A RESEARCH STUDY TO EXAMINE THE COMPETITIVE STRATEGIES OF BAMBURI PORTLAND CEMENT, EAST AFRICAN PORTLAND CEMENT AND ATHI RIVER MINING CEMENT FIRMS IN KENYA.

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA), SCHOOL OF BUSINESS, KENYATTA UNIVERSITY.
DECLARATION

This research study is my original work and has not been presented to any other examination
institutions. No part of this research should be reproduced without my consent or that of
Kenyatta University.

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ACKNOWLEDGEMENT

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DEDICATION

This research project is dedicated to my wife Phylis Weyao, and to my parents, mother Coltilda Nambobi and father David Weyao. I also dedicate it to my dear children Felix, Deborah, Magdalene, and David and to all those who will pursue higher studies from the Weyao family.
ABBREVIATIONS


BPCC: - Bamburi Portland Cement Company.

ARMC: - Athi River Mining Cement.

SWOT: - Strengths, Weakness, Opportunities and Threats.

TCC: - Tororo Cement Company.

MBSAC: - Mombasa Cement.
DEFINITIONS OF TERMS

Cement: Is a powdery grey substance made by burning clay and Limestone that’s sets hard when it is mixed with water. It’s majorly used in building to stick bricks/blocks together and to make very hard surfaces.

Strategy: This is a skillful process of planning by firms that is intended to achieve a particular objective in business operations.

Competitive strategy: Is the search amongst firms for a favorable competitive business position in a factory or a company.

Firm: Is a business factory or a company which engages in manufacturing of goods or services, e.g cement firm.

Industry: A group of firms involved in production of a particular good/service from raw materials e.g. cement industry.

Product: Is an item or a good that is produced or grown usually for sale e.g. cement.

Plant: Is a factory or a place where an industry process takes place.

Data: They are facts or analyzed information examined to find out useful information for the purpose of decision making.
The purpose of the study was to examine the competitive strategies employed by three cement producing firms in Kenya. These were Bamburi Portland cement, East African Portland Cement and Athi River Mining Company.

This study used a cross sectional survey design and the instruments for data collection was the questionnaire and face to face interviews. Stratified random sampling was to select the study sample. The target population was the top level management and sales managers.

It's expected that cement firms that implement and practice competitive strategies as postulated by authors on competitive strategies are better off in terms of profits and growth than who have ignored them.

The strategies are likely to yield positive results and increase profitability of these firms through increased sale and growth. The study will also be useful to the top management of cement firms by providing information for comparison, planning and implementation.
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CHAPTER ONE

1.0 INTRODUCTION

This introduction chapter highlights the background of this research project and its emphasize on the competitive strategy by various authors e.g. Porter. It also deals with the history of cement firms in Kenya as well as the nature of the cement Industry. The chapter goes further and brings out the statement of the problem, the objectives, Research questions, significance, the scope of the study and the limitations of the research study.

1.1 Background to the study

Competitive strategy as defined by Porters (1980) is the search by firms to exclusively find favorable business competitive position in an industry. Porter emphasis upon innovation and upgrading as central to the creation and sustaining competitive advantage amongst firms. Competitive strategy is a quest for superior performance through establishing competitive advantage over rival firms. Rothschild (1984) defined competition as successfully providing superior value of products to customers.

The competitive strategy may be explicit or implicit. The strategy may have been developed explicitly through a planning process, or it may have evolved implicitly through the activities of the various functional departments of the firm. The emphasis on strategic planning today in firms is the explicit process of formulating competitive strategy to ensure that the policies of functional departments are coordinated and pointed at some common set of objectives or goals. Eventually, this will enable the firm achieve its overall vision and mission set by the top management.
The cement industry, having few players, must continually analyze the competitors and prevent entry of new rivals by erecting barriers of entry, by forming cartels or mergers. Superior competitive strategy is formulated by constantly predicting and monitoring changing market conditions and consumer needs. Moreover, a superior strategy must be difficult to imitate, hence assisting the organization in achieving profitability in the long run (Mintzberg 1999). Stengel (2001) states that irrespective of the strategy selected proper strategic leadership needs to direct the adoption of the strategies, while customer loyalty must be maintained to keep the competitors at bay. Regarding to (Porter 1998), the appropriate strategies would involve a company either adopting a focus or differentiation strategy. Competitive advantage means having low costs, differentiation advantage or a successful focus strategy. Porter (1998) argues that competitor advantage grows fundamental out of value a firm is able to create for its buyers that exceed the firms cost of creating it. The differentiation and cost leadership strategies seek competitive advantage in a broad range of market or industry segments. By comparison, the differential and cost focus strategies are adopted in a narrow market or industry. A differentiation strategy would involve differentiation of products from rival products through branding and offering good quality products. Focus strategies on the other hand would involve focus to a particular market segment.

1.1.1 Competitive Strategies
The competitive strategies outlined by (Porter 1980) include; cost leadership, differentiation, location strategy, and customer service and communication strategies. In a domestic industry, firms face a common environment and competitive advantage gained by implementing the appropriate competitive strategy. This is done by primarily exploiting superior resources and
capabilities. Internationalization of the strategy model has hitherto assumed that the firms are faced with a common global market environment, and the key national level variables, factor conditions and the presence of successfully related and supporting industries, are influential in determining a firm's resource strengths, while the other two, rivalry and home demand conditions, have their primary influence upon conditions for success within the immediate market (Porter, 1985).

The other competitive strategies that can be used by firms in a given industry could be changing the mode of distribution channels, strategic partnership and collaboration within the industry (mergers and acquisitions, strategic alliances) and vertical integration. To cope up with competition, firms should also monitor drivers of change in turbulent business environment. These drivers of change in the industry include globalization, regional economic integration, technology, government, regulatory authority, changing customer needs and wants etc. to be able to take advantage of the opportunities that exist in this growing cement industry. Firms must develop appropriate strategies. A growing industry is described by (Porter, 1980) as an industry with no rules of the game, a factor of technology innovations and driven by emergence of customer needs.

