BUSINESS STRATEGIES AND NON-FINANCIAL PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN THE REAL ESTATE SECTOR NAIROBI CITY COUNTY, KENYA.

DUNCAN FLORA MUSUNDI

D53/OL/CTY/32026/2017

A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS, ECONOMICS AND TOURISM IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF DEGREE OF MASTER IN BUSINESS ADMINISTRATION (STRATEGIC MANAGEMENT OPTION), KENYATTA UNIVERSITY.

NOVEMBER 2022
DECLARATION
This research project is my original work and has not been presented for a degree or other award in any other University. No part of this research project should be produced without authority of the author or/and Kenyatta University.

Name: DUNCAN FLORA MUSUNDI

Admission Number: D53/OL/CTY/32026/2017

Signature..................................................
Date.......................................................

I confirm that the work in this project was carried out and submitted by the candidate for the course examination with my guidance and approval as the appointed University supervisor.

Signature………………………
Date…………………………

Dr. Mary Ragui, PhD

Lecturer, School of Business, Economics and Tourism

Kenyatta University.
DEDICATION
This work is dedicated to my family at large for the support during my undertaking of the course. I am also dedicating this project to my dad, Mr. Austine Musundi for the endless encouragement and support he has given me towards this work.
ACKNOWLEDGEMENT

It is with gratitude to God for the providence of good health and strength and for enabling me to put my focus on this project. The completion of this project would have not been possible without my very supportive supervisor, one Dr. Mary Ragui, PhD, who was my guide for the period I worked on this project. Members of my family played a very important role in ensuring that I attained the much-needed support; they have proved to be my source of encouragement to the entirety of this project. Finally, my appreciation goes to my father who has played a major role in ensuring I am at my best throughout the journey. I appreciate the entire fraternity of Nairobi city County, Kenya for their immense support.
# TABLE OF CONTENTS

DECLARATION..................................................................................................................i
DEDICATION...................................................................................................................ii
ACKNOWLEDGEMENT..................................................................................................... iii
TABLE OF CONTENTS...................................................................................................... iv
ABBREVIATIONS AND ACRONYMS............................................................................. vii
OPERATIONAL DEFINITION OF TERMS........................................................................ viii
ABSTRACT....................................................................................................................... ix

## CHAPTER ONE: INTRODUCTION .............................................................................. 1

1.1 Background of the study ......................................................................................... 1
   1.1.1 Non-Financial Performance ............................................................................ 2
   1.1.2 Business Strategies ...................................................................................... 3
   1.1.3 SMEs in the Real Estate Sector ...................................................................... 5
1.2 Statement of the Problem ....................................................................................... 6
1.3 Objectives of the Study ......................................................................................... 8
   1.3.1 General Objective ....................................................................................... 8
   1.3.2 Specific Objectives ..................................................................................... 8
1.4 Research Questions ............................................................................................... 8
1.5 Significance of the Study ...................................................................................... 8
1.6 Scope of the Study .................................................................................................. 9
1.7 Limitations of the Study ....................................................................................... 9
1.8 Organization of the Study .................................................................................... 10

## CHAPTER TWO: LITERATURE REVIEW .............................................................. 11

2.1 Introduction .......................................................................................................... 11
2.2 Theoretical Literature Review ............................................................................. 11
   2.2.1 Porter’s Generic Competitive Strategy ......................................................... 11
   2.2.2 Resource Based View Theory ...................................................................... 12

...
4.6 Inferential Statistics...............................................................................................................41
  4.6.1 Coefficient of Correlation ..............................................................................................41
  4.6.2 Analysis of variance ........................................................................................................42
  4.6.3 Determination Coefficient ..............................................................................................42
  4.6.4 Multiple Regression .........................................................................................................43

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS ......45
  5.1 Introduction ........................................................................................................................45
  5.2 Summary of findings ..........................................................................................................45
  5.3 Conclusion of the Study .....................................................................................................46
  5.4 Recommendations for Policy and Practices ......................................................................46
  5.5 Areas for Further Research ..............................................................................................47

REFERENCES ..........................................................................................................................48

APPENDIX I: RESEARCH QUESTIONNAIRE ......................................................................57

APPENDIX IV: LIST OF SME REAL ESTATES FIRMS IN THE NAIROBI CITY COUNTY, 2020 .............................................................................................................62
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANOVA</td>
<td>Analysis of Variance</td>
</tr>
<tr>
<td>CBD</td>
<td>Central Business District</td>
</tr>
<tr>
<td>GoK</td>
<td>Government of Kenya</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>KPIs</td>
<td>Key performance Indicators</td>
</tr>
<tr>
<td>NF</td>
<td>Non- Financial</td>
</tr>
<tr>
<td>NFP</td>
<td>Non-Financial Performance</td>
</tr>
<tr>
<td>NFPDs</td>
<td>Non-Financial Performance Measures</td>
</tr>
<tr>
<td>SMEs</td>
<td>Small Medium Enterprises</td>
</tr>
<tr>
<td>SMIDEC</td>
<td>Small and Medium Industries Development Corp.</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
</tr>
</tbody>
</table>
OPERATIONAL DEFINITION OF TERMS

Balance scorecard: Refers to a crucial management scheme that is recurrently used in businesses and governments globally to drive corporate vision, mission and goals while closely monitoring the achievements of the organization.

Cost leadership strategy: This is a strategy that is mostly assimilated by companies whose intention is to be better than their competitors by offering the cheapest or most affordable service(s) as compared to what the market price is actually looking for.

Differentiation strategy: Refers to designing something that is recognized as unique by customer through technology, brand, positioning and design.

Entrepreneurial Competencies: Refers to a broader personal characteristic such as a mix of specific knowledge, skills, attitudes, motives, traits, self-images and social roles that results into business formation, survival, expansion and/or growth.

Focus strategy: Refers to concentrating on the group that has been picked which is paramount in gaining business advantage over rivals.

Innovation strategy: Refers to the process of translating an idea or invention into a solution with the intention of adding value to the overall view of the customer.

Non-Financial Performance Measures: Refers to the application of quantitative measures that cannot be expressed in monetary units to measure performance.

Small Enterprises: Refers to businesses whose number of employees fall below 100.

Strategy: Refers to a process that aids in the understanding of what exactly are the objectives of the said organization; which might include the objective demands, the available resources and their uses and the codes or guidelines that drive the management of these resources.
ABSTRACT

The study's primary purpose was to determine how successful small and medium-sized enterprises in Nairobi City County, Kenya performed in the real estate industry. The study was conducted with the following objectives: evaluating the effect of Focus strategy on the non-financial performance of SMEs in Nairobi City County real estate sector, Knowing the effect of Innovation strategy on the non-financial performance of SMEs in Nairobi City County real estate sector, Differentiation strategy’s effect on SMES and assessing the effect of Cost Leadership strategy on the non-financial performance. The information for this study was gathered through structured questionnaires and a descriptive research approach. The survey targeted all 87 SMEs in Nairobi City County real estate sector. Business managers from real estate enterprises were among those who took part in the survey. 74.7 percent of the 87 persons who were asked to participate said yes. As indicated by Karl Pearson, the data was examined using multiple regression analysis and correlation analysis. The study found a negative relationship between Focus strategy and non-financial success but a favourable relationship between Differentiation, Innovation, and Cost Leadership strategies. According to the study, small and medium-sized enterprises should invest more in study, Research and Development. This will assist them in coming up with fresh ideas, giving them an advantage over their competitors. SMEs must ensure that their products are constantly distinctive enough to suit market demands. This will allow them to gain a competitive advantage that will last. According to the study, SMEs employ a cost leadership approach, investing heavily in mass manufacturing and distribution while diligently reducing costs. Small and medium-sized real estate companies must adopt new technologies to reduce project costs and improve non-financial performance. Finally, more research in the private and governmental sectors and other countries is needed to compare and contrast the findings of this study with those of other studies. This study focused solely on non-monetary performance. Financial performance might be the focus of other investigations. Only a few business strategies were examined in this study. Other strategic aspects should be examined in future studies.
CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Small and medium-sized firms (SMEs), according to Swanya (2010), are well-known around the world because of the role they play in a country's social, political, and economic development. SMIDEC classifies SMEs based on annual revenues and the number of full-time employees (SMIDEC, 2014). The SME sector is still vital because it can provide reasonable prices for goods and services, pay workers properly, and employ many people. As a result, the government and other organizations are continually working to assist small and medium-sized businesses in expanding and increasing their revenue. The number of employees and the amount of money the business makes each year is the two factors that characterize an SME because there is no formal definition. According to Ghatak (2010), small and medium-sized firms make up more than 95% of businesses worldwide (SMEs). According to Ghatak, SMEs account for more than 99 percent of Japan's businesses and about 80 percent of India's. According to Abor and Quartey (2010), South Africa has 91% of all firms, whereas Ghana has about 92%. SMEs are seen as job creators, the foundation of large firms, and key contributors to the national economy in most economies (Abor & Quartey, 2010).

According to Thinji and Gichira (2017), SMEs account for over 90% of businesses and 5060% of jobs in most African countries. SMEs provide jobs and serve to prevent people from migrating from the countryside to the city and make better use of resources. Small and medium-sized enterprises (SMEs) play an important part in a region's development, and they are often viewed as local emblems. Small and medium-sized enterprises (SMEs), according to Yogo (2013), are a critical component of economic growth and employment in Africa's third-world countries.

The majority of SMEs make the transition from the informal to formal Economy. As a result, they serve as a catalyst for economic growth and poverty reduction through job creation (Wolfensohn, 2013). Industrialization and economic progress in most parts of the world began with small and medium-sized firms (SMEs), which eventually expanded into large corporations (Mintzberg, 2011). Entrepreneurship is defined as developing a business plan that allows a company to make entrepreneurial decisions and flourish (Kropp, 2011 (Wiklund & Delmar, 2013). Furthermore, the three categories are associated with entrepreneurship (Frank, 2014).

Similarly, to achieve the desired results, performance measures must explain and support the firm's strategic goals, promote communication, and avoid deviating from the strategic goals.
Managers of real estate-related SMEs make decisions depending on the health of their enterprises. Competition results as a result of this (Kihiu, 2016). Nonfinancial (NF) information, according to Roush and van Zijl (2014), compensates for the shortcomings of financial performance measurements. Non-monetary performance indicators can also improve employee communication. According to Lee and Yang (2011), a company's performance will improve if it considers non-monetary performance criteria. Authors have emphasized the need for NFPMs due to issues with monetary performance indicators (Abernethy, Bouwens & Lent, 2013).

Kenya's 75 million SMEs play a variety of crucial functions. One of these responsibilities is to provide low-paying jobs and chances to Kenyan industries. This line of work has impacted immensely on the country's economy on numerous occasions over the years. SMEs in Kenya have various flaws that make them more vulnerable to risk due to the way they are structured. This makes it difficult for businesses to expand and benefit from scale economies. According to Thinji and Gichira (2017), the most pressing issues for SMEs are funding investment and working capital, followed by growing human capital, lack of simple access to the market, and lack of contemporary technology. On the other hand, internal and external variables can make it difficult to obtain the funds you require. As a result, if you want to improve your business, you must devise and implement effective business plans.

1.1.1 Non-Financial Performance

According to Bakar and Ahmad (2010), a company's performance is determined by how well it uses its resources to achieve its objectives. Firm performance can be evened out in nonmonetary and monetary terms (Bagorogoza & Waal, 2010; Bakar& Ahmad, 2010). According to Dimba (2009), non-financial performance is defined as assessing success with metrics that cannot be converted into monetary units. Performance metrics must explain precisely and reinforce the company's strategic goals, increase supply chain communication, and not wander from the company's objectives to achieve the intended results (Handfield et al. 2009).

