

**COMPETITIVE STRATEGIES AND PERFORMANCE OF SONY SUGAR
COMPANY LTD, IN KENYA**

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ACRONYMS

ICDC – Centum Investment Co.

IDV -Industrial Development Bank

IGAD –Intergovernmental Authority on Development

COMESA- Common Market for Eastern and Southern Africa

KNTC – Kenya National Trading Corporation

KSB – Kenya Sugar Board

KSI – Kenya Sugar Industry

RBV – Resource Based View

R&D – Research and Development

SCP – Structure-Conduct-Performance

SONY – South Nyanza Sugar Company

DECLARATION

This research project is my original work and has not been submitted for award of degree in any other University.

Signed..... Date.....

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D61/64529/2013

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

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DEDICATION

This project is dedicated to my parents, Sammy Mutuku and Catherine Sammy, my lovely daughter Catherine Natalia Mumbe and my siblings.

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Many people have contributed in one way or another towards the success of this project and I would like to convey my appreciation to them. First and foremost I would like to acknowledge the input of my supervisor Dr. Mary Kinoti for her guidance, patient and support throughout the proposal development time. The lecturers at School of Business, University of Nairobi, the Administration staff at the MBA office, and my MBA classmates for their spirit of unity, teamwork and social warmth that has made us achieve our goals.

The management of South Nyanza Sugar Company, thank you for the opportunity to allow me to undertake a study on your company and sacrificing your business time to assist with vital information.

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ABSTRACT

This study focused on the competitive strategies applied by Kenyan manufacturing companies as a result of competition. This study therefore sought to fill the existing research gap by carrying out a case study on the competitive strategies employed by Sony Sugar Company to enhance its performance. This research was conducted through a case study to enable the researcher explore the matter in depth. Primary data was collected using the interview guide method. Secondary data was obtained from journals. Content analysis was used to extract key themes, concepts and arguments from collected qualitative data. Sony Sugar Company has adopted various strategies for enhancing its performance. These are the generic strategies i.e. differentiation strategy, focus strategy and cost leadership strategy. The findings further indicate that Sony Sugar Company engaged into aggressive marketing to attract a wide range of customers. The company also produces differentiated products to meet the customers' tastes and preferences and to cater for a wide market segments characterized by different needs. The study also shows that Sony Sugar Company has begun the production of power thus emergence of diversification. The study was limited to Sony Sugar Company; hence, its findings cannot be used to generalize the practice in the entire sugar industry due to differences in systems, organizational structures and capabilities. Therefore, there is need for more study to be done to identify strategies being employed by other players in the sugar industry as the environment always keeps on changing and this may dictate the need for new strategies being adopted for growth and survival.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Competitive strategy is the search for a good competitive position in an industry (Porter, 1980). Porter emphasized upon innovation and upgrading as central to the creation and sustaining competitive advantage. Competitive strategy is a quest for superior performance through establishing a competitive advantage over rivals. Rotchschild (1984) defined competitive strategy as dealing solely with the management action plan for competing effectively and providing greater worth to clients. Porter (1980) expressed that each firm competing in an industry has an competitive strategy. The competitive strategy can be express or understood. The technique is produced expressly through an arranging procedure, or it can have advanced certainly through the exercises of the different utilitarian branches of the firm. The accentuation on vital arranging today in firms is the unequivocal procedure of defining competitive strategy to guarantee that the arrangements of useful offices are composed and pointed at some regular arrangement of destinations or objectives. In the end, this will empower the firm accomplish its general vision and mission set by the top administration.

The RBV structure blends the interior (center capabilities) and outer (industry structure) perspective on system. Like the structures of center skills and capacities, ventures have extremely differing accumulations of physical and immaterial resources and abilities, which RBV calls assets. Upper hand is in the long run attributed to the ownership of significant assets. Assets are all the more by and large characterized to be physical (e.g. property rights, capital), immaterial (e.g. mark names, innovative know – how), or

authoritative (e.g. schedules or procedures like incline assembling). No two organizations have similar assets since no two organizations have a similar arrangement of experience, achieved similar resources and aptitudes, or manufactured the same hierarchical culture. while furthermore, Contingency methodologies are arranged inside administration as mid-range hypotheses among the two outrageous perspectives which state either that general standards of association and administration exist or that every starting point is special and every circumstance must be assessed freely (Hambrick, 1983).. Organizations ought to then create managerial strategy in accordance to the circumstance and condition they are encountering. This study is guided by the Resource – based view theory (RBV) and Contingency Theory. The Resource- based view theory emphasizes the firm’s practices and resources as the fundamental determinants of performance (Ramos - Rodriguez & Ruiz – Navarro, 2004), expressed that each firm competing in an industry has a competitive strategy. The competitive strategy can be express or understood. The technique is produced expressly through an arranging procedure, or it can have advanced certainly through the exercises of the different utilitarian branches of the firm. The accentuation on vital arranging today in firms is the unequivocal procedure of defining competitive strategy to guarantee that the arrangements of useful offices are composed and pointed at some regular arrangement of destinations or objectives. In the end, this will empower the firm accomplish its general vision and mission set by the top administration.

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therefore the industry must ensure that it constantly adapts to the environment for its continuous success and growth. According to Johnson & Scholes (2002), the environment in which a firm operates is always changing.