If a firm does not strategize its activities, then it is creating a risk and an opportunity which must be managed by developing appropriate strategies (Pearce and Robinson, 2003). Mintzberg (1999), states that the essence of strategy formulation is coping with competition. Therefore, firms must develop strategies to cope with the competitive situation they face in regard to providing proper qualities of goods or services in their respective market. Strategy development is driven by the need to remain competitive in the market niche. According to (Porter 1998), competition goes beyond the industry directly or
indirectly. Hence, to guarantee competitive edge, the firms should continually scan the market niches and develop the required strategies. The strategies so developed must be strategically fit, in the sense that it should match internal and external environments in the industry in which the firm operates (SWOT analysis). Michael Porter came up with his five forces model framework to analyses competitive business environment in the United States of America. Porters five force model is based on the following variables, bargaining power of suppliers, bargaining power of buyers, barriers of entry, degree of rivalry and the threat of potential entrants. Suppliers or buyers can affect the business favorably or unfavorably, barrier of entry makes it difficult or easy for few firms to enter the market, degree of rivalry between players of the same industry, different factors affect each industry positively or negatively modern technology can also reduce cost of operations, enabling a firm to compete effectively in this industry vise-a-vie its rivals. The management can use Porters five forces to properly analyze those factors affecting profitability and other goals in their environment (peace and Robinson, 2003). After analysis the management can come up therefore with appropriate strategies to ensure the viability of continued business and expansion. Johnson and Scholes (1997) notes that organizations in designing strategies have to be clear who their competitors are while identifying at which level they are operating in relation to their competitors

1.1.2 Overview of cement firms in Kenya.

The three cement firms currently operational and registered in Kenya are Bamburi Portland cement, East African Portland Cement and Athi River Mining. The historic overview is as follows for the three cement firms. To start with the oldest cement firm to be established is the East African Portland Cement in the year 1933. The EAPC has been Kenya’s leading
cement manufacturer, founded by Blue Circle Industries of the United Kingdom early
1930s. EAPC started its trading activities by importing cement for the resemblance in color
and quality of set cement to the Portland stone that was being quarried in Dorset, England.
In February 1966, Portland was incorporated in Kenya and opened a factory in Nairobi’s
Industrial area. The company had one small cement mill (Cement Mill No 2) and imported
Clinker from India. The plants initial production was 60,000 tons per year. By December
1956, construction of a new factory started in Athi River, commissioned in 1958; the factory
consisted of a Rotary Kiln (WET), a big mill Cement Mill No 1 and No 3. The production
capacity doubled to 120,000 tons per year. The second cement was founded in 1951 by Felix
Mandy - a director of Cementia Holding A.G Zurich. Cementia later went into Partnership
with Blue Circle PLC (UK). In 1989, Lafarge, the world’s largest material group, acquired
Cementia and thus became an equal shareholder with Blue Circle. Lafarge and Blue Circle
PLC in 2001 merged to become the largest building materials company in the world. Lafarge
became the principle shareholder.
Its first plant in Mombasa started production in 1954 with annual capacity of 140,000 tons of
cement per year. The Mombasa plant has a capacity to produce 1.1 million tons per
year. In 1998, a new one million ton per annum Clinker riding plant was added at Athi River
(30 km southeast of Nairobi). This increased the production capacity to 2.1 million tons. With
the new plant, Bamburi cement has been able to improve its Nairobi and upcountry markets,
speedier and more efficient packing turn around time. The railway transport has facilitated
sales to western Kenya and Uganda from Athi River plant. Bamburi cement is the largest
cement manufacturing company in the region. (Source: EAPC, BPCC, Report materials,
2005).
The Mombasa plant is the sole cement plant in sub-Saharan Africa. It is also one of the largest manufacturing export market earners in Kenya, expanding its production in 1998 by 29%. The export market includes Reunion, Uganda and Maypole. In other parts of the world includes; Mauritius, Sri Lanka, Comoros, Madagascar, Seychelles and Congo.

The last Cement industry to be established in Kenya after Bamburi cement is the Athi River mining in 1973. Athi River mining is involved in the extraction and manufacture of minerals, chemicals, cement and specialty building products in Kenya and neighboring countries. As at July 2005, Athi river mining market capitalization stood at Kshs 2.7 bn, whilst trading on earning multiple of around 18 times. In the medium term, management is focusing on increasing the groups cement production capacity (by 200%) with a 1.1bn investment in the Kaloleni Clinker plant. The brand name of cement sold by Athi River Mining is “Rhino”.

(Source Global Credit Rating company report, 2005)

1.1.3 Nature of the cement industry

An industry is defined as the grouping of organization that are involved in selling and marketing of goods and services to final consumers for their use Cement industry is oligopolistic in nature. This industry is generally characterized by few players. This is because of the high switching costs involved in setting up a cement plants and require a huge capital base to set up due to the gigantic machines used in setting and operating it. The demand for cement and cement by products is growing daily as the Kenyan economy and other least developed economies are picking up.

With the stable development of Kenyan economy since 1984 the capacity of the existing cement problems facilities had reached at Athi River plant producing approximately 300,000 tones a state run company while Bamburi Portland cement at Mombasa produces one million
tones. These amounts are not enough to meet domestic demand in a stable market in the future (East African Portland Cement report materials, March 2001).

Athi river mining a cement manufacturer has embarked on a multi-million shilling expansion Programme that will see its production double from the current 1000 tones to 2000 tones per day. The expansion program is keeping in pace with the countries economic growth. Kenya consumes 3.2 million tones a year. It is therefore important to keep up (through investing in capacity) with the countries economic growth pace. (Source; Daily Nation news paper July 30, 2008).

1.2 Statement of the problem.

Competitive strategy is a major concern for top management of cement companies in Kenya. The major cement firms in Kenya include the Bamburi Cement, East African Portland cement, and the Athiriver Mining, Rhino Cement. These companies have to compete for limited resources, market share, and limited customers, for them to achieve their mission or objectives. But in order to achieve sustainable growth and profitability, these companies have to strategize to change directions quickly and transform themselves while maintaining business momentum.

Therefore this study examines the competitive strategies of cement firms and their impact on profitability of each firm. These strategies will be looked at in relation to the various scholars who have written comprehensively on competitive strategies, and whether cement firms are practically applying the written theories. The Authors such as Michael Porter (1999) have richly highlighted the competitive Strategies that if adapted by firms could lead to increased profitability.
In addition the study will determine various factors influencing the choice of a particular competitive strategy employed by each firm. This being a Survey Research Study, it will provide a much needed insight and knowledge that is not currently available with respect to cement industry in Kenya.

Currently, there is a growing interest in the cement industry and new players are coming in after a long period of dominancy by the three major cement firms mentioned above.

This has attracted new firms such as Mombasa cement, Tororo Cement Company (inaugurated by His Excellency President Mwai Kibaki in the year 2008) and Cemetch company (India).