Financial measurements including yearly growth, return on equity (ROE), net profit and return on assets (ROA) have been used to gauge performance since the idea was first conceived. However, these financial performance indicators cannot be utilized to assess specific managerial initiatives. Some researchers have advocated for a broader definition of success
Non-financial (NF) indicators indicate how competitive a company is now and in the future. Financial metrics aren’t agreed upon since they’re focused on the short term and could lead to accrual manipulation and a lack of stability because they’re more focused on actual resources and don’t consider how clients view the company and how it operates (Gijsel, 2012). (O’Sullivan & O’Connell, 2014) Non-financial (NF) data assists in overcoming some of the downsides to relying on ‘financial performance system of measurement’ as a solitary gauge. NF performance measures (NFPMs) can also assist employees in communicating with one another (Simons, 1995). According to research, NF performance measurements are also linked to company success (Balsam, Fernando & Tripathy, 201). Sholihin, Pike, and Mangena (2011) also claim that employing non-monetary performance criteria reduces the amount of earnings management. According to Hyvonen (2010), little study has been done on NF management accounting systems, and NF measurements should be given more attention. However, the few real-world examples of non-financial performance reveal mixed results (Fullerton & Wempe, 2009). There are a variety of non-financial frameworks and approaches for evaluating performance. The balanced scorecard is the most popular (Kaplan & Norton, 2001).

According to Darlton (2012), balanced scorecard is a vital management tool that enterprises and governments worldwide frequently use to drive the enterprises vision, mission, and goals while keeping a close watch on its performance. When trying to figure out how to measure a company's performance and give management a very "balanced" and useful idea of what the enterprise has done, Kaplan and Norton (2001) say that the balanced scorecard should include important non-financial performance measures to traditional financial ones. Many organizations and institutions utilize the balanced scorecard because it integrates financial performance measurements with strategic variables to guarantee that the enterprises objectives are met. The balance score card is a performance management tool that turns the company's strategic objectives into performance benchmarks in four areas: money, internal business processes, customers, and learning and development.

1.1.2 Business Strategies

According to Emeka (2015), a company's strategy consists of determining its most essential long-term goals and objectives and the activities and resources required to achieve them. So, strategy is the process of determining what a company's goals will be, how different they will
be from one another, what abilities will be employed to achieve those goals, and how resources will be bought, utilized, and what sorts of resources will be used to achieve those goals (Ogutu & Samuel, 2012). According to Adler (2011), a business's strategy is what it will do in the future to achieve its objectives. Strategy is a vital aspect of running a business, and it has a beneficial impact on the success of a company (Emeka, 2015). Selecting and implementing the proper plan is critical if a firm wants to make the maximum money and decrease its economic risks. Research has demonstrated that the business strategy chosen impacts many organizational outcomes (Olwande, 2012).

How decisions are made is crucial to business strategy. As a result, the techniques employed by various businesses varied significantly. This is because each company's strategy is mostly comprised of actions adapted to the company's specific results and industry. Integration and how well the various sections of the company work together to form a pattern are crucial to ensuring that the chosen business plan achieves its objectives. Being able to beat your competitors and make the most money requires having a sound business strategy and putting it into practice (Noble, 2009).

The methods institutions assess their competitiveness have had a long-standing impact on their overall performance and growth (Sandlberg, 1986). With this in mind, various methods for determining an institute's competitiveness have been suggested and put into play (Hayes & Schmenner, 1978; Porter, 1980; Miles & snow, 1978; Spanos & Lioukas, 2001; Wheelwright, 1978; White, 2004). "Porter's (1980) generic strategy framework" is one of the greatest well-known strategies to date because it has helped most organizations succeed in their dealings. By considering things from this theoretical perspective, people can understand how competitive an institution is. A company's competitiveness is determined by how successfully it manages opportunities, strengths, weaknesses, and threats. These tactics have been employed and deemed relevant by several sectors (Thinji & Gichira, 2017; Onyancha, 2013; Bakar & Zainol, 2015: Omanga, 2011). As a result, the focus of this study will be Porter's generic competitive strategies. This research focused on three main topics: cost leadership techniques, differentiating tactics, and focusing methods.

According to Dumitrescu and Scalera (2012), the distinction is built on improved product research, development, innovation, and technological skills, beneficial to the organization. Differentiated goods and services address client needs by providing a sustained competitive advantage and ensuring that the company operates better (Ogutu & Samuel, 2012). Because
there are so many businesses, especially on a global scale, many try to differentiate themselves by offering unique products and services. (Porter, 1985). This allows businesses to determine prices locally and concentrate on creating value, resulting in higher prices and a better end product (Tugulea, 2016). Standard products, low pricing, and economies of scale underpin the cost leadership strategy (Porter, 1980). The goal of the cost leadership approach is to get a large market share by cutting expenses (Dumitrescu & Scalera, 2012). When a corporation reduces its costs, it can determine the lowest pricing it can afford. However, larger profit margins are not guaranteed by this method. Instead, by focusing on the sales scale, it assists the company in gaining a larger market share and making more money (Porter, 1990). Manufacturers of mass-market goods are accustomed to adopting this strategy (Faziljanovna & Yongqian, 2016).

Porter (2001) believed that companies that solely relied on the focus method targeted specific market segments. This was accomplished by standing out and ensuring that their spending corresponded to market demands. To obtain a competitive advantage, the market would be divided into subsegments, and each subsegment would focus or specialize on a specific line of trade. Most businesses specialize in a specific service line, a specific customer group, a specific geographic area, and, most crucially, a set of items that customers demand (Darrow et al., 2001). This is all done for the company to gain a larger market share. This is accomplished by locating clients in new or underserved markets.

Cost leadership, Innovation, Differentiation, and Focus strategies are all examined in this study. These tactics have been employed and deemed relevant by several sectors (Thinji & Gichira, 2017; Onyancha, 2013; Bakar & Zainol, 2015; Omanga, 2011). This research aimed to see how these tactics affect SMEs in Nairobi City County, Kenya, with an emphasis on the real estate industry.

1.1.3 SMEs in the Real Estate Sector

According to Birundu and Mwangi (2015), the number of employees is usually the best approach to determine if a company is an SME or not because there isn’t a single definition that everyone agrees on. According to Krop (2014), small to medium enterprises are organizations with fewer than 100 employees. On the other hand, SMEs are defined in Kenya as any non-farm enterprise with fewer than 50 employees, whether formal or informal. Sole proprietorships, part-time enterprises, and businesses operating out of people's homes fall under this category (GoK, 2012). For this study, a real estate SME is defined as a company with not more than 100 employees.
Small and Medium-Sized enterprises (SMEs) have increased over the previous 20 years, with rural areas accounting for the majority. Small and medium-sized businesses created more than 80% of new jobs in the country in 2012. (SMEs). The majority of new jobs (about 430,000 of the 503000 new positions produced in 2011) were created in this sector, which accounted for almost 22% of the country’s GDP (GoK, 2014). One of essential things that SMEs in the real estate industry do is assist third-world countries in overcoming poverty and creating jobs. SMEs account for 5% of Kenya’s GDP in the real estate sector (Real Estate Report, 2016). The construction and real estate industries rose 14.1% in the third quarter of 2015, according to the report. The financial service grew by 10.1 percent, while agriculture grew by 7.1 percent.

The real estate market has produced between 25% and 30% over the last five years, making it a favourable area to invest because there are few ways to lose money. Residential apartments rent for an average of 5% and commercial space for over 9% in Kenya. The total income from rent and appreciation is 28 percent according to the 2016 Real Estate Report. Individual developers used to dominate Kenya’s real estate industry, but new participants such as Saccos, private equity groups, and foreign institutions have entered the market in recent years. The demand for housing has increased due to a 2.4 percent annual population growth rate. This is due to the fact that families are becoming larger, and consumer preferences are evolving to suit rising living standards. The county high pace of urbanization, which is 4.4 percent per year, has further boosted interest.

There are numerous prospects for integrated housing developments, such as mixed-up buildings and communities, as a result of the emerging middle class. The majority of these investments have been in real estate developments because of the high returns in the industry.

1.2 Statement of the Problem

So far, SMEs have struggled to properly manage their operations in order to improve their overall business outcomes by assuring quality in service and product delivery to a diverse range of customers. According to Porter (2011), the main reason why SMEs face such a problem is that the necessary strategies that must be implemented from time to time are quite costly in terms of both money and time, causing the majority of management to disregard such changes. As a result, inaction has frequently resulted in negative consequences for institutions, as seen by internal inefficiencies and poor service delivery to target consumers. Overall low performance means fewer job opportunities are created and the establishment contributes less to the state’s GDP growth.
The high rate of SMEs failing in the economy is concerning, as it has a number of negative consequences, including waste of limited resources, job losses, and missed opportunities. SMEs are not performing with a guaranteed or fixed upscale prediction, according to Thinji and Gichira (2017), despite the availability of monetary and non-monetary incentives from the government and non-profit organizations. According to a research study that was undertaken by the ‘World Bank’ in 2015, the likelihood of SMEs in Kenya not doing so well during the first few months of being in operation (three out of every five SMEs), and the few that survive, roughly 80% end up unsuccessful before five years. This is due to a lack of strategic management, failure to build customer-focused initiatives, and failure to develop a system of controls to monitor SME performance. Inadequate planning knowledge, specialized skills, time constraints, and a reluctance to share knowledge are all barriers to strategic planning in SMEs. Because of this, a full examination of SMEs' plans and how their key performance indicators are executed, monitored and measured with the goal of enhancing efficiency and productivity in order to focus on consumers and the changing environment is needed.

Onyancha, (2013), Omanga, (2011), Kihui, (2016), Dimba, (2009), and Muliro (2012) have all done study on the financial performance, Investment, and financing of small businesses in the Kenyan real estate market. Despite the importance of small and medium-sized enterprises (SMEs) in a country's economy, there is a substantial minimal of research into SMEs' business strategies and non-financial performance, more so in the Nairobi City County and 'real estate sector’. The study's goal is to raise awareness about the subject matter.

Furthermore, the majority of these studies have primarily focused on SMEs' financial performance, with only a few using the balance score card, leaving a deficit in the non-financial aspects of SMEs. Similarly, research on SMEs in Kenya's real estate market hasn't concentrated on overall business strategy or non-financial performance. This research will expand on this by looking into the business strategies and non-financial performance of SMEs in Nairobi City County, with an emphasis on the real estate sector.
1.3 Objectives of the Study
The purpose of this study was to identify the business strategies that are being undertaken by the SMEs and their influence on the non-financial performance in the real estate sector of Nairobi City County.

1.3.1 General Objective
The major goal of this research was to examine business strategies and non-financial performance of small medium enterprises in Kenya's real estate sector.

1.3.2 Specific Objectives
The following are the specific objectives of the study;

i) Finding out how Differentiation strategy effect on SMEs non-financial performance. in Nairobi City County’s property market.

ii) To assess the effect of Focus strategy on SMEs non-financial performance in Nairobi City County’s property market.

iii) To determine how Innovation strategy affects the non-financial performance of SMEs in Nairobi City County’s real estate sector.

iv) To assess the influence of Cost Leadership strategy on SMEs non-financial performance in Nairobi City County’s real estate sector.