1.1.1 The Concept of Competitive Strategy

Competitive strategy entails situating a business to maximize the value of the capacities that differentiate it from its rivals. Johnson and Scholes (2002), characterize competitive strategy as the premise on which a specialty unit may accomplish growth in its market. Thompson and Strickland (2000) contend that competitive strategy comprises of each one of those moves and methodologies that a firm has and is taking to draw in purchasers, withstanding aggressive pressure and enhancing its market position. Competitive advantage in organizations enables organizations sort out and perform discrete exercises. Watchman (1998) characterizes aggressive methodology as being distinctive. It implies purposely performing exercises contrastingly or to various exercises superior to opponents to convey a remarkable blend of qualities. With the increasing need to render superior value to customers, employees, shareholders, and other external stakeholders, organizations are seeking competitive strategies that focus on cost leadership, differentiation and focus. It is believed that these generic strategies can lead organizations to outsmart the competition. Nonetheless, the choice of strategy depends on the corporate/business unit of the organization. Cost Leadership Strategy concentrates on offering items or administrations at the least cost in the business in the meantime minimizing the cost of delivering items or administrations to the association subsequently expanding benefits by diminishing expenses, while charging normal costs and expanding

piece of the overall industry through charging lower costs, while as yet making a sensible benefit on every deal since you've lessened costs (Ansoff, 1984). Differentiation Strategy concentrates on giving an assortment of items, administrations, or components to shoppers that contenders are not yet offering or can't offer. Separation by a firm from its rivals is accomplished when it gives something one of a kind that is profitable to purchasers past basically offering a low value (Porter, 1985). Organization's adoption of competitive strategies tend to demonstrate a developing pattern towards the usage of cross practical new item advancement or separation to empower them catch both new and existing markets.

Firms create strategic techniques to empower them seize key activities and keeping up an aggressive competition in the market (Porter, 1998). The strategy is meant to improve market occupation of giving what purchasers are looking to, along these lines empowering the organization to gain an upper hand and outflank equals in the commercial place. The core of a company's competitive advantage comprises of its inner activities to convey better esteem than clients additionally incorporates hostile and cautious moves to counter the moving of adversaries, activities to move assets around to enhance the company's aggressive abilities and market position, and strategic endeavors to react to winning economic situations. Expecting that there are various suppliers, clients will pick which offering to acknowledge on their impression of significant worth for-cash.

1.1.2 Organizational Performance

Organizational performance has been defined as the capacity of a firm to satisfy its central goal through the sound administration, solid administration and a tenacious rededication to accomplish comes about (Greenly, 1986). The focus of performance is less on the individual supplier and more on the association in general to assess whether a satisfactory structure and right procedures are set up to accomplish the association's objectives. Numerous firms utilize a blend of money related and non-financial measures to assess performance consequently have endeavored to oversee hierarchical performance utilizing the adjust score card.

This approach utilizes adjusted measures separated into four points of view in particular: budgetary, inner business process, learning and development and client. The balanced score card is a methodology performance administration device used to monitor the execution of exercises by workers and to screen the outcomes emerging from these activities. It expresses the connections between driving sources of info (human and physical), procedures, and results. The reason for the adjusted score card is to convey and execute an association's system. Thus, the adjusted score card is a system containing an arrangement of monetary and non-budgetary measures helped an organization in actualizing its key achievement elements which are characterized in the organization's key vision. Kaplan and Norton (1993) think about the non-money related measures as sets of measures of the company's drivers of future execution, while the monetary point of view speaks to the past performance.

He also states that every organization requires building up its own particular performance score card containing an arrangement of measures suited to enhancing its business

execution as judged by its own partners. This implies an association can have pretty much than three extra classes since each of the extra classifications is gotten from the association's key execution drivers. The adjusted scorecard stresses that the money related and non-budgetary measures must be a piece of the data framework for representatives at all levels of the association. The scorecard ought to interpret the specialty unit's central goal and technique into substantial targets and measures. These measures are adjusted between outside measures (shareholders and clients), inside measures (basic business procedures, advancement and learning, and development) and the outcome measures (result), they additionally educate representatives about the drivers of momentum and future achievement (Kaplan and Norton, 2001). The scorecard ought to decipher the specialty unit's main goal and procedure into substantial measures. In conclusion, strategy enables an organization to strengthen its competitive position. Competitive strategies have a significant effect on performance of an organization as they provide long term direction and development of organizations and allow a better understanding of the business environment and increases intra organizational coordination and consensus (Caeldries & Dierdonk, 1988).

1.1.3 The Sugar Industry in Kenya

The Ministry of Agriculture has the overall obligation for the sugar business improvement. It additionally has its delegates in the governing body of all the sugar plants. Sugar stick research and admonitory administrations to ranchers likewise falls under the Ministry. Government bodies, for example, the Kenya Sugar Board (KSB) are included in the approach definition and usage (Kenya Sugar Industry report,

2005). Before progression of the part in mid 1990s, all sugar made in the nation was sold to the Kenya National Trading Corporation (KNTC), which was in charge of dissemination of the sugar all through the nation. With the coming of progression, production lines have received various techniques for dissemination including utilization of wholesalers, specialists, retailers and even people. Significant endeavors have been made to advance development in this area through efficient procedure of levy lessening, expulsion of value controls subsequently solidifying the market of a large portion of the imperatives and burden of obligations on sugar importation (KSI Strategic arrangement, 2010-2014). These are altogether gone for raising household creation productivity to have the capacity to contend successfully with imported sugar. The Government is likewise setting up measures to restore the part and tackle the issues influencing the area, for example, uncontrolled importation, sugar sneaking and non-installment of levy to ranchers by the stick production lines.

