due to their unique way of branding. The interviewees were asked if the company offers quality after sales services to differentiate itself from competitors. The respondents showed that the company offered the best after sell service that leaves the customer satisfied. The interviewees showed that the company offered better after sale customer service than their competitors and this has greatly improved their competitive advantage over its customers.

The interviewees were asked if the company differentiates itself by conducting high research and development capabilities in water pumps and other products. The interviewees showed that the company invests lot in research and development of its products and their capability and therefore the company's products are much better than those of the competitors. The interviewees were asked if the company usually incorporates the desired service features into products to differentiate its products and services. The interviewees indicated that the company ensures that it incorporates the features desired by customers.

4.5 Market Focus Strategy

The interviewees were asked if the company practices segmentation based on benefits sought by the customer. The interviewees showed that the company sometimes practices segmentation according to the area they are in and the needs of the customers. The interviewees were asked if the company services a targeted market segment. The interviewees showed that the company targets a given market segment. The interviewees were asked if Davis and Shirtliff have power over buyers since it's the main source of supply. The interviewees indicated that the company has power over buyers since it's the main source of supply and therefore buyers find it reliable.

The interviewees were asked if the company customers protect the company from threat of new entrants and substitute products by remaining loyal. The interviewees showed that the customers protect the company from threat of new entrants and substitute products by remaining loyal. This is mainly attributed to the fact that the company fully satisfies its customers and gives products that meet their expectations and needs. The respondents were asked if the company monitors the needs and trends of the customers. The interviewees showed that the company clearly monitors the trends of the needs of customers in order to continuously fulfil their needs.

4.6 Effects of the Adopted Competitive Strategies on Performance of Davis & Shirtliff Company in east Africa

The interviewees were asked to give the extent to which the various strategies adopted have been effective on the performance of Davis and Shirtliff. The interviewees showed that the differentiation strategy was effective to a very great extent; the cost leadership strategy was effective to a moderate extent while the market positioning strategy was also effective to a great extent.

4.4 Chapter Summary

This chapter presented data analysis, findings and discussions as collected from the interviewees according to the research objective of the study. The findings were arranged in thematic areas to enable adequate response to the objective of the study. The area covered was competitive strategies adopted and performance.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter presented the summary of key data findings, conclusion drawn from the findings highlighted and recommendations made there-to. The conclusions and recommendations drawn were focused on addressing the purpose of this study or achieving the research objective which was to establish the effects of adopted competitive strategies on the performance of Davis & Shirtliff in east Africa.

5.2 Summary of Findings

The study found out that the company price lower than its competitors in order to remain competitive, that the company offers low prices and sells quality products this makes it more competitive than the competitors. The study also found out that that the company ensures that its operating cost is as low as possible so as to be the cheapest. The study found out that the company has strong linkages with their suppliers and strong relationship with their suppliers and service providers which is a great way of reducing operational cost and other costs related with poor relationships. The study established that the company often produces its products so as to reduce cost. The study also established that the company maintains just adequate staff to keep operating cost low. The study found out that the company prices slightly low than its competitors.

The study found out that the company offer unique products from those of competitors. The study also found out that the company had differentiated its products according to what the customer perceive to be of value, and that the products are meant in a way that they satisfy the customer. The study established that the respondents company had differentiated its

products according to what the customer perceive to be of value, their products are meant in a way that they satisfy the customer. The study also established that the company differentiates its products offering through skilled and qualified staff. The study found out that the company offers a wide range of differentiated services than its competitors.

The study also found out that the company's products were branded in a way totally different from its competitors and that their products would easily be identified in the market by customers due to their unique way of branding. The study established that the company offers quality after sales services to differentiate itself from competitors. The study found out that Davis and Shirliff differentiates itself by conducting high research and development capabilities in water pumps and other products. The study found out that the company usually incorporates the desired service features into products to differentiate its products and services.

The study found out that the company practices segmentation based on the benefits sought by the customers. The study also established that Davis and Shirliff targets a given market segment for their products. The study found out that the company has power over buyers since it's the main source of supply and therefore buyers find it reliable. The study also established that customers protect the company from threat of new entrants and substitute products by remaining loyal. This is mainly attributed to the fact that the company fully satisfies its customers and gives products that meet their expectations and needs.

The study also established that the company clearly monitors the trends of the needs of customers in order to continuously fulfil their needs. The study found out that the differentiation strategy was effective to a very great extent, that the market positioning strategy was great to extent and that the cost leadership strategy was effective to a moderate extent.

5.3 Conclusions

The study concludes that Davis and Shirtliff charges lower than its competitors; it manages low operating cost and assets to achieve the desired low prices for our products. The company forms linkages with service providers and with service providers, suppliers and other supplementary institutions to manage costs. The company often produces its products so as to reduce cost of production since producing smaller units would mean high cost of production to the company. The study also concludes that the company adequate staff to keep operating cost low it has few employees despite it having a lot of branches the strategy has reduced operating cost for the company.

The study concludes that the company has adopted the differentiation strategy. It offers products which are unique to from those offered by the competitors and therefore does a better job than those of competitors. The company has also dedifferentiated its products according to what the customer perceive to be of value. That study concluded that the company the company had skilled and well qualified staff that ensured that the products produced are well differentiated. The study concluded that the company's products were branded in a way totally different from its competitors and that their products would easily be identified in the market by customers due to their unique way of branding.