1.4 Research Questions
The study answers the following research questions;

i) What effect does Differentiation strategy have on the non-financial performance of SMEs in Nairobi City County real estate sector?

ii) How does Focus Strategy affect SMEs in Nairobi City County’s property market non-financial performance?

iii) How does Innovation strategy affect the non-financial performance of SMEs in Nairobi City County’s property market in real estate sector?

iv) How does Cost Leadership strategy affect SMEs non-financial performance in the real estate sector in Nairobi City County?

1.5 Significance of the Study
The study will help policymakers figure out how to help small and medium-sized enterprises (SMEs) start and run their businesses. This needs to be considered when evaluating, making, and putting into place policies to help SMEs in the real estate industry.
The results may also be useful to the county’s real estate industry, since they will help enterprises make and carry out plans that will make them more competitive and improve their performance in ways other than money. The study was only done with real estate firm managers in Nairobi City County. However, the results may be applicable to enterprises and the research population, which are all real estate players. This study could be useful for future researchers and scholars who are interested in the business strategies and non-financial performance of SMEs in the real estate sector. Future research could build on the results of this study and figure out where there are gaps in knowledge that need to be filled.

1.6 Scope of the Study

The focus of this study was on small and medium-sized enterprises in the real estate businesses in Nairobi City County. The main reason why Nairobi City County was chosen over other areas is that this is where most small and medium-sized enterprises (SMEs) are located and where most of the big business decisions are made. Also, these enterprises, almost all face the same market forces. Managers of real estate firms were asked to take part in the study because they are in charge of making business strategy decisions. The study was mostly about business plans used in the last five years. As the study was quantitative, a descriptive cross-sectional survey design was used, and the questionnaire was the main (primary) tool used to collect data. Both descriptive and inferential statistics were used to look at the data. A pilot study was carried out in testing the legitimacy and dependability of the research.

1.7 Limitations of the Study

There was no sufficient information about this issue in Kenya prior to this research. However, because business strategies and non-financial performance are universal, the researcher based his research on a review of relevant literature.

Second, because the study primarily revolved around real estate enterprises in ‘Nairobi City County, the findings could only be applied to the study on SMEs and research population. As a result, the conclusions cannot be applicable to other real estate investors.

Finally, because of the company's privacy policies, respondents weren't able to disclose all of the information. Employees were told that the information would be kept confidential and utilized exclusively for academic purposes after the conclusion of the research.
1.8 Organization of the Study

This section one provides the background of the study. The section further elaborates the statement of the research problem, the purpose of the study and the study questions which the study aims to answer. The importance, rather the significance of the study, scope as well as the limitations of the study as indicated in the section. In Chapter two, the section analyses the literature on business strategies and enterprises performance that has been analysed by Scholars, Researchers, Academicians, and Authors. This part also covers the conceptual framework and how company strategies connect to non-financial performance.

Additionally, in chapter three, it goes into greater detail about the study tools and techniques employed to address the study's questions. There are the following sections in this chapter: research design, target population, data collection methods, data analysis, and finally, ethical considerations that must be adhered to. Further, in Chapter four, Respondent data was analysed and summarized using percentages, frequencies, and the mean; this information was then presented in tables. Finally, in chapter five, it focuses on the study's interpretations which are based on the research questions and objectives. Small and medium-sized real estate companies in Nairobi City County, Kenya, were researched for business strategies and non-financial performance as part of this study. This chapter includes the summary of results, conclusions and recommendations for further study.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This section analyses the literature on business strategies and enterprises performance that has been analysed by scholars, researchers, academicians, and authors. This part also covers the conceptual framework and how company strategies connect to non-financial performance.

2.2 Theoretical Literature Review

The research looked at three models that explained how corporate strategies affect performance of the organizations. Porter's Generic Competitive Strategy, Resource Based View, and Alignment Theory are the models used.

2.2.1 Porter's Generic Competitive Strategy

For a company to avoid squandering precious resources Porter (1980) recommends that it choose one of the following strategies: cost leadership, distinctiveness or focus. Because it contends that a company's competitive advantage results from the strategies it uses to address its stability, weaknesses, opportunities, and risks, the Porter's theory offers some insight into the competitiveness of an organization (Lu, Shem & Yam, 2008). So as to succeed, Anupkuma (2005) says Porter believes in using cost management, focus strategies, and differentiation in order to succeed.

For a company to know if its profitability exceeds or falls short of the industry average, Atikiya (2015) says it must know its market share. If you want to maintain your competitive advantage, you need to make sure your company is profitable. Those institutions can take use of two critical competitive advantages, it has been discovered. In addition to 'differentiation,' there are also 'cheap cost' (Porter, 1980). Through good cost leadership, focus, and distinction, most institutions have been able to improve their performance. The two crucial instruments in this strategy are a cost focus and a differentiation emphasis (Porter, 1985). To be a low-cost manufacturer, a firm must have cost leadership, according to Porter (1985). There are many different ways in which a company might get an advantage over its competitors in the market. It is less certain that the company will be a top performer, but if it can maintain long-term cost leadership, it is more likely that it will be. While, under the differentiation strategy, a company strives to stand apart from the competition. Customer oriented aspects are prioritized by the company. Consequently, the company picks out a few things that a large number of industry clients consider are critical and deliberately guarantees that it adheres to the requirements stated (Porter, 1985).
The choice to concentrate on a certain industry serves as the cornerstone of a focus strategy. This strategy places an emphasis on specific field segments and adjusts its approach to suit those segments' demands. There are two possibilities for this technique: distinction focus and cost emphasis. Companies with a differentiation emphasis look for ways to stand out from the competition in their target market while those with a cost focus want to get a competitive edge. It is also important to consider the contrasts between a focuser's target segment and others in the industry when determining focus strategy.

Porter's generic tactics are widely acknowledged by academics and researchers. However, one of the most heavily contested claims is the idea that generic tactics rather strategies are incompatible. The pursuit of one strategy by a corporation may result in bad performance according to several academics and scholars Kim, Nam, and Stimpert (2004), Spanos et al. (2004), among others SMEs in Kenya, on the other hand, have adopted Porter's tactics for staying competitive (Onyancha, 2013). There are three main goals of our study that are addressed by this theory: differentiation, cost leadership, and a focus approach.

2.2.2 Resource Based View Theory

Penrose (1959) and Seiznick (1959) were the first to introduce the resource-based perspective (1957). According to this viewpoint, resources play a crucial influence in shaping an organization's overall performance. The success of any organization is determined by how effectively resources are dispersed and utilized to produce value in order to get a competitive edge (Barney, 1991). According to this viewpoint, having both tangible and intangible resources can help a company's performance and overall competitiveness.

Barnley (2007) believes that if resources are mobilized appropriately, an organization's performance will increase. As a result, establishments in the same segment can be considered heterogeneous, especially in terms of the resources they rely on. To ensure enhanced production, however, resources and capabilities must operate together (Newbert, 2008). As a result, the only way for businesses to gain a competitive edge is to use a resource-capability combination. Capabilities and resources, according to Bitar and Hafsi (2007), are considered sources of strategic edge, even if they don't always contribute to it.

While there have been many instances where RBV has been praised, it is also vital to recognize that the perspective has detractors. Hedman and Kalling (2003) both stated that the line of thought did not take into account management difficulties or dynamics. On the other hand,
Chan et al. (2004) declared that the theoretical perspective implicitly assumed static equilibrium.

Despite the fact that establishing institutional capacities from time to time provides a significant competitive advantage. Essentially, the only way for businesses to get a competitive advantage is to ensure that they provide value to their target customers. Cost, superior service, and the proper items can all contribute to the value. According to Grant (1991), the theoretical perspective can be linked to capabilities and competitive techniques, all of which are targeted at ensuring value generation for target customers. As a result, individuals must not only consider their capabilities, but also maintain and renew their capabilities on a regular basis. As a result of this line of reasoning, the strategic alignment of various resources and competitive strategies used would yield value. For example, when devising strategies to get a competitive advantage, SMEs in Nairobi should concentrate more on the institute's available resources in order to provide value for its customers.

2.2.3 Alignment Theory

Control systems must work hand in hand with institutional strategy, according to strategic performance assessment (Fisher, 1995). Any performance metrics should match well with the approaches established by a corporation at any given time, according to a performance alignment perspective (Van der Stede et al., 2006). In general, an institute's success is judged over time rather than in the immediate term. Van der Stede et al. (2006) suggest that an institution's prowess can be measured using both non-financial and financial metrics.

This hypothetical standpoint, on the other hand, may have a wide range of applications, despite its detractors. Linking non-financial performance measurements to strategy, according to Ittner (2008), has no substantial impact on performance. He claims that the absence of economic benefits from enhancing intangible measurement is due to a multitude of factors. First and foremost, an inadequate strategy may misrepresent the beneficial effect of tying performance measurements to strategy. This implies that the company's strategy must be in line with its internal goals and value drivers (Ittner & Larcker, 2001). Other issues mentioned by Ittner (2008) include poor measure selection and improvement targets, the possibility of gaming performance measurements, and organizational impediments. He comes to the conclusion that a positive relationship between nonfinancial assessment and improvements in intangible performance departments does not always reflect an improvement in economic performance. Both the alignment theory and strategic fit are strong supporters of 'non-financial performance
measurement.' The necessity of aligning corporate strategy to total non-financial performance will be shown as a result of this idea. It will shed light on the non-financial performance evaluation tools used and how well they align with the plan, as well as their positive or negative impact on performance.

2.3 Empirical Literature Review

The Empirical literature review compares and contrasts the perspectives of many authors on enterprises’ strategies and performance in this section. Kothari (2010), Literature review is done to find out what data and other materials if any are available for operational purposes.

2.3.1 Differentiation Strategy and Non-Financial Performance

According to Murphy (2011), differentiation occurs when businesses recognize the distinctiveness of their products in comparison to those of their competitors and charge premium prices as a result. In a word, differentiation is the process of creating something that customers identify as distinct (Nagarajan & Patro, 2010). According to Porter (2001), a company's differentiation technique is achieved through brand development, technology, design or innovation, and positioning. The benefits of 'differentiation' require business owners to compartmentalize markets in order to focus goods and services to certain segments/groups, resulting in the highest possible pricing.

According to Ogutu and Samuel (2012), these expenditures must be offset by increased earnings as a result of sales. According to Bacanu (2010), differentiation strategies have been adopted in a variety of businesses, with a focus on companies that demand quality for success, such as SMEs, which account for more than half of GDP income. Instead of focusing on the lowest cost, differentiation strategies prioritize creating value through distinctiveness (Ogutu & Samuel, 2011). However, there is still a potential that business competitors will copy your differentiation (Olwande, 2012). As a result, it is always a good idea to not only innovate but also to improve on a regular basis.

In South Africa, Matsoso and Benedict (2014) performed a survey on non-monetary performance measures in SMEs' Supply Chain Management. According to the data, SMEs recognize the value of non-monetary indicators and absorb them to a significant level, as well as advocate product diversification as one of their key tactics. Olwande (2012) performed a survey to determine which procedures were used by Kenyan 'pharmaceutical institutes.' According to the findings, the majority of pharmaceutical companies used distinctiveness as a primary strategy, which resulted in improved financial and non-financial results. Samad (2009)
looked at Porter's generic tactics in 120 Arabic SMEs across a variety of industries. The findings demonstrated that enterprises with multiple enterprise strategies had considerably different average monetary and non-monetary performance: firms that can't decide which strategy to apply have significantly worse non-monetary performance than enterprises with a focused differentiation strategy.