The encouraging of new players is being witnessed by growth in Kenya, cement supply and cement demand has now risen from 1.6 million tonnes per annum (1994) to 4.8 million tones (2010). Source: Monthly economic review February 2010

The surge in demand is coupled with economical growth of Kenya in the past five years. This suddenly has brought about concern to the management of old players in the cement industry on how they can retain and expand their market shares verses the new players using appropriate competitive strategies to maintain their competitive advantage in the market. This therefore, makes it a unique area of research focus.

Different cement firms may use different competitive strategies or may use the same strategies. Such as firm's merger and acquisition, deport sales strategies, globalization strategies, differentiation of products strategies, focus strategies, cost leadership strategies etc which are crucial in this study.

By comparing the market share and profitability of major cement firms, we can be in a position to research on the competitive strategies that are used by the market leader versus
other players in the market. This enable it to maintain its competitive advantage in the long run. Murage, (2001) studied competitive strategies applied by the members of the independent petroleum dealers, Dubai (2003) studied competitive strategies applied by retail sector of the pharmaceutical companies in Nairobi - Kenya. Khalid (2004) studied competitive strategies adopted by Supermarket retail chains in Nairobi - Kenya. And Omondi (2006) Studied competitive strategies by Airlines in Kenya. These other studies cannot be generalized for the cement industry because cement industry is oligopolistic in nature. Therefore the strategy that will be adopted is also sensitive to contextual factors and time (Pearce and Robinson, 2001).

1.3 Objectives of the research study

1.3.1 General Objectives.

The overall objective of this research study was to determine competitive strategies adopted by cement firms in the cement industry in Kenya and the factors influencing the choice of a particular strategy employed. This survey research highlighted the much needed insight and knowledge that maybe currently unavailable with respect to cement industry in Kenya.

1.3.2 Specific Objectives.

1. To determine cost leadership as a competitive strategy employed by the cement firms in the cement industry in Kenya.

2. To determine the product differentiations as a strategy influencing the growth of cement firms.

3. To evaluate the impact of focusing on market segmentation in cement firms performances
1.4 Research questions

1. What are the effects of cost leadership as a competitive strategy adopted by the cement firms in Kenya?

2. How do cement firms differentiate their products to gain competitive advantage over other firms in the same industry?

3. To what extend do the focus on market segmentation as competitive strategies affect the overall performance of the cement firms in Kenya?

4 Significance of the Study

The cement industry is a very important oligopolistic industry in Kenya. It provides jobs, provides goods, generate tax revenue to the government est. although the importance of the cement industry is well acknowledged, no study has been done on competitive strategies of the industry players. This study will therefore provide an exposition of the competitive strategies of the major firms in the sector and will have the following benefits.

The survey will hopefully, tell us why some cement firms are ahead of their peers in profitability. The study will also be useful to the top management of the cement firms, as it will provide information for comparison, planning and implementation. The study will further benefit the students of strategic management with practical information from their immediate environment. This will help them operationally and understand better abstract management concepts that are usually found in books. This survey research is also expected to provide and stimulate further study in the field of strategic management in the cement industry in Kenya.
1.5 Scope of the study

The target population for this study is fifteen top management of the Bamburi Portland cement company situated in Mombasa, eighteen East African Portland cement firm’s top management in Kajiado District, and nine top management of Athi River Mining Rhino Cement Company ltd in Athi River Kajiado. The study will also include five sales managers of each subsidiary/branches of each firm situated in Nairobi and its environs. The study focuses itself to key competitive strategies employed by cement firms in Kenya.

1.6 Limitations of the study

Considering secrecy of some competitive strategies and fear of being copied by rivals among companies, some respondents may give inaccurate information; the researcher will verify this information from the alternative source such as company Publications, company prospectus, website, media etc.

Key respondents may not be easily available to respond to the questionnaires hence this may force the researcher to make repeat visits which may affect his limited time and resources. Most of the top management in cement firms are protected and with busy schedules, hence booking appointments require patience, the researcher may have difficulties in accessing the respondents. The researcher will therefore access top managers by frequent visits and persuasions.

The researcher is likely to have insufficient time and limited financial resources to make repeated visits to cement firms, some situated as far as coast province. He will have to travel from one firm to another. In this case money will be required to carter for traveling, accommodation, purchasing, stationery, printing and binding services.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

The importance of literature review for this study will include the concept of Strategy, strategy and competitiveness, types of competitive strategies, nature of the cement industry, international dimensions of cement firms, competitive strategies adopted by cement firm’s. The conceptual framework of this study is the five generic competitive strategies by M.E Porter.

2.2 The Concept of Strategy

A Strategy is an action that a company takes to attain one or more of its goals. A control objective of strategic management is to identify why some organization succeed while others fail. An organizations strategy is the outcome of a rational planning process. The major components of the strategic management process include defining the mission and major goals of the organization, analyzing the eternal and internal environments of the organization, choosing strategies that align, or fit the organizations strength and weaknesses with external environment opportunities and threat; and adopting organizational structures and control systems to implement the organizations chosen strategy (Charles and Gareth, 2001).

The concept of strategy is a commercial logic of a business that defines why a firm can have a competitive advantage by Koch Richard. Strategy is the direction and scope of an organization over the long-term; which achieves advantage for the organizations through a
changing environment to meet the needs of markets and to fulfill stakeholder expectations (Johnson and Scholes, 2002)

According to (Lynch, 1997), strategy is about winning; it is the organization sense of purpose. Strategy is the common thread in an organization giving direction and scope of an organization in the long run (Ansoff, 1967). Strategy, therefore defines the vision and Mission of an organization (Chandler, 1962). Ansoff, 1990) Strategy is the set of rules, decision making rules for guidance of organizational behavior. This is a management tool which offers important help for coping with business turbulence and challenges faced by organizations as well as public sector institutions. (Grant 1998) notes that the primary purpose of strategy is to guide management decisions towards superior performances through establishing competitive advantage.

According to (Quinn, 1999) a strategy is the pattern or plan that integrates organization major goals, policies, and action sequence into a cohesive role. A good strategy underlines (Quinn, 1999), will help to steer and allocate an organization resource into a unique and enabling posture based on its relative competencies and shortcomings, anticipated changes in the environment and the contingent moves by intelligent opponents.

Strategy guides an organization to superior performance through the establishment of competitive advantages, it shows a company’s awareness of how it should compete, when it should compete against, whom it should compete against, where it should compete and for what purpose it should compete, (Pearce and Robinson 2003). Mintzberg 1987) view strategy as a plan, ploy, pattern, a position and a perspective. As a plan, strategy consciously determines intended course of action. As a ploy, strategy is seen as a means of positioning a firm in its environment. As a perspective, strategy consists of a position and an ingrained way of
perceiving the worlds. Ohmae 2003) suggests that corporate strategy is only needed when an organization faces competitors.