Nevertheless, with every one of these endeavors by government there stays to be an issue in the sugar business, for example, wastefulness, low efficiency, frail administration, appropriations, persevering dry spells and flames. Aside from the expanding interest for sugar in the nation, Kenya has the chance to profit by yearly fare portion to the European Union in the wake of being conceded the status of a trading individual from the universal sugar associations. There likewise exists a potential market in the COMESA and IGAD districts. Negative impacts of imported sugar on our market, lack of political will to implement successful sugar import checking frameworks, frail documentation and data on the business and negative impacts of local exchanging frameworks have made numerous agriculturists in the area to settle on different choices, for example, developing

maize among different harvests which has finished into lack in the nation. Even with these difficulties numerous have deserted sugarcane cultivating, undermining Kenya's capacity to meet its sugar needs. The activity help report says that tending to the issues confronting Kenya's sugar ranchers is critical to change of the division. The legislature ought to be in a position to ensure stick agriculturists credits at moderate loan costs and where vital discount their debts in order to stabilize the industry, (Action Aid Sugar Report in Kenya, 2005).

1.1.4 Sony Sugar Company Ltd

South Nyanza Sugar Company limited (Sony) was established in 1976 and is located in South Western Kenya in Migori County. The company serves over 25,000 cane farmers in ten districts within the cane growing zones of Homabay, Gucha, Transmara, Kuria, Migori, Uriri, Rongo, Kisii South, Ndhiwa, and Awendo. The company is owned by the following shareholders, i.e., Government of Kenya (being the majority shareholder and stakeholder), Centum Investment Co. (ICDC), Industrial Development Bank (IDV), and Mehta Group. The Government of Kenya owns 98.8%, Centum Investment Co 0.71%, Industrial Development Bank 0.28%, and Mehta Group 0.21%.

Main objectives of establishing Sony sugar organization were to give a source of income to agriculturists, create employment, control provincial urban relocation, reduce overdependence on importations and go for independent in sugar creation and the organization was additionally to work on a business premise and make benefits. The significance of sugar as a source of income and practical monetary concern is under risk from different changes and considers the sugar business and the nation all in all. These

dangers can be abridged as: strategy and promoting issues identified with powerlessness of processing plants to advertise privately created sugar despite dumped imports, poor cultivation works on prompting to low yields at ranch level in amounts per ha and in sucrose substance and low efficiency levels at industrial facility level prompting to low sugar yields, limit under-use and subsequently low wage to agriculturists.

1.2 Research Problem

The organizational design behind the products / service development processes determine the success of a firm, with the ever changing business environment, firms need to respond effectively to the key environmental variables such as competition that determine the acceptance of their products/services in the contemporary market. With the rapid changes in consumer tastes, preferences and increased competition, there is need for firms to focus attention on the competitive strategy more than ever before. Competitive strategy determines to a greater extent the success of a company amid competition.

Competitive strategies refer to strategies used by organizations to gain competitive advantage over other firms operating in same industry (Bartol & Martin, 1991). Authoritative performance has been characterized as the capacity of an association to satisfy its central goal through the sound administration, solid administration and a tireless rededication to accomplishing comes about (Greeny, 1986). It is the means by which an organization connections its exercises together, instead of the exercises themselves that gives an organization advantage over others (Porter, 1985). Choosing the right competitive strategy to adopt and pursue will align the organization's resources with the right strategy.

In recent years, the sugar industry in Kenya has experienced increased competition from within the country and outside the country through the importation of cheap sugar and/or sugar smuggling into the country. This makes it more representative and appropriately for the study as there is need for companies in this industry to adopt the appropriate strategies that are compatible with their resources and capabilities in order to gain competitive advantage.

Internationally, several studies have been done on competitive strategies and performance. A study by Wang and Shyu, (2008) studied the link between competitive advantage and HR management practices, and economic contribution to organizational performance. A study by Ruiz (2010) studied the relationship between competitive strategies and firm performance: Technological capabilities. While a research by Taylor (2012) on organizational culture, competitive strategy, and performance in Ghana found out that organizational culture had both direct and indirect effect on on firm performance; firms with a dominatingly family or market culture will probably be specifically connected with execution, while firms with adhocracy or progressive system societies will probably be by implication connected with execution, contingent upon their arrangement with a separation methodology or cost initiative technique.

Various studies have also been done regarding the subject of competitive strategies and performance in Kenya. For example, Murimiri (2009) studied competitive strategies and firm performance in commercial banks. Karanja (2009) studied relationship between competitive strategies and performance of chartered private universities in Kenya. Waringu (2013) studied competitive strategies and performance of firms in the mobile phone industry.

The studies done have focused on competitive strategies and performance in other industries but none has concentrated on the competitive strategies, and performance of sugar industry. This study will attempt to fill the gap by answering the following: What are the competitive strategies adopted by Sony Sugar Company? What is the relationship between these strategies and performance of Sony Sugar Company? What challenges does the company face while to implement the competitive strategies?

1.3 Research Objectives

The objectives of this study are: -

- i. To determine the competitive strategies adopted by Sony Sugar Company
- ii. To establish the relationship between the competitive strategies and performance of Sony Sugar Company.
- iii. To determine the challenges faced by Sony Sugar Company in applying the strategies.

1.4 Value of the Study

Creating a suitable competitive advantage is the most essential objective of any organization and most critical single property on which every firm should put its generally center. It analyzes the financial aspects of a company's business concentrating essentially its capacity to create overabundance returns on assets utilized. This study will increase the value of the hypotheses of competitive strategies. It will determine how effective resource based view theory and contingency are applied by Sugar Companies for improved organizational performance.