Furthermore, empirical studies on competitive tactics in Kenya have been undertaken across a variety of backgrounds and industries. Minja and Mutunga (2014) conducted a study on competitive intervention measures used by institutes in the Kenyan beverage industry, and found that differentiation was seen as the most effective technique among the others. Warucu (2001) focused on commercial banks' clearing house business practices. According to the data, one of the key techniques used by commercial banks to outperform their competitors was product differentiation. Murage (2011) found that most service stations use differentiation to gain a competitive advantage in the petroleum sector. As a result, the purpose of this study is to determine the impact of differentiation strategy on SMEs in Nairobi County's property market non-financial performance.

2.3.2 Focus Strategy and Non-Financial Performance

Instead of going for the entire market, a focus strategy focuses on a certain segment of the market (Porter, 2001). The first step is to do a thorough research of the market before focusing on the chosen group, which is critical to gaining an advantage over competitors. For example, a company may choose to focus on a certain service, clientele, commodity or geographic location. As a result, the primary goal of the focus approach is to gain market share by operating in a single niche.

According to Atikiya (2015), in order to successfully adopt a focus strategy, the niche should be large enough to allow for expansion while also being irrelevant to competitors. When customers have clear preferences and there aren't any other companies vying for the same niche, this approach is extremely cost-effective. It is possible for an institution to be put at danger if the specialty shrinks or becomes too small to be profitable. Difference and cost strategies appeal to customers but those that choose to use a focus strategy focus on a peculiar geographical location or target a specific customer group, according to (Atikiya 2015). Cost-focused or differentiation-focused strategies might be used in order to gain a foothold in certain sectors, according to (Porter 2001).
An enterprise can adopt a cost-focused approach because of different expenditure frameworks in different SME market groupings, according to Samuel (2010). Different SME segments of the market possess distinct needs and preferences; thus, an enterprise capitalizes on the potential by developing goods or services to meet the needs of buyers in a specific market niche. (Darlton, 2016). For industries that rely on economies of scale, a focus on expenditure can be difficult. It is possible, according to Lynch (2013), that the niche will become obsolete as the market and customer demands evolve.

Olwande (2012) carried out research to discover pharmaceutical corporations’ strategy. According to the findings of the survey, focus strategy was one of the primary methods used by the majority of Kenyan pharmaceutical businesses in order to increase performance. According to Maluku (2008) study of competitive strategies in Kenyan dairy firms, most of the dairy firms preferred a focus approach above differentiation and cost leadership because it was directly linked to the industry's best monetary and non-monetary performance. Similar to Maluku (2008) research, a survey done by Mary (2014) in Kenya's tourism sector was aimed at determining the link between competitive advantage and generic strategies. Research in this area aims to uncover how focus strategy affects the non-financial performance of an enterprise, with the primary focus being on Kenyan SMEs in the real estate industry.

2.3.3 Innovation Strategy and Non-Financial Performance

The claim made by Mohamad and Sidik (2013) that continuous innovation is the foundation for continuous firm achievement sparked a lot of attention in the topic of innovation and enterprise performance throughout the years. According to Mbizi, Hove, Thondhalana, and Kakava (2013), businesses that refuse to innovate are setting themselves up for failure. The ability of businesses to create new ideas is critical to maintaining a competitive advantage and improving performance (Naidoo 2010). Non-Financial Performance Measures has a significant relationship with innovation, according to Abernethy et al., (2013). The remarkable quality of Non-Financial Performance Measures, which is slightly distinct from financial accounting performance, is its ability to mandate broader performance characteristics than monetary performance measurements. (Kiraka 2013) company that relies solely on financial data is perceived as being less innovative.

SMEs, (Noorani 2014), would be better positioned to compete in the market if they could produce superior services, designs, and products, surpassing their competitors. It is difficult to find a stakeholder in the sector who isn't prepared to innovate in response to changing market
conditions. According to Gunday et al., (2011), innovation should not be regarded a luxury in the twenty-first century, but rather a need. The majority of research that looked at the relationship between performance and innovation found that there is one, and that the higher the degree of innovation, the higher the level of performance. Noorani (2014), Olughor (2015), and Gunday et al., (2011) demonstrate that numerous studies have been conducted in order to determine the relationship between innovation strategy and organizational success. According to Olughor a study on innovation and business performance done in Nigeria, firms must invade the market early to present new goods with top-level innovation in order to realize sales income as a direct outcome of innovation. Omanga (2011) concurs with Olughor and advises Kenyan SMEs to follow footsteps in order to obtain great results.

Furthermore, according to Webster (2006), non-financial performance motivates employees to be more creative and informed, come up with fresh ideas that will benefit the organization. Hall (2011) found that innovation enhances company performance in a study of Spanish industrial enterprises. Furthermore, O'Connell and O'Sullivan's (2014) research in Canada found that an institute's performance is strongly linked to its innovativeness. Similarly, Gökkaya and zba (2015) claim that the proper implementation of business strategy is at the heart of the transformation process in public administration. Despite this, they point out that innovation in public administration does not always equate to improved non-monetary performance in government agencies. Finally, McPhail, Herington, and Guilding (2008) claim that one of the thinking processes leading to balanced scorecards is the internal business process. As a result, the purpose of this research is to determine the impact of innovation strategy on non-financial performance in the real estate sector in Nairobi City County.

2.3.4 Cost Leadership Strategy and Non-Financial Performance

If a business is able to produce at the lowest possible cost, it will make the greatest money (Ogutu & Samuel, 2012). An advantage over rivals can be gained by charging prices that are continuously lower than those of competitors, which is known as "cost leadership" (Porter, 2001). Leadership, production, and labour all need to be low-cost in order for an organization to gain a lower cost advantage (Porter, 2001). It's also important to note that cheap cost doesn't always mean low cost. With a wider margin than competitors, producers may price at competitive parity. When it comes to delivering high-quality vehicles at affordable prices, some firms like Toyota succeed. They also have a strong brand and marketing plan in place (Faziljanovna & Yongqian, 2016). A low-cost leader's competitive advantage is based on lower overall expenses than its competitors. A surprising number of organizations are unable to
control their costs over time, in as much as this might not be a first-time predicament. Leaders in the low-cost arena excel in slashing expenses.

Study by Marques et al. (2014) found institutions with higher equity returns largely employed a cost leadership approach. The institutions focused on a cost approach to leadership developed from production breakthroughs to ensure production efficiency. For strategic non-financial performance, Samir (2016) discovered that cost leadership strategy has a significant impact on the organizations’ strategic non-financial performance. There is a strong correlation between cost leadership and a company’s financial and non-financial performance, according to this research (Li et al., 2008).

There is some evidence that SMEs in industrialized countries fail to apply cost leadership methods, according to Boggs (2018). These findings are used in this study to estimate the impact of the cost leadership approach on non-financial performance with a particular focus on SMEs in Kenya.
### 2.4: Research Gap

<table>
<thead>
<tr>
<th>Author</th>
<th>Topic</th>
<th>Findings</th>
<th>Research Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Atikiya et al (2015)</td>
<td>Strategy development among SMEs in furniture and fittings sector in the country (Kenya)</td>
<td>Most small and medium-sized businesses (SMEs) lacked a strategic plan, and even those that had this plan lacked all-inclusive process.</td>
<td>The study only focused on the furniture fittings sector and did not highlight the most relevant strategies employed by the SMEs</td>
</tr>
<tr>
<td>Onyancha (2013)</td>
<td>Strategies implemented by SMEs in Kenya to triumph through foreign market restraints</td>
<td>SMEs growth in any country rests on the support of external enterprises and the physical and human resource availability</td>
<td>The study did not focus on the local market and local dynamics thus symbolizing a literature gap</td>
</tr>
<tr>
<td>Yogo (2013)</td>
<td>Growth strategies implemented by SMEs in Oyugis town, Homa Bay County.</td>
<td>It identified that most of the businesses had growth strategies such as marketing, pricing, market penetration among other strategies.</td>
<td>The study’s geographical scope was Oyugis town and the same conclusion cannot be made in Nairobi City County.</td>
</tr>
<tr>
<td>Kihui (2016)</td>
<td>Competitive business strategies employed by SMEs in the real estate sector in the Nairobi metropolitan area.</td>
<td>Companies in the real estate sector used a variety of techniques to obtain a competitive advantage, including the adoption of new technologies and the formation of strategic alliances with other businesses.</td>
<td>The study was not intended for the non-financial aspect of performance, also the geographical scope was limited.</td>
</tr>
</tbody>
</table>

*Source: Researcher, (2022)*
When it comes to researching small business strategies and non-financial performance in the real estate sector, there is currently lack of literature on this subject matter. The balance score card will be used to assess non-financial performance (from the viewpoints of the customer, the enterprise internal operations, and the company commitment to innovation and learning). A variety of generic and competitive strategies, such as differentiation, focus and cost leadership strategies, will be examined in order to determine the best strategic plan for each enterprise.

2.5 Conceptual Framework

The conceptual framework below presents the relationship between independent and dependent variables.

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Strategies</td>
<td>Non- Financial Performance</td>
</tr>
</tbody>
</table>

**Differentiation strategy**
- 1. Broad range of products
- 2. Competition

**Focus Strategy**
- 1. Market segmentation
- 2. Niche market
- 3. Product specialization

**Innovation Strategy**
- 1. Research and development
- 2. Technology

**Cost Leadership Strategy**
- 1. Mass production and distribution
- 2. Technology and automation
- 3. Low cost strategy

**Market Share**
- Number of Branches
- Increase in sales revenue

**Interpersonal Relations**
- Superior-subordinate relations
- Working environment

**Organizational Image**
- Clientele base growth

Figure 2.1: Conceptual Framework

*Source: Researcher (2022)*
The relationship between company strategy and non-financial success is depicted in the conceptual model shown in Figure 2.1. The non-financial aspects of performance will be judged in terms of market share and interpersonal ties (2010). The various forms of business strategies, Innovation, Differentiation, Focus, and Cost Leadership strategy will be examined in order to assess corporate strategy.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The purpose of this study was to identify the business strategies that are being undertaken by the SMEs and their influence on the non-financial performance in the real estate sector of Nairobi City County. The major goal of this research was to examine business strategies and non-financial performance of small medium enterprises in Kenya's real estate sector. SMEs in the real estate industry are the focus of this study, which focuses on their establishment methods and non-financial performance. To that end, this chapter goes into greater detail about the study tools and techniques employed to address the study's questions. There are the following sections in this chapter: research design, target population, data collection methods, data analysis, and finally, ethical considerations that must be adhered to.

3.2 Research Design

This is a technique of conducting research in order to answer specific research topics (Orodho, 2003). Because it allows researchers to contextually assess the link between business strategies and non-financial performance in real estate SMEs, this study used a descriptive research approach. As an added benefit, using a descriptive study method guarantees that all aspects of the situation are fully described and that any bias in data gathering is minimized (Kothari, 2003). The results can be generalized to a broad population because of this design. Descriptive research, according to Sekaran, (2005), gives a precise account of the people, events, or situations by seeing and interpreting them. Study designs such as descriptive and quantitative ones are described as being ideal for showing connections between phenomena or situations that are studied by sample of the intended audience at a certain time.