2.3 Strategy and Competitiveness.

The industry environment in which a business operates is full of opportunities and risks often blurred by familiarity and uncritical acceptance of the established relative position of competitors (Grant, 1998), highlights that the business environment of the firm consists of external influences that impact a firm decision and performance. These features determine the intensity of competition and have an impact on profitability creating the need to analyze the industry. Thompson and Strickland (2003) perceived.

Strategy as a combination of competitive moves and business approaches that manager’s employ to satisfy organizational vision and objectives. Ansoff (1990) highlights that whereas goals represent the ends which the firm is seeking to attain; strategy is the means to these ends. A unique strategy contributes effectively to the competitiveness of business firms. According to (Prahalad and Hamal, 1990), a good strategy can contribute to growth, profitability, market penetration, cash reduction, cutting edge differentiation of products and sustainable competitive advantage of business firms. Competitive advantage is the ability of the firm to outperform its rivals on the primary performance goal of profitability (Porter, 1980).

The essence of strategy is relating companies to its environment (Porter, 1985). He argued that strategy only make sense if the markets to which it relates are known. Pearce and Robinson (2003) underlines Michaels Porter five forces of competition framework as a point of analysis of an industry competitiveness and profitability. The forces of competition
includes; competition from substitutes, competition from new entrants and competition from established rivals described by (Grant, 1998) as a “horizontal competition” and “vertical competition” encompassing bargaining power of suppliers and buyers.

According to (Johnson and Scholes, 2002), the environment in which a firm operates is always changing. Changes in the business environment and moves by competitors erode the competitive position of an organization who in turn responds with counter moves. The moves are therefore temporary and organizations have to keep re-engineering themselves.

Collies et al (1998) identified three elements that collectively, lead to competitive advantage that create value. They called these corporate strategic triangle resources. These resources include: assets, skills and capabilities which is basically as aspects of resources based strategy, strategic business unit and other key segments and processes.

Porter (1985) argued that competitive strategy is the ability of a firm to meet and beat the performance of its competitors. In his definitive work of competitive strategy, Michael Porter propelled the concept of strategy and competitiveness into the foreground of strategic thought and business planning.

Competition changes industry structure both consciously by a firm is strategic decisions and as an outcome of resulting competitive interaction (Grant, 1998). Grant (1998) also highlights Joseph Schumpeter as the first to recognize and analyze the dynamic interaction between competition and industry structure.

Schumpeter focused on innovation as the central component of competition and the driving force behind industry revolution and developed the terms “hyper competition” defined as an environment characterized by intense and rapid competitive moves. In fact competitors must
move quickly to build advantages and erode the advantages of their rivals. This speeds up the dynamic strategic interactions among competitors (Grant 1998).

The aspect of hyper competition affirms the need to analyze an industry in bid to establish competitive strategies currently employed and influences that might affect the same in future. Sustainable competitive advantage involves every aspect of the way the organization competes in the market place, prices, product range manufacturing quality, service levels and so on (Lynch, 1997). Furthermore, he argued that firms have to ensure that they have an edge apart from their competitors to avoid being imitated or replaced by other players in market.

Porter (1980, highlights that competition in an industry is rooted in its underlying economic structure and goes beyond the behavior of the current competitor. Porter (1980) argues that developing a competitive strategy is a broad formula for how a business is going to compete what its goals should be and what policies are needed to achieve those goals. The essence of strategy is coping with the competition and appreciates how Porters five forces competition model shape a firm’s business strategy. The purpose of strategy is to establish a profitable and sustainable position against the forces that determine industry competition.

2.4 Porter five forces model.

According to Porter (1980), he came up with five basic forces that shape up competition and determines profit potential in a given industry. These forces are: bargaining power of suppliers, bargaining power of buyers, barriers to entry, degree of rivalry and threat of substitute products. Porter (1980) defines an industry as a group of firms producing products
that are close substitute of each other. The five forces take a predominant role in shaping competition in each industry and the strength of each force is different in each industry. Porter’s model is based on the understanding that a firm’s strategy should correspond to the opportunities and threats in the firm’s external environment. Moreover, competitive strategy should be based on the understanding of the industry structures and the way they change. Porter has emphasized five competitive forces which form every industry and every market. These forces define the intensity of competition and thus the attractiveness and profitability of an industry (Porter 1980). The purpose of company’s strategy must be to alter these competitive forces so that the position of the company will impact particular characteristics of their industry on the basis of data taken from five forces theory. Diagrammatically the forces driving industry competition can be represented below.
The buyer or supplier a company selects should have best power to influence it.

2.4.1 Bargaining power of suppliers

The supplier/buyer relationship exists in terms of the requirements of a production industry. This industry requires raw materials, capital, labor and other suppliers. Suppliers can exert influence by selling raw materials at high prices to capture industry’s profit margin. Supplier’s power can also be determined by the credible forward integration threats, supplier’s concentration, significant costs, customers’ power etc.

Creditors can also dictate the terms and conditions of credit especially on interest payable by the firm. The industry may also be influenced to pay high remunerations for the technical staff. This affects profit margins of the firm. Many competitive weak suppliers lead to lower quality of products.

2.4.2 Bargaining power of the buyer

The bargaining power of the buyers is the effect that customers have on an industry. When a buyer power is strong the relationship to the firm is near to monopsony that’s a market in which there are many suppliers and one buyer. In such market conditions the buyer sets the price. In reality few pure monopsonies exist, but frequently there is some asymmetry between a producing industry and the buyers.

Some of the factors that determine the buyer power include; Buyers are concentrated i.e. there are few buyers but with significant market share.
Buyers purchase a significant proportion of output, that's distribution of purchases or if the product is standardized, buyers possess a credible backward integration threat- that can threaten to buy producing firm or its rival.

Other factors include producers threaten forward integration that's producer can take over own distribution/retailing, significant buyer switching costs- product not standardized and buyer cannot easily switch to another product.

Buyers are fragmented (different) that's no buyer has any particular influence on product or price and similarly producers supply critical portions of buyers input that's distribution of purchases.

2.4.3 Threat of substitutes products/services

In Porter’s five forces model, substitute products refer to products in other industries. A threat of substitutes exists when a product's demand is affected by substitute products- as more substitutes become more elastic since customers have more alternatives. A close substitute product contains the ability of firms in an industry to raise prices.

The competition engendered by a threat of substitute comes from products outside the industry. The price of a product is constrained by the substitute products. The threat of substitutes typically impacts an industry through price competition, and there can be other concerns in assessing this.