The research findings will be useful to Sony Sugar Company management in establishing the strategies that drive the organization's performance and which give it an edge over its competitors. Careful attention to the identified strategies and formulation of ways to deal with the associated challenges will spur the organization to greater success and sustain its position in the sugar industry.

The findings of the study will also provide useful information to other players in the industry who would wish to benchmark themselves against the Sony Sugar Company and hence assist them in policy making. Policy makers include the government and various legal institutions that are concerned with the operations and regulations of the sugar industry. The policy makers will use the results of this study to come up with the required policies and laws that will be more productive to the economy as a whole as well as adding value to the industry itself especially with regards to the competitiveness of the sugar industry.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of the literature relevant to the study. It includes the theoretical perspectives of the study, competitive strategies used by different organizations as well as literature showing the relationship between competitive strategies and firm performance.

2.2 Theoretical Foundation of the study

Ramos – Rodriguez & Ruiz – Navarro (2004) categories competitive strategies theory into three roots of strategic management: economics, sociology and psychology. Whereby, in their view transaction cost theory, agency theory, evolutionary economics and the resource – based view of the firm derive from the economic roots of the discipline. This study is therefore guided by Resource – Based view theory and Contingency theory.

2.2.1 Resource – Based view Theory

The resource – based view of the firm (RBV) attracts attention for the company's inward ecological as a driver for upper hand and accentuates the assets that organizations have created to contend in nature. Amid the early methodology advancement period of Hoskissons' record of the improvement of vital considering (Hoskisson et al, 1999), the emphasis was on the interior variables of the firm. From the 1980s onwards, as per Furrer et al, (2008), the focus of inquisitive transformed from the structure of the business, e.g., Structure – Conduct – Performance (SCP) worldview and the five strengths model to the

company's interior structure, with assets and capacities the key components of the Resource – Based view (RBV). From that point forward, the asset - based perspective of procedure (RBV) has risen as a prevalent hypothesis of upper hand (Furrer et al, 2008; Hoskisson et al, 1999). The sources of the RBV do a reversal to Penrose (1959), who proposed that the assets had, sent and utilized by the associations are truly more imperative than the business structure. The term 'asset – based view' was instituted much last by Wernerfeit (1984), who saw the firm as a heap of advantages or assets which are attached semi-for all time to the firm (Wernerfeit, 1984). Prahaland and Hamel (1990) set up the idea of center skills, which center consideration on a basic classification of asset – a company's abilities. Barney (1991) additionally contended that the assets of a firm are its essential wellspring of upper hand.

To change a short-run upper hand into a supported upper hand requires that these assets are heterogeneous in nature and not impeccably portable; significant assets that are neither splendidly supreme nor substitutable without an incredible exertion (Barney, 1991). On the off chance that these conditions hold, the heap of assets can manage the organizations above normal returns. In this manner, to be aggressive, an association's assets must be: significant (asset must empower a firm to utilize an esteem –creating methodology, by either outflanking its rivals or diminish its own shortcomings); uncommon (assets must be uncommon by definition and of expected reduced future above-normal returns; matchless (contenders are not ready to copy this key resource splendidly); and, non-substitutable (if contenders can counter the company's esteem making system with a substitute, costs are driven down to the point that the value measures up to the marked down future rents) (Rumelt, 1984; Peteraf, 1993; Amit & Schoemaker, 1993; Ludwig & Pemberton, 2011).

2.2.2 Contingency Theory

Contingency approaches are situated inside management as mid-range theories between the two extraordinary perspectives which express that all inclusive standards of association and administration exist or that every origin is one of a kind and every circumstance must be examined independently (Hambrick, 1983). The contingency theory draws there is no single most ideal way or way to deal with administer organizations. Organizations ought to then create administrative procedure in view of the circumstance and condition they are encountering. To put it plainly, amid the procedure of technique detailing, execution and assessment, these fundamental key administration hypotheses will be material to administration or associations as instruments to help them in settling on key and guided administrative choice.

The contingency approach involves distinguishing regularly occurring settings and watching how diverse structures, methodologies and behavioral procedures passage in every setting (Emery and Trust 1965). Noticeable possibility hypotheses have been proposed and tried identifying with hierarchical situations, qualities and structure, rivalry conditions and authoritative systems and hierarchical attributes and behavioral procedures (Hofer 1975; Meilich 2003). Meilich (2003) considered complex objectives as open frameworks confronted with vulnerability that are in the meantime, subject to a discernment standard. He contended that distinctions in innovative and ecological measurements' outcome in contrasts in structures, systems and choice procedures. Hambrick (1983) contends that possibility methodologies are especially valuable shape focused system since technique is a craftsmanship and an approach which needed sweeping statement and fittingness of procedure ought to underscore logical contrasts.

The contingency approach in technique holds that the propriety of various procedures is dependent upon focused settings of business. The setting is commonly characterized as far as natural as well as authoritative possibilities, as prove by the accompanying exploration pushes :the suitability of seeking after option methodologies under different environment possibilities (procedures for contending in stagnant ventures; declining enterprises; antagonistic situations; fragmental, develop and declining enterprises, distinctive phases of the items life cycle); fittingness of seeking after option techniques under different hierarchical possibilities (systems for high piece of the pie organizations; law piece of the pie business; successful law piece of the pie business; advertise pioneers; challengers, adherents and specialties); and propriety of interest option systems under different ecological and hierarchical possibilities (methodologies for pioneers and devotees in law and high development showcase; nonexclusive methodology choices for shifting levels or market engaging quality and relative competitive state) (Bloom & Ketter 1975; Campos 1996; Rogers 2005).