3.3 Target Population

All 87 small and medium-sized enterprises (SMEs) in the real estate industry in Nairobi City County as of December 31st, 2020 were included in the target population (Kenya Property Developers Association Report, 2020). A target population is the entire population that one desires to study (Sekaran & Bougie, 2010). The managers of the small and medium-sized enterprises (SMEs) in Kenya's capital, Nairobi, were the subjects of the study. Managers of small and medium-sized businesses (SMEs) are held accountable for all aspects of their companies' growth and development, as well as for their overall leadership and management. The questionnaire was sent to the 87 business managers of the real estate companies indicated in appendix III. There were 87 enterprises in Nairobi City County that the investigation focused
on (Nairobi City County Licensing department, 2019 and Kenya Property Developers Association Report, 2019). Samples were not taken since the target population was so small.

3.4 Research Instrument

This research utilized primary sources to collect data. The questionnaire was selected to be the main research instrument for data collection as the study was quantitative. Questionnaires are a time and money saver as well as straightforward to administer and analyse, according to Cooper and Schindler (2010). The questionnaire had to be revised to meet the needs of this investigation. A five-point Likert scale was used (Sekaran, 2005). Information from the participants was collected through the use of freely completed and anonymously administered questionnaires (FAFSQs). Prior to data collection, respondents were given a detailed explanation of the study's purpose.

3.5 Pilot Study

The researcher validated the questionnaire's reliability and validity by conducting a pilot test before the data collection began. The validity and reliability of the questionnaires were tested in a pilot study of real estate SMEs run by the managers of the enterprises as the 87 respondents were stored in a database and excluded from the study's focus. From the target demographic of real estate SMEs in Nairobi City County, the respondents who were the managers were picked at random. During the pre-testing stage, any insights or commendations provided by respondents were critical to guaranteeing the quality of the questionnaire (Mugenda, 2010). The reliability and validity of the findings and the methods employed to conduct the research are two factors that contributed to the overall quality of the study.

3.5.1 Validity and Reliability of Research Instrument

Validity helps ensure that the questions in an instrument precisely measure the specific study variables under pilot study. When a research is validated, it ensures that its questions accurately assess the study variables. Cooper and Schindler (2010) recommended to check on accuracy of the instrument’s correctness and highlight any areas that needed further review in order to meet the stated goals with the intention of fulfilling the said goals.

3.5.2 Reliability of Research Instrument

Reliability measures the degree of consistency in an instrument (Mugenda & Mugenda, 2010). Cronbach's alpha determines the internal consistency of the survey instrument used. It is typically employed when the study or questionnaire contains multiple Likert questions that
form a scale, similar to one used in the study (Mugenda & Mugenda, 2010). The Alpha can take values from zero to show lack of consistency to one of which indicates high internal consistency. Cronbach’s alpha of 0.70 and above shows sound and reliable measures for further analysis (Hair, Anderson & Tatham, 1998; Gliem & Gliem, 2003).

### 3.7 Data Collection Procedure

A meeting was held with the managers of the enterprises where the study was undertaken. This was to clarify on the primary purpose of the study and seek if the study should be continued. The procedure entailed making a brief introduction to the respondents requesting them to take part in the study. The questionnaires were administered through personal delivery, coded for easy reference, names of the enterprise and those of the respondents were omitted for confidentiality purposes. Where personal delivery was not possible, the questionnaires were sent via mail with the respondents being reminded to fill with the highest level of accuracy where possible.

### 3.8 Data Processing and Analysis

Statistical Package for Social Sciences was used to analyse the data collected after it had been edited, coded, and typed into a computer (SPSS v.21.0). Editing answers, according to Mugenda and Mugenda (2010), is meant to discover and eliminate faults committed by both parties. Respondent data was analysed using a combination of descriptive and inferential statistics. Simplified statistical procedures, which do not establish or deny a relationship but are useful in describing the data, are referred to as descriptive statistics. Descriptive statistics, on the other hand, is aimed at helping researchers organize their data in a meaningful and productive manner. For example, a researcher can use percentages or frequency distributions or tables or charts to categorize the variables for reference purposes. Data from the larger population of studies was analysed using inferential statistics to identify a correlation. A spearman correlation coefficient will be put in play to point out the variables; the ‘dependent variable’ and each ‘independent variable’. This plays a function in ensuring a focused conclusion.

Non-financial performance and business strategy will be examined using a multiple regression model. I employed the following formulae:

\[ Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon \]

\[ Y = \text{Non-financial Performance} \]
Whereby: \( Y = \text{Non-financial performance}, \ X_1= \text{Differentiation Strategy (D)}; \ X_2= \text{Focus Strategy (F)}; \ X_3= \text{Innovation Strategy (I)}; \ X_4 = \text{Cost Leadership (CL)} \)

\( \beta_0 = \text{Constant term} \)

\( \varepsilon = \text{Error term} \)

\( \beta_0, \beta_1, \beta_2, \beta_3, \beta_4 = \text{Regression model coefficients values for independent variables } X_1, X_2, X_3, X_4 \) respective

### 3.9 Ethical Issues

An ethical issue for study subjects is primarily privacy, anonymity, and the ability to give informed permission. The researcher didn't push his way in to making the subjects feel more at ease. No one was harassed during the data gathering procedure, and the confidentiality and privacy of the respondents was respected. Similarly, no personal identifiable information was gathered; all data were treated with strict confidentiality, and no information was shared with anybody outside of the research team except for the researchers themselves. This study was conducted with the utmost care to assure its quality and integrity. To avoid accusations of plagiarism, we made sure that all of the published and unpublished sources we used for this research were properly acknowledged.
CHAPTER FOUR: RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

These small, middle-sized real estate businesses in Nairobi City County (Kenya) were examined to see how their financial and non-financial performance compared. Respondent data was analysed and summarized using percentages, frequencies, and the mean; this information was then presented in tables.

4.2 Reliability Test

It was possible to assess the questionnaire's internal consistency and reliability using the Cronbach's alpha statistic. Alpha values of 0.766, 0.710, 0.681, and 0.821 were found for Differentiation, Focus, Innovation, and Cost Leadership strategies, respectively, according to the study. An ‘Alpha coefficient' of 0.70 or higher indicates sound and dependable measures for future investigation (Gliem & Gliem, 2003). Its alpha value was 0.732 and the scale combination was 0.732, which is a strong and dependable measure for non-financial performance Table 4.1 shows the results of the experiment.

Table 4.1: Reliability Statistics

<table>
<thead>
<tr>
<th>Variables</th>
<th>Cronbach's alpha</th>
<th>Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-financial performance</td>
<td>0.732</td>
<td>5</td>
</tr>
<tr>
<td>Differentiation strategy</td>
<td>0.766</td>
<td>4</td>
</tr>
<tr>
<td>Focus strategy</td>
<td>0.710</td>
<td>5</td>
</tr>
<tr>
<td>Innovation strategy</td>
<td>0.681</td>
<td>6</td>
</tr>
<tr>
<td>Cost leadership strategy</td>
<td>0.821</td>
<td>6</td>
</tr>
<tr>
<td>Scale Combination</td>
<td>0.742</td>
<td>26</td>
</tr>
</tbody>
</table>

Source: Researcher (2022)

Individuals who were engaged in the study were in managerial positions in the SMEs found in real estate segments of Nairobi city County. They responded to the questionnaires as outlined in Table 4.2
Table 4.2: Response Rate

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Response</td>
<td>65</td>
<td>74.7</td>
</tr>
<tr>
<td>Non response</td>
<td>22</td>
<td>25.3</td>
</tr>
<tr>
<td>Total</td>
<td>87</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Researcher (2022)

Table 4.2 shows that questionnaire return rate was 74.7% and according to Mugenda (2008) a response rate above 70% is sufficient for analysis.

4.4 Demographic Information of the Respondents

4.4.1 Enterprise Profile

The background information of the real estate firms included the period that the institute has existed, number of employees with permanent roles in the establishment, market share, estimate annual turnover and employee retention. Findings are presented in Table 4.3.

Table 4.3: Enterprise Profile

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency (F)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period of existence</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-5 years</td>
<td>14</td>
<td>21.5</td>
</tr>
<tr>
<td>5-10 years</td>
<td>36</td>
<td>55.4</td>
</tr>
<tr>
<td>11-15 years</td>
<td>10</td>
<td>15.4</td>
</tr>
<tr>
<td>Over 16 years</td>
<td>5</td>
<td>7.7</td>
</tr>
<tr>
<td>Total</td>
<td>65</td>
<td>100.0</td>
</tr>
<tr>
<td>Number of permanent employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-10</td>
<td>38</td>
<td>58.5</td>
</tr>
<tr>
<td>11-20</td>
<td>15</td>
<td>23.1</td>
</tr>
<tr>
<td>21-30</td>
<td>7</td>
<td>10.8</td>
</tr>
<tr>
<td>31-40</td>
<td>5</td>
<td>57.7</td>
</tr>
<tr>
<td>41-50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>65</td>
<td>100.0</td>
</tr>
</tbody>
</table>
Findings in Table 4.3 show that 21.5% (14) of the organizations have been in operation for 15 years, 55.4% (36) for 5-10 years, 15.4% (10) for 11-15 years and 7.7% (5) have been working close to 16 years and above. This suggests that the organizations are suitable to reply to the research questions about business strategies and non-financial performance because they have been in existence for a sizable number of years.

Findings also show that 58.8% (38) of the organizations had 1-10 permanent employees, 23.1% (15) 11-20 employees, 10.8% (7) 21-30 employees and 7.7% (5) had employed 31-40 employees. This implies that the organizations fit the description of small medium enterprises with reference to the minimum and maximum number of employees.

With regards to the industry market share, 18.5% (12) of the firms owned 1-20% of the market share, 56.9% (37) owned 21-40% while 24.6% (16) had a market share of between 41-60%. This shows that the real estate industry in Kenya is very competitive hence the need to adopt various strategies aimed at improving firm non-financial performance.
The estimated annual turnover for of the firms was 0-10 million for 215% (14) of the firms, 1120 million for 523% (34) of the firms, 21-30 million for 154% (10) of the firms and 31-40 million for 10.8% (7) of the real estate firms. This implies that the firms' annual turnover coincides with the annual turnover of small and medium enterprises in Kenya which is between 10-50 million.

Findings further show that 55.4% (36) of the managers have worked in the firms for 1-5 years, 29.2% (19) for 6-10 years, 9.2% (6) for more than 10 years and 6.2% (4) for less than one year. This implies that the managers have been working in the real estate industry hence in a position to understand the strategies adopted by these firms to enhance performance.

4.5 Descriptive Analysis of the Study Variables

4.5.2 Small and medium-sized enterprises strategies

The study's goal was to show that companies have implemented business strategy. There were questions about the extent to which each of the mentioned business strategy has been implemented by the companies' managers. Table 4.4 shows the results of the study.