2.4.4 Threat of new entrants-barriers to entry
The competition in an industry will be, the higher, the easier it is for other firms to enter the industry. A new entrant could change major determinants of the market environment e.g. market prices, market shares, customer loyalty etc. at any time. There is always a latent pressure for reaction and adjustment for existing players in the industry. The threat of new entries will depend on the extent of which there are barriers to entry.

These are typically:

i. Economies of scale - Minimum size requirements for profitable operations.

ii. High initial investments and fixed costs.

iii. Cost advantages of existing players due to experience curve effects of operation with fully depreciated assets.

iv. Brand loyalty of customers.

v. Protected intellectual property like patents, licenses, labels, symbols etc.

vi. Scarcity of important resources e.g. qualified expert staff

vii. Access to raw materials resources is controlled by existing players.

viii. Distribution channels are controlled by existing players.

ix. Existing players have close customer relations e.g. from long term service contracts.

2.4.5 Competitive rivalry between existing players/firms.

Competition among firms in the same industry affects profit margins. It drives profits to zero. But competition is not perfect are not unsophisticated passive price takers. Rather they strive for a competitive advantage over rivals. The intensity of rivalry among firms varies across industries and strategic analysts are interested in these differences.
Rivalry among firms is measured by indicators of industry concentration. The Concentration Ratio CR) is one such measure. It indicates the percent of market share held by major firms in an industry. A high concentration ratio implies a high concentration of market share held by the largest firms- the industry is concentrated.

With only a few firms holding a large market share, the competitive landscape is less competitive (closer to a monopoly). A low concentration ratio indicates that the industry is characterized by many rivals, none of which has a significant market share. These fragmented markets are said to be competitive. The concentration ratio trend is to define industries in terms that convey more information than distribution of market share.

If rivalry among firms in an industry is low, the industry is considered to be disciplined. This may result from the industry history of competition, the role of a leading firm, or informed compliance with a generally understood code of conduct. Explicit collusion generally is illegal and not an option in low rivalry industries competitive moves must be constrained informally. However a maverick firm seeking a competitive advantage can displace the otherwise disciplined market.

When a rival acts in a way that elicits a counter-response by other firms rivalry intensifies. The intensity of rivalry is commonly referred to as being cutthroat, intense, and moderate or weak based on the firms aggressiveness in attempting to gain an advantage.

In pursuing an advantage over its rivals, a firm can choose from several competitive moves such as:

a) Changing prices-Raising or lowering prices to gain a temporary advantage.

b) Improving product differentiation-Improving features, implementing innovations in the manufacturing process and in the product itself.
c) Creatively using channels of distribution – Using vertical integration or using a distribution channel that is moved to the industry.

d) Exploiting relationships with suppliers by setting high quality standards and expecting the suppliers to meet them.

The intensity of rivalry is influenced by the following industry characteristics:

a) A larger number of firms increase rivalry because more firms must compete for the same customers and same resources. The rivalry intensifies if the firms have similar market share, leading to a struggle for market leadership.

b) Slow market growth causes firms to fight for market share. In a growing market, firms are able to improve revenues simply because of the expanding market.

c) High fixed costs result in economies of scale effect that increases rivalry. When total costs are mostly fixed costs, the firm must produce near capacity to attain the lowest unit costs. Since firms must sell this large quantity of products, high levels of production lead to a fight for market share and results in increased rivalry.

d) High storage costs/highly perishable products cause a producer to sell goods as soon as possible. If other producers are attempting to unload at the same time, competition for customers intensifies.

e) Low switching costs increases rivalry. When a customer can freely switch from one product to another there is a greater struggle to capture customers.

f) Low levels of product differentiation are associated with higher levels of rivalry. Brand identification, on the other hand, tends to constrain rivalry.

g) Strategic stakes are high when a firm is losing market position or has a potential for great gains. This intensifies rivalry.
h) High exit barriers place a high cost on abandoning the product. The firm must compute a high exit barrier causes a firm to remain in industry even when it's not profitable: E.g. Highly specialized equipment and plants are not easily sold to buyers in other industries.

i) A diversity of rivals with different cultures and philosophies make an industry unstable. There is greater possibility for mavericks and for misjudging rivals more. Rivalry is volatile and can be intense e.g. hospitals.

j) Industry shakeout. A growing market and the potential for high profits induce new firms to enter a market and incumbent firms to increase production. A point is reached where the industry becomes crowded with competitors and demand cannot support the new entrants and thus resulting in increased supply. The industry may become crowded if its growth rate slows and the market becomes saturated, creating a situation of excess capacity with too many goods chasing too few buyers. A shakeout ensues with intense competition, price wars and company failures.

2.5 Conceptual Framework of Competitive Strategies:

Porter (1980) gives three generic competitive strategies that a firm can implement to maintain its dominant competitive position in the industry. These include: cost leadership strategy, product differentiation and special focus strategy. These strategies can be explained diagrammatically as shown below.


Independent Variables

Cost

Cost Leadership
Strategy

Differentiation
Strategy

Product

Focused Strategy

Dependent Variables

Affect

-Competitiveness of
the Firm.

-Competitive
strategies

-Competitive
advantage

Market

Source: M. Porter, Competitive Strategy (1980)

Cost leadership.

In any industry where firms are competing, a firm can choose to maintain a low cost position in relation to the competition. This competition will produce to the firm above average returns (Porter 1980). Cost leadership can be achieved by implementing the value chain in companies' operations. The value chain can be described as a way of looking at businesses as a chain of activities that transform inputs into outputs that customers value (Pearce and Robinson 2003). To achieve low cost position in the value chain, an organization will have to find areas where cost reduction can be implemented in production, Marketing, Research etc. Cost reduction has to be done at every position or step of the production process to make sure that the final price to the consumer is attractive and not easily copied by the competition.
A low cost strategy will defend the firm against powerful buyers, powerful suppliers and will place the firm in a stable position in relation to new entrants and substitute products.

**Differentiation**

Firms have to find ways that differentiate them from the competition. This can be evident in the form of branding, product design or even technology. Differentiation will create brand loyalty, hence cushioning against new entrants as well as substitute goods. Differentiation produces higher margin with which to handle powerful suppliers. When buyers lack alternatives states Porter (1980), the firms as strong competitive position. This strategy involves selecting one or more criteria used by buyers in market. Moreover, positioning the in a unique way to meet those criteria. This strategy is usually associated with charging a premium price for the product often to reflect the higher production cost and extra value added features provided for the consumer. A differentiation strategy will eliminate the need for low-cost strategy. The firm may also loose market share but may increase in profitability as some clients will prefer quality products over price.