2.3 Types of Competitive Strategies

Competitive strategy is concerned on the basis on which a business unit may accomplish competitive advantage in its market. Doorman (1985) pioneered observation in this field when he recommended that there were three diverse "bland" procedures by which an association could accomplish competitive advantage. Over the accompanying 20 years there was much civil argument as to precisely what each of these classifications implied (Johnson et al, 2005). Moreover, there are innumerable varieties in the aggressive procedures that organizations utilize, fundamentally in light of the fact that every

organization's key approach involves hand crafted activities to fit its own particular conditions and industry environment. The uniquely custom-made nature of every organization's technique makes the odds remote that any two organizations – even organizations in a similar industry – will utilize procedures that are precisely indistinguishable in everything (et al 2007).

2.3.1 Differentiation Strategy

As indicated by Thompson (2008) this methodology looks to separate the organization's items from those of adversaries to bid to a broad range of purchasers. Pearce and Robinson (2010) states that separation requires the business to have maintainable focal points that permits it to furnish purchasers with something remarkably important to them. Concede (2002) contends that separation is not about seeking after uniqueness for being distinctive, yet it is about comprehension the items or administrations and the client. Henceforth the purchaser feels the extra cost to purchase the item or administration is worth contrasted and the other accessible choices.

Armstrong and Kotler (1999) pointed out that discrepancy can be achieved by controlling numerous qualities, including highlights, style, outline, consistency, sturdiness, unwavering quality or reparability. This permits an association to target particular populaces and achieve clients with unique affectability for a specific item characteristic. Benefit separation can be in type of extra administrations that goes with the physical item. An association can then charge a premium for the item. People differentiation can be acknowledged by enlisting and preparing superior to the contenders. This specific preferred standpoint which is impalpable might be hard to mimic since its source may not be extremely obvious to an outcast. Different sorts of separation can be picture separation

normally seen by means of specific brands, quality, separation exemplified in dependability.

2.3.2 Focus Strategy

Porter (1980) affirms that, focus strategy, whether moored in a low-cost base or a differentiation base, endeavors to take care of the necessities of a specific market fragment. The objective section or specialty can be characterized by topographical uniqueness, by specific prerequisites in utilizing the item or by exceptional item ascribes that interest just to specialty individuals. Rucha (2012) contends that firms for this methodology serve clients in their market interestingly well, and tend to assemble solid brand faithfulness among their clients making their specific fragment less appealing to rivalry.

As indicated by Porter (1985), center procedure has two variations: cost center and separation center. Taken a toll center system focuses on a limited purchaser portion and out contending rivals at a lower cost. Separation center focuses on a restricted purchaser portion and out contending rivals by offering specialty individuals tweaked traits that meet their tastes and necessities superior to adversaries' items. In the separation center, the association tries to give high-saw esteem supporting a significant value premium to choose advertise portion (Johnson and Scholes, 2002). Organizations that utilization both cost and separation techniques to accomplish upper hand more often than not understand the most elevated amounts of gainfulness inside their industry (Pearce and Robinson, 2004).

2.3.3 Cost Leadership Strategy

Pearce and Robinson (2010), state that cost strategy requires the business to have the capacity to give its item or administration at a cost underneath what contenders can accomplish. It must be a supportable cost advantage. A firm seeking after cost administration methodology picks to be the pioneer in cost minimization. This implies the association's unit cost of generation is the most reduced in the business.

As indicated by Thompson and Strickland (2008), a minimal cost technique works best especially when value rivalry among adversaries dealers is fiery, the results of adversary merchants are basically indistinguishable and providers are promptly accessible, there are few approaches to accomplish item separation, most purchasers utilize the item similarly and purchasers are extensive and have noteworthy energy to haggling down the costs. Doorman (1980) declares that the greatest entanglement of ease supplier procedure is escaping with excessively forceful value cutting and winding up with lower, instead of higher benefit. Thompson and Strickland (2007) affirms that an ease/low-value advantage brings about unrivaled productivity just if costs are cut by not exactly the measure of the cost advantage or the additional increases in unit deals are sufficiently substantial to get a greater aggregate benefit in spite of lower edges per unit sold.

2.4 Competitive Strategy and Organizational Performance

An innovative and distinct strategy that separates an organization from its competitors and yields competitive advantage is the organization's most solid path for procuring over the normal performance. Thompson et al (2007) takes note of that without this, an organization risks being out contended by more grounded adversaries or being bolted into

underneath normal financial performance. Along these lines, there is have to set up clear hierarchical technique, concentrated on slender goals of what is in question and adjusting the systems to the whole association. At the point when the privilege focused technique is very much actualized, it can altogether influence an association's level of competitive advantage.

Effectively executed strategies will lift a firm to unrivaled performance by encouraging the firm with upper hand to beat present or potential players (Passerd and Calantone, 2000). The mission for enhanced performance regularly drives managers to consider showcase section openings. Such open doors incorporate spearheading a market or entering a market that is now occupied by others. High and comprehensive knowledge of the market is needed because there are many crucial factors to consider including whether a fast move can create a competitive advantage. On the other hand, Thompson et al (2007) notes that subsequent comers often perfect the product and erode the advantage earlier enjoyed by pioneers.

Therefore firms should develop thorough strategies that enhance performance of the firm in the competitive environment. Caeldries and Diendonk (1988) in their survey on competitive strategy and performance established that strategy safeguards the firm's competitive position, motivates members as they are allowed to participate in determining the firm's future, forces employees to see objectives as a result, subsystems behavior is integrated, increased strategic awareness and better communication flows.