Table 4.4: Extent to which Firms have Adopted Strategies

Scale: 1- Very great extent,

2- Great extent,

3- Some extent,

4- Little extent,

5—Not at all
The enterprise has adopted cost reduction initiatives

Our enterprise has forged joint ventures with Other strategic partners

Our enterprise has undertaken restructuring to improve on management

Our enterprise has undertaken operational turn round measures

We outsource non-core business activities to concentrate with core enterprise activity in Order to gain a competitive edge

<table>
<thead>
<tr>
<th>Statements</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>The enterprise has adopted cost reduction initiatives</td>
<td>41</td>
<td>63.1</td>
<td>11</td>
<td>16.9</td>
<td>5</td>
<td>7.7</td>
</tr>
<tr>
<td>Our enterprise has forged joint ventures with Other strategic partners</td>
<td>33</td>
<td>50.8</td>
<td>14</td>
<td>21.5</td>
<td>8</td>
<td>12.3</td>
</tr>
<tr>
<td>Our enterprise has undertaken restructuring to improve on management</td>
<td>33</td>
<td>50.8</td>
<td>16</td>
<td>24.6</td>
<td>8</td>
<td>12.3</td>
</tr>
<tr>
<td>Our enterprise has undertaken operational turn round measures</td>
<td>35</td>
<td>53.8</td>
<td>12</td>
<td>18.5</td>
<td>8</td>
<td>12.3</td>
</tr>
<tr>
<td>We outsource non-core business activities to concentrate with core enterprise activity in Order to gain a competitive edge</td>
<td>40</td>
<td>61.5</td>
<td>11</td>
<td>16.9</td>
<td>7</td>
<td>10.8</td>
</tr>
</tbody>
</table>

N=65

Source: Researcher (2022)

Table 4.4 shows that about 63.1 percent of the managers said that the enterprise has taken cost-cutting measures to a very great extent, 50.8% said that the enterprise has formed joint ventures with other strategic partners to a very great extent, 50.8% said that the enterprise has restructured to make management better to a very great extent, and 53.8 percent said that the enterprise has undergone reorganization to improve management to a very great extent. This means that the companies have used different business strategies to improve their performance in areas other than finances. The finding agrees with Kihui (2016) that the key strategies that SMEs in the real estate industry employ cutting-edge technology, strategic partnerships,
innovative strategies, diversification, and strategic human resource management to acquire a competitive edge.

The research-based view theory says that resources need to be found to get a competitive advantage that lasts (Newbert, 2008). In turn, this will lead to the growth of real estate SMEs.
4.5.3 Differentiation Approach

The very first point of focus was to examine how the Differentiation technique would impact on the 'non-financial performance' of SMEs in the real estate sector in Nairobi City County. Managers were called upon to tick on their degree of agreement on recorded statements regarding differentiation strategies in their enterprise. Findings are presented in Table 45.

**Table 4.5: Differentiation Strategy**

Scale: 1=Strongly agree.

2= Agree.

3= Moderate.

4 = Disagree

5=Strongly disagree

<table>
<thead>
<tr>
<th>Statements</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>In our enterprise we differentiate products to suit the market needs</td>
<td>41</td>
<td>63.1</td>
<td>12</td>
<td>18.5</td>
<td>6</td>
<td>9.2</td>
</tr>
<tr>
<td>The enterprise is constantly launching effective real estate product promotions</td>
<td>40</td>
<td>12.3</td>
<td>42</td>
<td>200.5</td>
<td>5</td>
<td>7.7</td>
</tr>
<tr>
<td>One way that we have been able to attain a competitive advantage is by having a clear understanding of the needs of our target consumers.</td>
<td>8</td>
<td>12.3</td>
<td>42</td>
<td>64.6</td>
<td>6</td>
<td>92</td>
</tr>
<tr>
<td>The enterprise has made diversifications to enhance competitiveness</td>
<td>44</td>
<td>67.7</td>
<td>15</td>
<td>23.1</td>
<td>2</td>
<td>3.1</td>
</tr>
</tbody>
</table>

N=65

*Source: Researcher (2022)*
Discoveries in Table 4.5 illustrate that roughly 63.1% of the managers strongly approved that in their institutes they differentiate products to suit the market need, 61.5% strongly agreed that the firm is constantly launching effective real estate product promotions, 64.6% agreed that they have only been able to attain a competitive advantage by understanding consumer needs and 67.7% of the managers strongly agreed that the company has made diversifications to enhance competitiveness. This means that real estate companies have used differentiation tactics to make their products stand out in the market and appeal to students. The findings support Bacau's (2010) assertion that differentiation procedures have been utilized in an assortment of businesses, with a focus on those that demand quality for success, such as SMEs. Porter asserts, according to Anupkuma (2005), that a corporation must employ a differentiation technique to ensure success. Additionally, the discoveries agree with Mutunga and Minja (2014), who found that differentiation strategy is a top strategy across all industries, ensuring both monetary and non-monetary benefits. Similarly, the alignment hypothesis emphasizes the need of ensuring that the methods used are always in sync with the firm's ultimate aim.

4.5.4 Focus Strategy

The second objective was intended to analyse how focus strategy has affected the nonfinancial performance of SMEs in Nairobi City County's real estate industry. Managers were called upon to tick on how well they agreed based on listed statements regarding focus strategies in their enterprise. Results are outlined in Table 4.6.

Table 4.6: Focus strategy

<table>
<thead>
<tr>
<th>Scale:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree.</td>
<td>(1)</td>
</tr>
<tr>
<td>Agree.</td>
<td>(2)</td>
</tr>
<tr>
<td>Moderate.</td>
<td>(3)</td>
</tr>
<tr>
<td>Disagree and</td>
<td>(4)</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>(5)</td>
</tr>
<tr>
<td>Statements</td>
<td>2</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------</td>
<td>-------</td>
</tr>
<tr>
<td>Our aim is to continuously find techniques that would enable us to offer our products and services in distinctive localities.</td>
<td>18.5</td>
</tr>
<tr>
<td>In our enterprise there is change in production techniques and product mix</td>
<td>12.3</td>
</tr>
<tr>
<td>We always serve diverse market segments which helps increase market share</td>
<td>53.8</td>
</tr>
<tr>
<td>We always emphasis on marketing specialty product</td>
<td>32.3</td>
</tr>
<tr>
<td>The enterprise offers a restricted range of items than our competitors which helps ensure anticipated market niche success</td>
<td>10.8</td>
</tr>
</tbody>
</table>

N=65

Source: Researcher (2022)

Table 4.6 shows that 58.5 percent of managers think they always look for ways to offer products or services in different regions, 60 percent think there are changes in the enterprises production techniques and product mix, 53.8 percent strongly agree that they always serve different market segments, which helps them increase their market share, and 61.5 percent agree that they always put an emphasis on marketing specialty products. This finding agrees with what Atikiya (2015) says, which is that the main problem with the focus strategy is that it could put an institution at risk if the niche is too small to be profitable, which hurts the institution's overall performance, especially for newer ones. Maluku thinks that SMEs use focus strategy a lot, but this discovery shows that he is wrong. Porter (2001) says that enterprise should only use the focus strategy when they know their niche strength. This will help them improve their performance by putting the strategy into action.
4.5.5 Innovation Strategy

The third goal was to examine the impact of Innovation strategy on SMEs in the real estate sector in Nairobi City County's non-financial performance. Managers were called upon to tick on how well they agreed based on listed statements regarding innovation strategies in their organization.

Findings are Presented in Table 4.7

Table 4.7: Innovation Strategy

Scale: Strongly agree. 2= Agree. 3= Moderate. 4 = Disagree and 5=Strongly disagree

<table>
<thead>
<tr>
<th>Statements</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>The enterprise has become more innovative</td>
<td>40</td>
<td>61.5</td>
<td>15</td>
<td>23.1</td>
<td>8</td>
<td>3.1</td>
</tr>
<tr>
<td>The enterprise has integrated information technology into its operations</td>
<td>43</td>
<td>66.2</td>
<td>9</td>
<td>13.8</td>
<td>6</td>
<td>7.7</td>
</tr>
<tr>
<td>The enterprise is constantly offering innovative real estate features</td>
<td>11</td>
<td>16.9</td>
<td>45</td>
<td>69.2</td>
<td>4</td>
<td>7.1</td>
</tr>
<tr>
<td>The enterprise engages in research and development of new products</td>
<td>42</td>
<td>64.6</td>
<td>13</td>
<td>20.0</td>
<td>6</td>
<td>62</td>
</tr>
<tr>
<td>The enterprise constantly offers unique innovative products to customers</td>
<td>37</td>
<td>56.9</td>
<td>15</td>
<td>23.1</td>
<td>7</td>
<td>62</td>
</tr>
<tr>
<td>Product and service innovation have the ability to help improve the</td>
<td>44</td>
<td>67.7</td>
<td>13</td>
<td>20.0</td>
<td>5</td>
<td>4.6</td>
</tr>
<tr>
<td>N=65</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source; Researcher (2022)*
Table 4.7 shows that 61.5 percent of the managers strongly agreed that the organization has become more innovative, that 66.2 percent of the managers strongly agreed that the enterprise has integrated information technology into its operations, that 69.2 percent of the managers strongly agreed that the firm always offers unique, innovative products to customers, that 64.6 percent of the managers strongly agreed that the firm does research and development of new products, and that 56.9 percent of the managers strongly agreed that the firm has become more profitable. This means that the enterprises are using technology to change the way they run so they can save money on operational costs. Camis6n and L6pez (2010) showed that innovation improves the performance of non-financial enterprise. This finding backs up what they found. Omanga (2011) agrees with Therrien et al. (2011) that innovation is a must for both large and small and medium-sized enterprises (SMEs) to be successful in the 21st century, no matter what industry they are in. The resource-based view theory says that to get a competitive edge, you need to be aware of your resources' strengths. One of these is innovativeness, which is especially important in industries like real estate that are always changing and growing, like SMEs. The results show that the strategy and the company's goals are in line with each other. The company wants to stay competitive by doing a lot of research and development to make sure that SMEs in the real estate industry stay on top when it comes to technology and new ideas.

**4.5.6 Cost Leadership Strategy**

The fourth objective was to evaluate how the Cost Leadership strategy affected SMEs in Nairobi City County's non-financial performance in the real estate sector. Managers were asked to mark how well they agreed with a series of statements about their company's cost-cutting measures. Table 4.8 summarizes the results.
Table 4.8: Cost Leadership Strategy

<table>
<thead>
<tr>
<th>Statements</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership with technical and innovative motivational style of management is evident in our company</td>
<td>12</td>
<td>18.5</td>
<td>38</td>
<td>58.5</td>
<td>5</td>
<td>7.7</td>
</tr>
<tr>
<td>The enterprise always charges lower price than our competitors increasing market share</td>
<td>42</td>
<td>64.6</td>
<td>18</td>
<td>27.7</td>
<td>5</td>
<td>7.7</td>
</tr>
<tr>
<td>The enterprise heavily invests in mass production and distribution</td>
<td>4</td>
<td>62</td>
<td>12</td>
<td>18.5</td>
<td>38</td>
<td>58.5</td>
</tr>
<tr>
<td>The enterprise frequently trains our employees on low-cost strategy</td>
<td>8</td>
<td>12.3</td>
<td>42</td>
<td>64.6</td>
<td>10</td>
<td>15.4</td>
</tr>
<tr>
<td>The enterprise vigorously pursues cost reduction</td>
<td>50</td>
<td>76.9</td>
<td>11</td>
<td>16.9</td>
<td>4</td>
<td>6.2</td>
</tr>
<tr>
<td>The enterprise constantly reduces labour input through automation and technology and improve performance</td>
<td>48</td>
<td>73.8</td>
<td>7</td>
<td>10.8</td>
<td>3</td>
<td>4.6</td>
</tr>
</tbody>
</table>

Scale:  Strongly agree. 2= Agree. 3= Moderate. 4 = Disagree and 5=Strongly disagree

N=65

Source: Researcher (2022)

Table 4.8 shows that 58.5 percent of managers agree that our enterprise has a leadership style that is technical and innovative, 64.6 percent strongly agree that our enterprise always charges lower prices than our competitors, increasing market share, 58.5 percent moderately agree that our company heavily invests in mass production and distribution, and 64.6 percent agree that our company frequently trains its employees. This means that the enterprise managers have adopted strategic leadership practices to improve performance. This discovery concurs with Marques' observation that cost leadership strategy influences companies ' return on equity.
Similarly, the finding concurs with the previous study of Samir (2016) that indeed cost leadership positively influences the nonfinancial performance of an enterprise. Furthermore, Porter (1980) claims that low cost is one of two essential types of competitive advantage that an enterprise can have, and that it is thus very important for achieving high performance, as evidenced by the study's conclusions. The study also wanted to see how effective the real estate companies' measures were. Managers were asked to rate their enterprises strategy effectiveness. Table 4.9 summarizes the results.