**Focus**

Other firms gain advantage by focusing on a particular market segment and properly meeting the needs of the consumer in that segment in relation to the competition. The firms choosing the focus strategy may both incorporate the low cost strategy or the differentiation strategy and utilize that in a particular market segment. The focus area will be well selected, for instance it could be areas less prone to substitutes or where competitors are weakest (Porter 1980). To determine the best strategy to adopt will depend on analysis of the industry. The results of the analysis will then guide an organization to either adopt a low cost strategy, differentiation strategy or a focus strategy.
3.0 RESEARCH METHODOLOGY

3.1 Research design
This study used a cross sectional survey design. This design is focused at a subset of the population at a particular point in time. Cross-sectional research takes a representative sample of its target group and bases its overall findings on the views of those targeted; assuming them to be typical of the whole group therefore allowing for generalizations. The method is useful in identifying practices in an organization. Omondi (2006) in a similar study of competitive strategies for the airline industry successfully used this design.

3.2 Population
The target population of the study was one hundred and forty seven top level management and sales managers in the three main cement manufacturing firms in Kenya, which are Bamburi Portland cement, East Africa Portland cement and the Athi River mining. The companies as listed in the Annex were those that are already registered by Nairobi stock exchange in the cement manufacturing firms in Kenya.

3.3 Sampling method
This research design was focused as a subset of the population at a particular point in time. Cross-sectional research took a representative random sample of its target group of a hundred and forty seven top level management. The East African Portland cement had approximately sixty six top level managers out of which thirty percent were selected that’s eighteen managers. Bamburi Portland cement with the target population of fifty one top managers, fifteen were selected representing thirty percent of the target population. And the
Athi river mining cement with a target population of thirty top managers, only nine were selected representing thirty percent too. Therefore out of the total target population of one hundred and forty seven top management, the sample size was forty two top level management.

3.4 Data collection

The questionnaire method was used for data collection. Respondents were top level management and sales managers in respective cement firms. The questionnaires were designed to collect qualitative and quantitative data. It was designed to receive responses for the key study objectives and will cover the following sections. The first section were demographics and this included variables like the title of respondent, company location, number of years in operation. The second variable is strategies employed to gain competitive advantage. Finally, the factors influencing the choice of competitive strategies were employed. Where necessary a structured face to face interview was used.

3.5 Data Analysis

Quantitative Data was analyzed by the help of the Microsoft Excel package of the computer. Quantitative data was similarly analyzed after first coding it. The interpretation of Data was based on simple descriptive statistics such as frequency distributions and percentages. This package came up with appropriate tables and charts to summarize and present data.
4.0 DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.0 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The data was gathered exclusively from questionnaire as the research instrument. The questionnaire was designed in line with the objectives of the study. To enhance quality of data obtained, Likert type questions were included whereby respondents indicated the extent to which the variables were practiced in a five point Likert scale. The data has been presented in form of quantitative, qualitative followed by discussions of the data results. The chapter concludes with critical analysis of the findings. The study in this section

4.1 Respondents’ demographic characteristics.

4.1.2 Position

The study in this section aimed at establishing the respondent’s position. Findings from the study revealed that a majority of the respondents were sales managers comprising 60 percent while 24 percent were finance managers. Only 16 percent were general managers.
4.1.2 Ownership structure

This section aimed at establishing the ownership structure of the companies. Majority of the companies were foreign local owned comprising 64 percent while 33 percent were local owned.

Source: Research Data, 2010
4.2 Company Details

4.2.1 Brand of cement your company represent

This section aimed at establishing the brand of cement the company represents. Findings from the study revealed that majority of the brands were from Athi River Mining Rhino cement comprising 47 percent while 33 percent of the brands were from Bamburi Portland Pozzolana cement. 20 percent of the brands were from East African Portland Pozzolana cement.

<table>
<thead>
<tr>
<th>Brand of cement your company represent</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>East African Portland Pozzolana cement</td>
<td>6</td>
<td>20</td>
</tr>
<tr>
<td>Bamburi Portland Pozzolana cement</td>
<td>10</td>
<td>33</td>
</tr>
<tr>
<td>Athi River Mining Rhino cement</td>
<td>14</td>
<td>47</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Research Data, 2010

4.2.2 Competitive strategies used in the organization.

This section aimed at establishing the competitive strategies used in the organization. Findings from the study revealed that most of the organization employed low production cost strategies, corporate image building strategies, highly skilled human resources recruitment strategies, cost leadership strategy, focus on selling one product/Service only strategy, technical staff hired on contract strategy, depot sales strategy, strategic Alliances local engagement strategy, mergers and acquisition strategy, globalization strategies and advertising aggressively strategies as was shown by means of 4.66, 4.65, 4.60, 4.57, 4.39,
4.33, 4.27 and 4.24 respectively. The least cited strategies employed were differentiation of products, continuous brand development strategy, organize loyal customer events strategy and continuous staff training strategies as was shown by means of 2.2, 2.4, 2.7 and 2.9 respectively.

Table 4.2 Competitive strategies used in the organization.