In order to achieve a performance that may be considered good relative to other firms in the industry, Porter (1990) 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. The competitiveness of firms can greatly be improved if the chosen strategy is carefully executed by linking three processes: people, strategy and operation (Bossidy, Charan & Burck, 2002). Should a firm face difficulty in executing a particular strategy, then it is advisable for that firm to 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 (Hrebiniak, 2005). Kaplan & Norton (2006), also suggest the use of the balanced score card as a strategy map that can help translate the strategy into operational terms. Ungerer, Pretorius & Herholdt (2002), state that the template for operationalizing 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.

2.5 Challenges in the Implementation of Competitive Strategies

Many organizations characteristics may either promote or hinder implementation of a strategy. According to Kithinji, (20005), strategies that fail during implementation are a good study point since it may reflect ineffective implementation. This means that they can add to the existing body of knowledge on effective implementation of a strategy. Implementation of strategies remains the most difficult part of doing business. Sometimes organization rush into making alternative strategies without following the previously formulated strategies. This causes mix up and even frustration on those tasked to implement the strategies.

Some of the studies point to a number of factors for the failure of strategy implementation. This includes weak management, lack of commitment, poor coordination and sharing of resources and responsibilities, inadequate capability of the implementers, competing activities and uncontrollable environmental factors (Thomas, Strickland & Gamble, 2007; Gilers, 2007; Koontz & Weirich, 2001). According to Hrebiniak (2005), some of the challenges include the necessity for longer timeframe than initially allocated for implementation, poor or vague strategy, conflicts with organizational power structure, and poor results from the implementation.

A major concern of top management is the right manager to task with the implementation of a strategy. Poor leadership constitutes a major source of failure for strategies. Ghiwick (1980) states that a manager needs to have the right characteristics to successfully implement a strategy. Although technical skills will be important for this, social skills also play a major part in the success of a strategy. In addition, effectively communicating the strategy down to the lowest level is important for the success of a strategy. This is sometimes missing especially for large organizations.

If the organizational structure does not support the strategy, inefficiency results (Chandler, 1962). Pearce & Robinson (2003) state that the key components of a company – structure, staff, systems, people, style influence the way key managerial tasks are executed. Structure is a key ingredient of organizing for success, but within any structure the key components affecting success are the formal and informal organizational processes (Petting & Fenton, 2000). Mintzberg (1990), concludes that “strategy follows structure as left foot follows right”. Existing structures should therefore not constrain implementation of strategies being considered. Lack of buy-in from stakeholders, including the employees is a major challenge in implementation of a strategy. The best

way to get a strategy implemented is not by telling people what to do but by sharing it in a way that they can understand and support in. the level of involvement is influenced by the power held by a stakeholder.

Inadequate resources are other causes of failure of a strategy at the implementation phase. Strategy guides an organization as to how to properly align firms' resources to exploit opportunities and minimize threats. Thompson et al (2007) argue that funding requirements for a new strategy must guide how capital allocations are made, and the size of each units operating budget. Underfunding organizational units and activities pivotal to strategic success impedes execution of strategy and the driver for operating excellence. For a long time, strategic plans were not tied to budgets and this threatened the concept of strategic planning many questioning its relevant to the organization. In other terms, organizations made a "wish list" which would term as their strategic plans.

Lack of information can hamper the implementation of a strategy. In some instances, strategies are formulated at the top level and the middle and operational level are supposed to take and implement it. In some instances, they may not understand the concepts and the thinking behind the strategies, thus they become very dependent on the management and have to be guided on the smallest decisions. This can result in frustration on employees and strategy fails to materialize.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methodology that will be used in this study. In particular, the research design, data collection and data analysis techniques that used are explained.

3.2 Research Design

This refers to the method and procedures followed in conducting the study. The aim of the study is to determine strategies adopted by Sony Sugar Company to gain competitiveness in the sugar industry in Kenya as well as the challenges they face during implementation of these strategies. The main benefit of a case study is that the entire organization can be investigated in depth and width attention to details. A case study allows an investigation to retain the holistic and meaningful characteristics of real life events.

3.3 Data Collection

The study utilized both primary and secondary data collection methods. Primary data was obtained through face to face and in-depth interview in order to gain a better understanding and possibly enable a better and more insightful presentation of the results from the study. The interview guide consists of open ended questions that allow the interviewees to answer in their own words. Those who were interviewed included the Human Resource Manager, Company Secretary and Information and Technology Manager as they are well conversant with the operations of the company.

3.4 Data Analysis

Before processing the responses, the completed interviews were edited for completeness and consistency. After editing the data was analyzed using content analysis techniques a tool of measuring the content of communication. Its objective was is to obtain a qualitative description that manifests content of communication. In content analysis, responses from different respondents are compared and summarized according to the objective of the study. Content analysis is the best method of analyzing the open-ended questions. It is suitable because of its flexibility as it allows objective, systematic and qualitative description of the content of communication (Cooper et al, 2006).

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter covers the analysis of the data obtained and the findings of the study. The data analysis is based on the objectives of the study which were to determine the competitive strategies adopted by Sony Sugar Company, the relationship between the competitive strategies and performance and challenges faced by Sony Sugar Company while applying the strategies.

4.2 Company Profile

South Nyanza Sugar Company Limited (Sony Sugar) was established in 1976 and is located in South Western Kenya in Migori County. The Company serves over 25,000 cane farmers in ten districts within the cane growing zones of Homabay, Gucha, Transmara, Kuria, Migori, Uriri, Rongo, Kisii South, Ndhiwa and Awendo. Sony Sugar is the second largest sugar miller in the country.