Table 4.9: Effectiveness of Strategies Adopted by Organizations

<table>
<thead>
<tr>
<th>Effectiveness</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly effective</td>
<td>46</td>
<td>70.8</td>
<td>1.32</td>
</tr>
<tr>
<td>Moderately effective</td>
<td>15</td>
<td>23.0</td>
<td>1.26</td>
</tr>
<tr>
<td>Somewhat effective</td>
<td>4</td>
<td>6.2</td>
<td>1.31</td>
</tr>
<tr>
<td>Total</td>
<td>65</td>
<td>100</td>
<td>160</td>
</tr>
</tbody>
</table>

Source: Researcher (2022)

Table 4.9 shows that the 70.8% of the managers indicated that the business strategies are highly effective, 23% indicated moderately effective and 6.2% of the managers indicated that the business strategies are somewhat effective. This implies that the business strategies are very effective in enhancing non-financial performance. The finding concurs with Onyancha (2013) that the decision to choose a specific business strategy influences various enterprises outcomes.

In order to assess the challenges faced by organizations during strategies implementation, managers were asked to tick the most common challenges they faced while implementing strategies in their enterprises. Findings are presented in Table 4.10.
Table 4.10: Strategies Implementation Challenges

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Yes Frequency</th>
<th>Yes Percentage</th>
<th>No Frequency</th>
<th>No Percentage</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>High competition</td>
<td>44</td>
<td>67.7</td>
<td>21</td>
<td>32.3</td>
<td>1.32</td>
</tr>
<tr>
<td>Technical challenges</td>
<td>48</td>
<td>73.8</td>
<td>17</td>
<td>26.2</td>
<td>1.26</td>
</tr>
<tr>
<td>Fraud related cases</td>
<td>54</td>
<td>76.9</td>
<td>15</td>
<td>23.1</td>
<td>1.23</td>
</tr>
<tr>
<td>Strict regulations</td>
<td>45</td>
<td>69.2</td>
<td>20</td>
<td>30.8</td>
<td>1.31</td>
</tr>
<tr>
<td>Staff resistance</td>
<td>25</td>
<td>38.5</td>
<td>40</td>
<td>61.5</td>
<td>1.62</td>
</tr>
</tbody>
</table>

N=65

Source: Researcher (2022)

Table 4.10 shows that the common strategy implementation challenges are fraud (76.9%), technical challenges (73.8%), strict regulations, (69.2%) high competition (67.7%), and staff resistance (38.5). This implies that there are various challenges that hinder implementation of strategies in the real estate business. These findings concur with the finding from Onyancha (2013) that fraud and high completion are among the strategy implementation challenges facing SMEs in the 21st century and they need to be addressed going forward to avoid stagnation in the SME sector.

In order to examine the non-financial performance of the enterprises, Managers were asked to check the assertions about non-financial success in their firm to the extent that they agree or disagree. Findings are presented in the table below.

Table 4.11: Non-Financial Performance

Scale: 1=Strongly agree.
2= Agree.
3= Moderate.
4 = Disagree
5=Strongly disagree
Statements | 1 | 2 | 3 | 4 | 5 | Mean
--- | --- | --- | --- | --- | --- | ---
Over the past five years, this company has established new corporate branches. | 3 | 60.0 | 16 | 24.6 | 3 | 4.6 | 5 | 7.7 | 2 | 3.1 | 1.69
The enterprises sales revenue has increased over the last 5 years | 5 | 23.1 | 35 | 53.8 | 8 | 12.3 | 4 | 62 | 3 | 4.6 | 2.15
The working relationship between the superior and the subordinate is good. | 2 | 3.1 | 7 | 10.8 | 4 | 21.5 | 3 | 49.2 | 10 | 15.4 | 3.63
This enterprise working environment is considered to be favourable. | 2 | 33.8 | 33 | 50.7 | 4 | 21.5 | 4 | 62 | 2 | 3.1 | 2.09
The clientele base has grown over the last 5years | 3 | 58.5 | 18 | 27.7 | 5 | 7.7 | 4 | 62 | 0 | 0 | 1.62

N=65

Source: Researcher (2022)

Table 4.11 shows that 60 percent of managers strongly agree that the enterprises has opened new company branches in the last five years, 53.8 percent agree that the company's sales revenue has increased in the last five years, 49.2 percent disagree that there is a good working relationship between superior and subordinate, 50.7 percent strongly agree that the working environment in this organization is deemed conducive, and 58.5 percent strongly agree that the enterprises sales revenue has increased in the last five years. This suggests that over the last five years, the organization's non-financial performance, as evaluated by market share, interpersonal relations, and image, has improved.
4.6 Inferential Statistics

4.6.1 Coefficient of Correlation

This study relies on Karl Pearson's coefficient of correlation (r) to show the link between the study variables as mentioned in the theoretical outline. Table 4.12 shows the results. The Pearson correlation coefficient was utilized in the study to determine the statistical link or association between two variables of interest. It was used to determine how closely the dependent and independent variables were related. The coefficient value, abbreviated "r," can range from +1 to 1, with -1 denoting a negative association, +1 denoting a positive relationship, and 0 denoting no relationship. The association is weak where the Pearson value is less than 0.3, and strong where it reaches 0.5.

Table 4.12: Correlation Analysis

<table>
<thead>
<tr>
<th>Variables</th>
<th>Non-financial performance</th>
<th>Differentiation</th>
<th>Focus</th>
<th>Innovation</th>
<th>Cost leadership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-financial performance</td>
<td>Pearson Correlation 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Differentiation</td>
<td>Pearson Correlation .944**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Focus</td>
<td>Pearson Correlation .325</td>
<td>.420</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.115</td>
<td>.117</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovation</td>
<td>Pearson Correlation .950***</td>
<td>.652</td>
<td>.935</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>Cost leadership</td>
<td>Pearson Correlation .870***</td>
<td>.915***</td>
<td>.887**</td>
<td>.853***</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td></td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.05 level (2-tailed)

With reference to the findings as depicted in Table 4.12, there was as a result, a positive correlation between differentiation strategy and non-financial performance (r = 0.944, p value=0.000). The study also establishes an insignificant negative interlink between focus technique and nonfinancial excellence (r = 0.325, p-value=0.115). The results indicate positive correlation between innovation strategy and non-financial performance (r = 0.950, p-value=0.000). The study also shows that cost leadership approach and online buying habit are positively correlated (r = 0.870, p-value=0.000). The discovery is in support of Mary (2014).
4.6.2 Analysis of variance

Non-financial performance, cost leadership strategy, innovation strategy, focus strategy, and differentiation strategy were all investigated. The model proved significant (p-value = 0.000) in describing the linear relationship between the study variables at the 0.05 level, as shown in Table 4.13. Furthermore, the F-statistic is greater than 1, indicating that the model is suitable for determining the link between the independent and dependent variables. This means the model can be used to perform a factor analysis.

Table 4.13: Analysis of Variance

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>45.877</td>
<td>4</td>
<td>11.469</td>
<td>196.198</td>
</tr>
<tr>
<td>Residual</td>
<td>3.507</td>
<td>60</td>
<td>.058</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>49.385</td>
<td>64</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher (2022)

Predicators: (constant) differentiation strategy, focus strategy, innovation strategy, cost leadership strategy.

Dependent variable: non-financial performance

4.6.3 Determination Coefficient

The statistical model's ability to forecast future events was measured using the coefficient of determination. Model Summary is shown in Table 4.14.
Table 4.14: Model Summary.

<table>
<thead>
<tr>
<th>Model</th>
<th>Adjusted $r^2$</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.964</td>
<td>0.929</td>
</tr>
</tbody>
</table>

Source: Researcher (2022)

Predicators: (constant) differentiation strategy, focus strategy, innovation strategy, cost leadership strategy. According to the results in Table 4.14, the four independent variables studied (differentiation strategy, focus strategy, innovation strategy, and cost leadership strategy) contribute 92.9 percent of non-financial performance (adjusted (r2) at 95 percent confidence level). This suggests that 7.1 percent of non-financial firm performance is influenced by factors that were not studied in this study.

4.6.4 Multiple Regression

It is used to learn more about the relationship between company strategies and non-financial success. SPSS was used to enter and classify respondent responses in order to calculate the amount to which unit changes in one independent variable causes the dependent variable to change. The multiple regression analysis is shown in Table 4.15.

Table 4.15: Regression Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>Constant/Y Intercept</td>
<td>.076</td>
<td>.100</td>
<td>0</td>
</tr>
<tr>
<td>Differentiation</td>
<td>.263</td>
<td>.099</td>
<td>.320</td>
</tr>
<tr>
<td>Focus</td>
<td>.082</td>
<td>.133</td>
<td>0</td>
</tr>
<tr>
<td>Innovation</td>
<td>.476</td>
<td>.128</td>
<td>.449</td>
</tr>
<tr>
<td>Cost leadership</td>
<td>.128</td>
<td>.125</td>
<td>.163</td>
</tr>
</tbody>
</table>

Source: Researcher (2022)
As per the SPSS generated in Table 4.15, the equation,

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_4 X_4 + \varepsilon \]

becomes;

\[ Y = 0.076 + 0.263 X_1 + 0.082 X_2 + 0.476 X_4 + 0.128 \varepsilon \]

Non-financial performance would be at 0.076 based on the aforementioned regression model, with Focus strategy, Innovation strategy, Differentiation strategy, and Cost Leadership strategy all at zero (Beta coefficients). A unit change in Differentiation strategy caused a factor of 0.263 change in non-financial performance, a unit change in Focus strategy caused a factor of 0.082 change in nonfinancial performance, a unit change in Innovative strategy caused a factor of 0.476 change in nonfinancial performance, and a unit change in Cost Leadership caused a factor of 0.476 change in nonfinancial performance.

From the model, Differentiation strategy (p=0.005), Innovation strategy (p=0.000), and Cost Leadership (p=0) all had a significant relationship with the dependent variable (non-financial performance) because their p-values were below 0.005, whereas focus strategy (p=0.540) had an insignificant relationship because its p-values were above 0.005.
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter focuses on the study's interpretations which are based on the research questions and objectives. Small and medium-sized real estate companies in Nairobi City County, Kenya, were researched for business strategies and non-financial performance as part of this study. This chapter includes the summary of results, conclusions and recommendations for further study.

5.2 Summary of findings

The study discovered that SMEs' non-financial performance is influenced by Differentiation strategy. SMEs who used a Differentiator strategy to introduce distinct products to meet market needs were more competitive. Similarly, SMEs who consistently launched effective real estate product advertisements saw an increase in non-financial performance. The study also discovered that SMEs in the real estate industry use differentiation strategies to gain a competitive edge, and that in order to do so, they must have a strong awareness of their consumers' needs. The outcomes of the study suggested there is no link between the focal strategy and the nonfinancial notion. According to the statistics, the majority of real estate managers are constantly looking for new ways to sell products or services in different topographical areas. Similarly, the data revealed that a majority of respondents agreed only to a moderate extent that their company offers product variation compared to competitors, which helps secure market niche success. The main disadvantage of a focus approach is that it may put an institution at risk if the niche shrinks or becomes too small to be economically viable, resulting in a negative impact on enterprises performance, especially for SMEs.