<table>
<thead>
<tr>
<th>Regionally represented in East Africa</th>
<th>Not at all</th>
<th>Little extent</th>
<th>Moderate</th>
<th>High</th>
<th>Very high in use</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>6%</td>
<td>3%</td>
<td>20%</td>
<td>47%</td>
<td>24%</td>
<td>3.9697</td>
<td>.72822</td>
<td></td>
</tr>
<tr>
<td>Shareholding in distribution companies</td>
<td>6%</td>
<td>9%</td>
<td>24%</td>
<td>30%</td>
<td>3.5091</td>
<td>.97991</td>
<td></td>
</tr>
<tr>
<td>6%</td>
<td>12%</td>
<td>46%</td>
<td>37%</td>
<td>9%</td>
<td>2.6061</td>
<td>1.02894</td>
<td></td>
</tr>
<tr>
<td>Low production cost strategies</td>
<td>3%</td>
<td>3%</td>
<td>6%</td>
<td>17%</td>
<td>4.666</td>
<td>.59512</td>
<td></td>
</tr>
<tr>
<td>3%</td>
<td>6%</td>
<td>21%</td>
<td>70%</td>
<td></td>
<td>4.6560</td>
<td>.59512</td>
<td></td>
</tr>
<tr>
<td>Corporate image building strategies</td>
<td>3%</td>
<td>6%</td>
<td>21%</td>
<td>70%</td>
<td>4.6061</td>
<td>.82687</td>
<td></td>
</tr>
<tr>
<td>Highly skilled human resources recruitment strategy</td>
<td>3%</td>
<td>6%</td>
<td>10%</td>
<td>15%</td>
<td>76%</td>
<td>4.6061</td>
<td>.82687</td>
</tr>
<tr>
<td>Focus on selling one product/Service only strategy</td>
<td>3%</td>
<td>9%</td>
<td>21%</td>
<td>67%</td>
<td>4.575</td>
<td>.6628</td>
<td></td>
</tr>
<tr>
<td>Technical staff hired on</td>
<td>3%</td>
<td>3%</td>
<td>12%</td>
<td>24%</td>
<td>58%</td>
<td>4.3939</td>
<td>.78817</td>
</tr>
<tr>
<td>Contract Strategy</td>
<td>Percentage Distribution</td>
<td>Source: Research Data, 2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>-------------------------</td>
<td>-----------------------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mergers and acquisition strategy</td>
<td>3% 12% 30% 55%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertising aggressively strategies</td>
<td>3% 21% 27% 49%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Team building efforts strategies</td>
<td>3% 6% 15% 46% 30%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To control the value chain strategies</td>
<td>3% 3% 36% 30% 27%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creating strategic alliances with global cement firms</td>
<td>3% 15% 15% 30% 36%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relationship selling strategy</td>
<td>3% 15% 38% 17% 16%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuous brand development strategy</td>
<td>3% 19% 31% 23% 13%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuous staff training strategies</td>
<td>3% 46% 27% 12% 12%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost leadership strategy</td>
<td>6% 13% 15% 76%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depot sales strategy</td>
<td>18% 24% 58% 4.3939 0.78817</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic Alliances local engagement strategy</td>
<td>15% 36% 49% 4.3333 0.73598</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Globalization strategies</td>
<td>18% 36% 46% 4.2727 0.76128</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Differentiation of products</td>
<td>9% 12% 46% 9% 24% 2.2727 1.23168</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Data, 2010
4.2.3 Factors influencing the choice of a particular strategy to be employed

This section aimed at establishing the various factors influencing the choice of a particular strategy to be employed. Findings revealed in this study showed that majority of the companies were influenced by lack of controls e.g. product tampering, distribution challenges, marketing budget, inability to meet product tonnage levels, limited number of staff cost, lack of resources, cash flow challenges and government policy as the major factors that influenced choice of a particular strategy to be employed as was shown by means of 4.6, 4.4, 4.3 and 4.2 respectively. The least cited factors the choice of a particular strategy to be employed were credit management, high cost of skilled staff and low representation in the region as was shown by means of 2.5, 2.6 and 2.7 respectively.

Table 4.3 Factors influencing the choice of a particular strategy to be employed

<table>
<thead>
<tr>
<th>Factor</th>
<th>Not at all</th>
<th>Little extent</th>
<th>Moderately</th>
<th>Highly</th>
<th>Very high use</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of controls e.g. product tampering</td>
<td>3%</td>
<td>3%</td>
<td>6%</td>
<td>17%</td>
<td>70%</td>
<td>4.666</td>
<td>.59512</td>
</tr>
<tr>
<td>Distribution challenges</td>
<td>3%</td>
<td>6%</td>
<td>21%</td>
<td>70%</td>
<td></td>
<td>4.6560</td>
<td>.59512</td>
</tr>
<tr>
<td>No marketing budget</td>
<td></td>
<td>6%</td>
<td>13%</td>
<td>15%</td>
<td>76%</td>
<td>4.6061</td>
<td>.82687</td>
</tr>
<tr>
<td>Inability to meet product tonnage levels</td>
<td>3%</td>
<td>6%</td>
<td>10%</td>
<td>15%</td>
<td>76%</td>
<td>4.6061</td>
<td>.82687</td>
</tr>
<tr>
<td>Limited number of staff cost</td>
<td>3%</td>
<td>3%</td>
<td>12%</td>
<td>24%</td>
<td>58%</td>
<td>4.3939</td>
<td>.78817</td>
</tr>
<tr>
<td>Issue</td>
<td>3%</td>
<td>12%</td>
<td>30%</td>
<td>55%</td>
<td>Lackage</td>
<td>Tolerance</td>
<td></td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td>-----</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>---------</td>
<td>-----------</td>
<td></td>
</tr>
<tr>
<td>Lack of resources</td>
<td>3%</td>
<td>12%</td>
<td>30%</td>
<td>55%</td>
<td>4.3333</td>
<td>.92421</td>
<td></td>
</tr>
<tr>
<td>Cash flow challenges</td>
<td>3%</td>
<td>21%</td>
<td>27%</td>
<td>49%</td>
<td>4.2424</td>
<td>.83030</td>
<td></td>
</tr>
<tr>
<td>Government policy</td>
<td>6%</td>
<td>3%</td>
<td>20%</td>
<td>47%</td>
<td>4.9697</td>
<td>.72822</td>
<td></td>
</tr>
<tr>
<td>Stringent alliance requirements</td>
<td>6%</td>
<td>3%</td>
<td>20%</td>
<td>47%</td>
<td>4.9697</td>
<td>.72822</td>
<td></td>
</tr>
<tr>
<td>Very competitive environment</td>
<td>3%</td>
<td>6%</td>
<td>15%</td>
<td>46%</td>
<td>3.9394</td>
<td>.99810</td>
<td></td>
</tr>
<tr>
<td>E.g. cement axle weight load on roads</td>
<td>6%</td>
<td>9%</td>
<td>24%</td>
<td>30%</td>
<td>3.5091</td>
<td>.97991</td>
<td></td>
</tr>
<tr>
<td>Low staff morale</td>
<td>6%</td>
<td>9%</td>
<td>24%</td>
<td>30%</td>
<td>3.5091</td>
<td>.97991</td>
<td></td>
</tr>
<tr>
<td>Inability to attract repeat customers</td>
<td>3%</td>
<td>3%</td>
<td>36%</td>
<td>30%</td>
<td>3.4485</td>
<td>.87039</td>
<td></td>
</tr>
<tr>
<td>Limited number of staff cost</td>
<td>3%</td>
<td>15%</td>
<td>15%</td>
<td>30%</td>
<td>3.3182</td>
<td>1.1846</td>
<td></td>
</tr>
<tr>
<td>Lack of team work</td>
<td>3%</td>
<td>15%</td>
<td>38%</td>
<td>17%</td>
<td>2.7879</td>
<td>1.1926</td>
<td></td>
</tr>
<tr>
<td>Low representation in the region</td>
<td>3%</td>
<td>19%</td>
<td>31%</td>
<td>23%</td>
<td>2.7878</td>
<td>.4455</td>
<td></td>
</tr>
<tr>
<td>High cost of skilled staff</td>
<td>6%</td>
<td>12%</td>
<td>46%</td>
<td>37%</td>
<td>2.6061</td>
<td>1.0289</td>
<td></td>
</tr>
<tr>
<td>Credit management</td>
<td>3%</td>
<td>46%</td>
<td>27%</td>
<td>12%</td>
<td>2.512</td>
<td>.97215</td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Data, 2010