4.3 Competitive Strategies

Interviewed respondents confirmed that like any other manufacturing company, Sony Sugar faces numerous challenges especially when it comes to sustaining its performance. According to the respondents views analyzed they confirmed that the company has put in place numerous competitive strategies to ensure that it remains competitive in the market while offering quality products to their customers.

Differentiation strategy is expressed in the various activities that administration has set up. The organization offers branded sugar demonstrating the source for simple of

recognizable proof thus separation of the item from the rest in the market. The respondents said that they likewise offer two sorts of decisions to their clients, i.e., the powerful Sony Sugar White with a mouth-watering smell and Sony Sugar Brown with an additional wholesome esteem as a consequence of minerals got from remaining molasses content. The nearness of follow molasses gives Sony Sugar Brown its unmistakable color and sweetness.

The respondents clarified that the Sony Sugar is pressed in purchaser packs running from 5kg, 2kg, 1kg, 500g 250g to 6gram sachets and was the principal privately made sugar to be made in sachets in July 2004. Whereby, the 6grams sugar sachet has removed a market specialty in the up-market section and foundations, with the organization bundling sugar sachets for the accompanying prominent clients:- Kenya Airways for-flight utilize, Nairobi Hospital (co-marked) for use in the wards and Sarova Hotels.

Respondents agreed that the company has invested in research and development thus minimizing their manufacturing cost hence availing the products to their customers at a lower price. This is as a result of the company currently producing electricity for its internal use hence resulting to low electricity cost thus being in a position to offer the product to their customers at a low price. They also agreed that a lot needs to be done in terms of further investing in R & D so as to enjoy the economies of scale.

The company has a strong corporate marketing department. Regular advertising of the company's product in the local media reinforce the products in the consumer minds and constantly reminds them of the product availability in the market. The Company's corporate responsibility is a strategic issue to the company. Sony Sugar Company is a

major sponsor of Sony Sugar Football Club. The company has invested a lot in the construction of road infrastructure and running of schools. The company also extends its support to the local community through provision of health care facilities and support Centre through preventive health campaigns, education and screening facilities.

4.4 Challenges faced by Sony Sugar Company in Implementation of the strategies

The study has established that the company has met numerous challenges in its attempt to implement the identified strategies. According to the interviewees these challenges include lack of enough funds to further increase the factory's crushing capacity to realize economies of scale and to undertake other crucial projects, as well as investing in research and development.

The respondents agreed that the process of strategy implementation is also slowed down by employees' resistance to change. This is due to employees' fear of the unknown, poor attitude towards change and unwillingness to get out of their comfort zone. This is because they become comfortable with the way the business is run as they are aware of their expectations and their role within the company. Therefore, when their familiarity is disrupted they become upset as they don't to relearn new ways of doing things. They also become resistance if they were not involved on the board due to limited time therefore leading to lack of consensus.

Technological limitation emerged as a barrier. The respondents confirmed that the company still uses some of the old processing machines which are prone to shutting down hence leading to a high maintenance cost. There is therefore need for investment in the use of modern processing machines and equipment as this will propel the

company's desire to achieving economies of scale. The cost of importation for modern equipment and machines also poses a challenge to the company as Kenya largely depends on foreign countries.

From the interviews carried out, it emerged that political interference was a major challenge. Sony Sugar Company Limited being the only large state corporation in the Southern Nyanza region, politicians have a lot of interest in attempting to secure employment opportunities for their supporters in the company. Besides this the company directors are also appointed by the government instead of conducting a fair and transparent vetting procedure.

4.5 Discussion of Findings

It is the desire of any business organization to have a competitive advantage in the market place. Therefore, the organizations' thoughts, goals, and expectations should be towards the achievement of this desire whereby, the desire is always reflected in the company's' vision and mission and Sony Sugar is not exceptional. The research findings have clearly shown that the company has taken deliberate steps towards attainment of these objectives in the sugar industry. It is evident that the company is running a modern factory equipped with manpower, modern equipment, using efficient production technology and applying modern management and leadership practices all of which have enhanced efficiency. The findings corroborate a research conducted by Obado (2005) on competitive strategies employed by the sugar manufacturing firms in Kenya. He established that sugar firms utilize competitive strategies to gain a market share. He stated that, sugar firms mainly employed leadership and differentiation strategies with greater emphasis on customer service, distribution and branding.

Strategies employed by the company were looked at from the viewpoint of models advanced by scholars in the field of strategic management and especially the generic strategies (Porter 1985). Hence its evident that from the interview conducted the performance of Sony Sugar boldly revolves in the development and proper implementation of these strategies and the modern management and leadership practices.

Sony Sugar, which is the second largest sugar miller in the country, attributes its growth to a sustained demand for sugar and molasses, increased sales of branded sugar and better pricing management which also has resulted into an improved operating profit.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter gives a summary of the research findings, conclusion, and recommendations as observed by the researcher. It also provides suggestion for further research as well.

5.2 Summary of Findings

From the findings, Sony Sugar Company has adopted various strategies that enabled it to continue being competitive in the market. These are the generic strategies, i.e., differentiation strategy, focus strategy and cost leadership strategy.

The initiatives adopted under differentiation strategy include, branding of products, aggressive marketing for purpose of reinforcement, strong corporate social responsibility involved in various activities such as sponsoring football club, road construction, and education and health facilities assist in portraying a positive image in the minds of consumers thus leading to customer loyalty hence increase in sales.

On the other hand, having skilled manpower, utilizing modern technology and use of modern management skills have contributed towards production cost minimization thus enabling adoption of cost leadership strategy thus increasing its profit. Sony Sugar Company Limited has also customized products to increase its productivity thus employing focus strategy.