The research found that real estate SMEs have become more innovative and have integrated information technology into their operations. Furthermore, the enterprise consistently delivers unique innovative products to clients and engages in research and development of new products, and that product and service innovation has the power to help improve the enterprises performance. According to the findings of the study, the majority of respondents strongly agreed that leadership with a technical and innovative motivational style of management was evident in their respective SMEs Similarly, the survey found that the majority of SMEs in the real estate industry engage extensively in mass production and distribution while also aggressively pursuing cost reduction. This can be ascribed to the fact that executives also provide low-cost strategy training to their staff.
5.3 Conclusion of the Study

The principal purpose of the study was to investigate business strategies and non-financial performance of Small and medium enterprises in Nairobi City County. Findings from the research show that Kenyan real estate enterprises utilize a variety of strategies to differentiate themselves from their competitors. The study established that Differentiation strategy, Focus strategy, Innovation strategy and Cost Leadership strategy were deployed in real estate firms in Nairobi City County. However, the study concluded that there exists a negative relationship between Focus strategy and non-financial performance while Differentiation strategy, Innovation strategy and Cost Leadership strategy illustrated a positive relationship with non-financial performance. This means that SMEs in the real estate industry should make sure that strategies (like Differentiation, Innovation, and Cost Leadership) that directly lead to better non-financial performance are well implemented. In this way, the non-financial excellence of the institutes will be improved, and in the long run, the overall performance of the enterprise will improve as well.

5.4 Recommendations for Policy and Practices

There is need for the small and medium enterprise to invest in research and development, this will help them to be innovative which will assist them in gaining competitive advantage. There is need for SMEs to work towards ensuring that they constantly differentiate their products to suit the market needs, which will help them in attaining sustainable competitive advantage both in the short and long run. The study recommends that SMEs should employ Cost Leadership strategy; these will assist them in gaining competitive advantage through proper pricing at the initial growth stages of the firms. Similarly, SMEs should heavily invest in mass production and distribution as well as vigorously pursue cost reduction. There is need for the small and medium enterprise in the real estate sector to have niche markets when dealing with large real estate markets. There is need for small and medium enterprises in the real estate sector to adopt new technologies which will assist them in reducing cost of their projects hence improve their non-financial performance.
5.5 Areas for Further Research

The foremost intent of this study was to examine business strategies and non-financial performance of small medium enterprises in the real estate sector in Nairobi City County-Kenya. Thus, the research was limited to the real estate sector in Nairobi City County; therefore, future studies should be conducted in other competitive sectors in the private and public sector as well as other counties to see how the results concur or differ from this study. This study only focused on non-financial performance; future studies could focus on financial performance. Finally, this study only focused on business strategies, further studies should focus on other strategic variables.
REFERENCES


Alder (2011). Deception as Strategy: Context and Dynamics: Journal of Managerial Issues, 23(3)33-46


APPENDIX I: RESEARCH QUESTIONNAIRE

This questionnaire consists of three major sections (Section A, B and C). Kindly respond to all questions by putting a tick [✓] in the box matching your answer or write your answer in the space provided if it is not included in the choices. The information given here will only be used for academic purposes and will be treated with utmost confidentiality. Your cooperation will be highly appreciated.

SECTION A: FIRM PROFILE

Tick where appropriate

1. How long has your enterprise been in existence?
   1- 5 years [ ]  5-10 [ ]  11-15 [ ]  Over 16 years [ ]

2. How many permanent employees do you have?
   1-10 [ ]  11 – 20 [ ]  21 – 30 [ ]  31 – 40 [ ]  41 – 50 [ ]

3. What is your market share?
   1 - 20% [ ]  21 - 40% [ ]  41 - 60% [ ]  61 - 80% [ ]  81 - 100% [ ]

4. On an estimate what is your annual turnover?
   0 – 10million [ ]  11 – 20million [ ]  21million – 30million [ ]
   31million – 40million [ ]  41million – 50million [ ]  Over 51million [ ]

5. For how long have you been an employee at this enterprise?
   Less than an year [ ]  1 – 5 years [ ]  6 – 10 years  Above 10 years [ ]
SECTION B: Strategies Adopted by Small and Medium Enterprises

6. To what extent would you say your organization has adopted the following in strategies? (1- very great extent, 2- great extent, 3- some extent, 4- Little extent, 5 – not at all)

| i. The enterprise has adopted cost reduction initiatives | 1 | 2 | 3 | 4 | 5 |
| ii. Our enterprise has forged joint ventures with other strategic partners | | | | | |
| iii. Our enterprise has undertaken restructuring to improve on management | | | | | |
| iv. Our enterprise has undertaken operational turn round measures | | | | | |
| v. We outsource non-core business activities in order to concentrate with core business activity in order to gain a competitive edge | | | | | |

7. DIFFERENTIATION STRATEGY

To what extent do you agree or disagree with the following statements related to Differentiation strategy in your organization? Rate where 1 is to a strongly disagree and 5 is to strongly agree. Scale: 1= Strongly agree. 2= Agree. 3= Moderate. 4 = Disagree and 5=Strongly disagree.

| Statement | 1 | 2 | 3 | 4 | 5 |
| i. In our enterprise we differentiate products to suit the market needs | | | | | |
| ii. The enterprise constantly launching effective real estate product promotions | | | | | |
| iii. One way that we have been able to remain ahead of competition is by understanding the individual needs of our target consumers. | | | | | |
| iv. The enterprise has made diversifications to enhance competitiveness | | | | | |
8. FOCUS STRATEGY

To what extent do you agree or disagree with the following statements related to focus strategy in your organization? Rate where 1 is to a strongly disagree and 5 is to strongly agree. **Scale: 1= Strongly agree. 2= Agree. 3= Moderate. 4 = Disagree and 5=Strongly disagree.**

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Our aim is to continuously find techniques that would enable us to offer our products and services in distinctive localities.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii. In our enterprise there is change in production techniques and product mix</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iii. We always serve diverse market segment which helps increase market share</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iv. We always emphasis on marketing specialty product</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>v. The enterprise offers a narrower variety of product than our rivals which helps ensure anticipated market niche success</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

9. INNOVATION STRATEGY

To what extent do you agree or disagree with the following statements related to Innovation strategy in your enterprise? Rate where 1 is to a strongly disagree and 5 is to strongly agree. **Scale: 1= Strongly agree. 2= Agree. 3= Moderate. 4 = Disagree and 5=Strongly disagree.**

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. The enterprise has become more innovative</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii. The enterprise has integrated information technology into its operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iii. The enterprise is constantly offering innovative real estate features</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iv. The enterprise engages in research and development of new products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
10. COST LEADERSHIP

To what extent do you agree or disagree with the following statements related to Cost Leadership strategy in your enterprise? Rate where 1 is to a strongly disagree and 5 is to strongly agree. **Scale: 1= Strongly agree. 2= Agree. 3= Moderate. 4 = Disagree and 5=Strongly disagree.**

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Leadership with technical and innovative motivational style of management is evident in our enterprise</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii. The enterprise always charges lower price than our competitors hence increasing market share</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iii. The enterprise heavily invests in mass production and distribution of resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iv. The enterprise frequently trains our employees on low cost strategy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>v. The enterprise vigorously pursues cost reduction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>vi. The enterprise constantly reduces labor input through automation of production and technology and improve performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

11. How would you rate the effectiveness of the measures adopted by your enterprise?

Highly effective [ ]

Moderately effective [ ]
Somewhat effective [ ]

12. What challenges does your enterprise face in implementation of strategies?

High competition Yes [ ] No [ ]
Technical challenges Yes [ ] No [ ]
Fraud Yes [ ] No [ ]
Strict regulations Yes [ ] No [ ]
Staff resistance Yes [ ] No [ ]

SECTION C: NON-FINANCIAL PERFORMANCE

13. Please to what extent do you agree or disagree with the following statements related to non-financial performance in your enterprise? Rate where 1 is to a strongly disagree and 5 is to strongly agree. Scale: 1= Strongly agree. 2= Agree. 3= Moderate. 4 = Disagree and 5=Strongly disagree

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. This enterprise has opened new company branches over the last five years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii. The enterprises sales revenue has increased over the last 5 years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iii. There exists a good working relationship between superior and subordinate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iv. The working atmosphere in this organization is deemed conducive.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>v. The clientele base has grown over the last 5years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

14. Any other comments (Please specify)?

__________________________________________

Thank You for your participation!

61
APPENDIX IV: LIST OF SME REAL ESTATES FIRMS IN THE NAIROBI CITY COUNTY, 2020

1. Active Homes
2. Afriland Agencies
3. AmrealImmobilien Ltd
4. Barloworld Logistics (Kenya) Ltd
5. Betterdayz Estates
6. Canaan Properties
7. Capital City Limited
8. CB Richard Ellis
9. Colburne Holdings Ltd
10. Colburns Holdings Ltd
11. Coral Property Consultants Ltd
12. Country Homes and Properties
13. Crown Homes Management
14. Crystal Valuers Limited
15. Double K Information Agents
16. Dream Properties
17. East Gate Apartments Limited
18. Eastwood Consulting Limited
19. Ebony Estates Limited
20. Elgeyo Gardens Limited
21. Fairway Realtors and Precision Valuers
22. FriYads Real Estate
23. Gakuyo Real Estate
24. Gampar Investments Ltd
25. Gimco Limited
26. Grayhills Properties
27. Greenspan Housing
28. Gardeh Hill Property Ltd
29. Hajar Services Limited
30. Hewton Limited
31. Homes and lifestyles
32. Jacent Properties Limited
33. Jimly Properties Ltd
34. Jogoo Road Properties
35. Josekinyaga Enterprises Ltd
36. Jomsag Agencies
37. Karengata Property Managers
38. Kenya Prime Properties Ltd
39. Kenya Property Point
40. KilifiKonnection
41. Kiragu&Mwangi Limited
42. Kisima Real Estate
43. Kitengela Properties Limited
44. KusyombunguoLukenya
45. Land & Homes
46. Langata Link Estate Agents
47. Langata Link Ltd
48. Lantana Homes
49. MamukaValuers (M) Ltd
50. Mark Properties Ltd.
51. Market Power Limited
52. Mentor Group Ltd
53. Merlik Agencies
54. Metrocosmo Ltd
55. Monako Investment Ltd
56. Muigai Commercial Agencies Ltd.
57. Myspace Properties (K) Ltd.
58. N W Realite Ltd
59. Nairobi Real Estates
60. Neptune Shelters Ltd
61. Oceanic Properties
62. Oldman Properties Ltd
63. Oloip Properties
64. Optiven Properties Ltd
65. Ounga Commercial Agencies
66. Palace Projects Limited
67. Property Reality Company (PRC)
68. Property Investment Network
69. Raju Estate Agency Limited (REAL)
70. Shelta investments Ltd
71. True lands
72. Tuco Properties Ltd
73. Urban Properties Consultants & Developers Ltd
74. Urithi Housing
75. Vadjons Real Estate
76. Daphen Real Estate
77. Temus Real Estate Solutions
78. Scion Real Estate
79. Halifax Estate Agency Ltd.
80. Canton Real Estate
81. Real Time Properties
82. Karibu Homes
83. Angaza Real Estate
84. Gribs Agencies Ltd
85. Jannah Properties Ltd
86. Nyumba-Link Real Estate
87. Oakpark Properties Ltd