The study concluded that the company offers after sell service better than its competitors in order to maintain competitive advantage. The study concluded that the company invests lot in research and development of its products and their capability and therefore the company's products are much better than those of the competitors. The study also concluded that the company ensures that it incorporates the features desired by customers. The study concludes that the company.

The study concludes that the company practices segmentation based on benefits sought by the customer. The study also concludes that the company services a targeted market segment. The company also has power over buyers since it's the main source of supply. The study concluded that customers protect the company from threat of new entrants and substitute products by remaining loyal. This is mainly attributed to the fact that the company fully satisfies its customers and gives products that meet their expectations and needs. The study also concludes that the company clearly monitors the trends of the needs of customers in order to continuously fulfil their needs. The study concludes that the differentiation strategy is the most effective strategy adopted. The market positioning strategy the cost is also quite effective and easy to implement. However the cost leadership strategy is also effective.

5.4 Limitations of the Study

The main limitations of this study include the fact that they might have been confidential and hence were unwilling to disclose the information sought from them. To counter this, the researcher assured them that the study was for academic purposes only and they were not required to disclose their names/names of their companies and that information provided would be treated with a lot of confidentiality.

The study was limited in scope since it covered Davis and Shirtliff company as such the recommendations of this study may only be applicable to a different industry or company at a minimal extend. The study was also limited to certain strategies whereas there are many more strategies which this institutions can adopt to remain competitive.

5.5 Recommendations

The study established that the differentiation strategy is the most effective strategy therefore the company could continue enhancing the differentiation of their products since this is what gives them the highest competitive advantage. The fact that the cost leadership strategy is not so effective the study recommends that the company could try out new ways of implementing this strategy so as to gain more competitive advantage over its competitor's and the company may adopt mechanisms that will help them provide quality products at a low cost so as to be ahead of their competitors.

5.6 Suggestions for Further Studies

The study was a case study carried on Davis and Shirtliff Company only. Therefore this study suggests that a similar study be done across various companies so that findings would be more general and applicable to more companies.

The study also suggests that a study be done to investigate the factors affecting implementation of these strategies. This would help find the best way of implementing the strategy to enhance the implementation of the strategies.

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APPENDICES

APPENDIX I: INTRODUCTION LETTER

Dear Respondents,

I am a postgraduate student at The **University of Nairobi** undertaking a research study on **“THE EFFECTS OF ADOPTED COMPETITIVE STRATEGIES ON THE PERFORMANCE OF DAVIS & SHIRTLIFF IN EAST AFRICA”**. This research study is part of the requirements for the award of the Degree of Master of Business Administration.

I’m consequently requesting for your support in filling in the interview guide by recording the appropriate answers. The information that you shall provide will be handled with utmost confidentiality and will be used for academic purposes only.

KEPHER EDWIN RATEMO NYAANGA

APPENDIX II: INTERVIEW GUIDE

EFFECTS OF ADOPTED COMPETITIVE STRATEGIES ON THE PERFORMANCE OF DAVIS & SHIRTLIFF IN EAST AFRICA

SECTION A: GENERAL INFORMATION

1. Which is your country of operations?
2. What is your position in the Company?
3. How long have you worked with Davis & Shirliff group?
4. What is the number of employees in your Subsidiary?

PART B: COMPETITIVE STRATEGIES

COST LEADERSHIP STRATEGY

1. Does Davis & Shirliff limited charges lower prices than competitors to remain competitive? Please explain.
2. Do Davis & Shirliff manage low operating costs and assets to achieve the desired low prices for our products? Please explain.
3. Has Davis & Shirliff formed linkages with service providers, suppliers and other supplementary institutions to manage costs? Please explain.
4. Davis & Shirliff often does mass production and distribution to lower the unit cost. Please explain.
5. Davis & Shirliff maintains just adequate staff to keep operating costs low. Please explain.
6. Davis & Shirliff sets its prices slightly below its competitors. Please explain.

DIFFERENTIAL STRATEGY

1. Davis & Shirliff offers unique products different from those of competitors. Please explain.
2. Davis & Shirliff differentiates its products on customer value propositions. Please explain.

3. Davis & Shirliff differentiates its products offering through skilled and qualified staff. Please explain.
4. Davis & Shirliff offers a wide range of differentiated services than its competitors. Please explain.
5. Davis & Shirliff offers branded products to differentiate itself from its competitors. Please explain.
6. Davis & Shirliff offers quality after sales services to differentiate itself from competitors. Please explain.
7. Davis & Shirliff differentiates itself by conducting high research and development capabilities in water pumps and other products. Please explain.
8. Davis & Shirliff usually incorporates the desired service features into products to differentiate its products and services. Please explain.

MARKET FOCUS STRATEGY

1. Davis & Shirliff practices segmentation based on benefits sought by the customer. Please explain.
2. Davis & Shirliff services a targeted market segment. Please explain.
3. Davis & Shirliff has power over buyers since it's the main source of supply. Please explain.
4. Davis & Shirliff customers protect the company from threat of new entrants and substitute products by remaining loyal. Please explain.
5. Davis & Shirliff monitors the needs and trends of the customers. Please explain.

SECTION C: EFFECTS OF THE ADOPTED COMPETITIVE STRATEGIES ON PERFORMANCE OF DAVIS & SHIRTLIFF COMPANY IN EAST AFRICA

To what extent have the following competitive strategies been effective on performance at Davis & Shirliff group? Please explain.

1. Differentiation strategies
2. Market focus strategies
3. Cost leadership strategies

THANK YOU