The major challenges facing Sony Sugar Company in the implementation of the strategies are financial constraints, technological limitation, political interference in the activities of the company and resistance to change by employees.

Political interference is the major hindrance to smooth operation of the company as it is almost entirely owned by the government which makes all the strategic decisions at the board level through its appointees. Government continues to appoint all the board of directors with no defined vetting criteria, thus, the decisions made by this board is never in the best interest of the company.

The findings further indicate that Sony Sugar had to venture into aggressive marketing so as to reach more customers. The company also had to produce differentiated products to meet the customers' tastes and preferences and to cater for wider market segments characterized by different needs.

The study shows that the company through its technicians has started producing power (biogas a by-product of sugar cane) ,but currently for its own use while discussion between the firm and the Kenya Power and Lightning Company is going on so that it could produce more electric power and connect it to the national grid. Sony Sugar is also at an advance stage to ensure diversification to production of other products such as cogeneration, ethanol production and bottling of water which will also increase the revenue streams of the company hence eliminating dependence on a single product.

5.3 Conclusion

Key finding from this research have indicated that Sony Sugar Company Limited has adopted differentiation, focus and cost leadership strategies for its sustainability and

performance improvement. Interviews carried out as well as information from secondary data from the company's annual reports showed consistent patterns emerge. Sony Sugar Company Limited is positioned as a premier sugar producer providing quality goods and services to its clients at affordable price. The goods and services are geared towards creating a perception of quality in the eyes of the consumers. Differentiation, focus and cost leadership stands out as the competitive strategies that Sony Sugar Company Limited adopted for enhancing its performance.

5.4 Recommendation from the study

Differentiation, focus and cost leadership are strategies that have the potential of scaling an organization to greater heights in the industry. Sony Sugar should also move forward and put more efforts in its diversification plan as this will also boost its performance.

To eliminate constant political interference that currently affects the company particularly in relation to direct appointments of directors, the government intentions to privatize the company should be encouraged so as to change the culture of direct appointments of members of the board to a fair and transparent vetting procedure. This will ensure that only the suitable and qualified candidate fill up the position.

There is the need for the company to carry own with its diversification plans so as to expand its line of production so as to increase the venues of profit provision.

5.5 Limitation of the study

The study was limited to Sony Sugar Company Limited hence its findings cannot be used to generalize the practice in the entire sugar industry. The study interviewed only three

top management; Human Resource Manager, Company Secretary and Information and Technology Manager therefore not capturing the views of the middle and bottom level management.

The study was limited to the cited strategies due to limited time allocated for the study. Though there are other strategies for enhancing the performance that are worth of exploiting but due to time limitation they could not be explored.

5.6 Suggestion for Further Study

This was a case study and thus can't be summed up as the business hone because of contrasts in frameworks, authoritative culture, hierarchical structure and capacities. There is in this manner requirement for more study to be done to distinguish the procedures being utilized by different organizations in the sugar business to enhance performance.

To undertake a more elaborate research requires more resources than allocated for this research, in terms of time and personnel so as to carry out in depth interviews with various stakeholders in Sony Sugar Company. Therefore, expand the bracket of respondents to be interviewed to include the middle and low level management, workers and farmers to further enrich the findings of the research in showing whether the strategies employed are propelling the performance of the company.

Further study can be done on the effect of globalization on local sugar industry and should target all the sugar companies in the country. Studies can also be done on the influence of balanced score card on the performance of sugar companies.

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APPENDICES

Appendix I: Letter of introduction

Christine Sammy
P.O Box 21-90129
Ngwata

27th June 2016

The Managing Director
Sony Sugar Company
P.O Box 107-40405

Migori.

Dear Madam,

RE: LETTER OF INTRODUCTION

I am a post graduate student at School of Business in the University of Nairobi. I am carrying out a research project a requirement of partial fulfillment of the award of a Master Degree in Business Administration. My area of specialization is strategic management and my chosen area of study is “Competitive Strategies and Performance of Sony Sugar Company Limited”.

To complete my study, I will need to collect relevant information from Sony Sugar Company. I am therefore hereby requesting for permission to collect and use the Company information which will be collected using attached interview guide.

The information collected will be treated confidential and will be used for academic purpose only. Thanking you in advance for your assistance.

Yours faithfully,

Christine Sammy

Appendix II: Interview Guide

SECTION A: SONY SUGAR COMPANY BACKGROUND

INFORMATION

- i. Describe the ownership structure of Sony Sugar Company?
- ii. For how long has the company been in operation?
- iii. What product mix/range does Sony Sugar Company offer to the market?
- iv. Does the company own any resources and capabilities?
- v. What is the nature of these resources and capabilities?

SECTION B: COMPETITIVE STRATEGIES ADOPTED BY SONY

SUGAR COMPANY

- i. Who are the Sony Sugar company main competitors?
- ii. What is the nature of the competition that the company faces?
- iii. What specific strategies has the company put in place to withstand such competition?
- iv. Has Sony Sugar Company adopted any formal strategies for enhancing performance? If yes, name them.
- v. Who is responsible for formulation and implementation of such strategies?
- vi. Do you think such strategies are geared towards performance and how?

SECTION C: CHALLENGES FACED IN IMPLEMENTING THE STRATEGIES

- i. Do you think Sony Sugar Company faces challenges during implementation of the strategies?
- ii. Kindly if yes, name them.
- iii. Are there actions that the organization has put in place to ensure that these challenges do not cause advance negative effects during implementation of these strategies?