4.2.4 Views on strategy implemented

This section aimed at establishing the various views on the strategy implemented. Majority of the respondents cited that the strategy that the firm had implemented was a low cost strategy and a focus strategy. Further, the respondents cited that the strategy was a differentiation strategy.
CHAPTER FIVE

5.0 SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

The study established that a majority of the respondents were sales managers comprising 60 percent while 24 percent were finance managers. In addition, majority of the companies were foreign local owned comprising 64 percent while 33 percent were local owned.

The study established that majority of the brands were from Athi River Mining Rhino cement comprising 47 percent while 33 percent of the brands were from Bamburi Portland Pozzolana cement. 20 percent of the brands were from East African Portland Pozzolana cement.

On the issue of the various competitive strategies employed, the study revealed that most of the organization employed low production cost strategies, corporate image building strategies, highly skilled human resources recruitment strategies, cost leadership strategy, focus on selling one product/Service only strategy, technical staff hired on contract strategy, depot sales strategy, strategic alliances, local engagement strategy, mergers and acquisition strategy, globalization strategies and advertising aggressively strategies.

On the topic of the various factors influencing the choice of a particular strategy to be employed, majority of the companies were influenced by lack of controls e.g. product tampering, distribution challenges, marketing budget, inability to meet product tonnage levels, limited number of staff cost, lack of resources, cash flow challenges and government policy as the major factors that influenced choice of a particular strategy to be employed.
The study further established that the strategy that the firms had implemented were low cost strategy and focus strategies.

5.2 Conclusion

The study concludes that the cement firms in the cement industry in Kenya have employed various competitive strategies. These were low production cost strategies, corporate image building strategies, highly skilled human resources recruitment strategies, cost leadership strategy, focus on selling one product/Service only strategy, technical staff hired on contract strategy, depot sales strategy, strategic alliances, local engagement strategy, mergers and acquisition strategy, globalization strategies and advertising aggressively strategies.

The study further concludes that there were various factors influencing the choice of a particular strategy employed by the cement firms in the cement industry in Kenya. These includes choice of a particular strategy to be employed, majority of the companies were influenced by lack of controls e.g. product tampering, distribution challenges, marketing budget, inability to meet product tonnage levels, limited number of staff cost, lack of resources, cash flow challenges and government policy.

5.3 Recommendation

The study recommends that for cement firms in the cement industry in Kenya to remain competitive, there is need for the firms to employ various strategies differentiation and relationship strategies to boost growth and sales. Strategy as a combination of competitive moves and business approaches that manager’s employ to satisfy organizational vision and objectives.
5.4 Limitations of the study

A limitation for the purpose of this research was regarded as a factor that was present and contributed to the researcher getting either inadequate information or responses or if otherwise the response given would have been totally different from what the researcher expected.

The main limitations of this study were; Some respondents refused to fill in the questionnaires. Further some respondents decided to withhold information which they considered sensitive and classified. This reduced the probability of reaching a more conclusive study. However, conclusions were made with this response rate.

The small size of the sample could have limited confidence in the results and this might limit generalizations to other situations.

Most of the respondents were busy throughout and had to continuously be reminded and even persuaded to provide the required information. Time- Due to official duties time was a major concern.

5.5 Area of further study

The study aim was to determine competitive strategies adopted by cement firms in the cement industry in Kenya and the factors influencing the choice of a particular strategy employed. More research needs to be carried out on competitive strategies adopted other organizations such as financial institutions.
APPENDIX 1

KENYATTA UNIVERSITY

PARKLANDS CAMPUS

P.O BOX

NAIROBI

CONFIDENTIAL QUESTIONNAIRE

A RESEARCH STUDY TO EXAMINE THE COMPETITIVE STRATEGIES OF CEMENT PRODUCING FIRMS IN KENYA:

I am a student at Kenyatta University pursuing a master’s degree in strategic management (MBA). Am required to submit a research project at the end of my course for partial fulfillment of an award of a master’s degree. Attached is a questionnaire which entails confidential questions crucial to the success of this exercise.

Please sir/madam answer all the questions accurately and honestly. Your responses will be of the results upon your request. This research is solely for study purpose.

Thank you.

WEYAO EMMANUEL. WANYONYI

Researcher
Section 1: General Details

1. Name (optional)

2. Title

3. Company

4. Address

5. Regional spread

6. Local (state location)

7. International (state location)

8. Ownership structure  Local ( ) Foreign ( ) Foreign Local ( )

Section 2: Company Details

Which brand of cement does your company represent (tick where necessary):

East African Portland Pozzolana cement  ( )

Bamburi Portland Pozzolana cement  ( )

Athi River Mining Rhino cement  ( )
SECTION 2.1 What are the competitive strategies below used in your organization?

(Tick where appropriate):

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Not at all</th>
<th>Little extent</th>
<th>Moderately</th>
<th>High</th>
<th>Very high in use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differentiation of products</td>
<td></td>
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<tr>
<td>Cost leadership strategy</td>
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<tr>
<td>Focus on selling one product/Service only strategy</td>
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<tr>
<td>Depot sales strategy</td>
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<tr>
<td>Mergers and acquisition strategy</td>
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<tr>
<td>Strategic Alliances local engagement strategy</td>
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<tr>
<td>Globalization strategies</td>
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<tr>
<td>Advertising aggressively strategies</td>
<td></td>
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<tr>
<td>Regionally represented in East Africa</td>
<td></td>
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<tr>
<td>Team building efforts strategies</td>
<td></td>
<td></td>
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<tr>
<td>Shareholding in distribution companies</td>
<td></td>
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<tr>
<td>To control the value chain strategies</td>
<td></td>
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<tr>
<td>Highly skilled human resources recruitment strategy</td>
<td></td>
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<tr>
<td>Relationship selling strategy</td>
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<tr>
<td>Continuous brand development strategy</td>
<td></td>
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</tr>
</tbody>
</table>
Organize loyal customer events strategy
Continuous staff training strategies
Corporate image building strategies
Low production cost strategies
Creating strategic alliances with global Cement firms
Technical staff hired on contract strategy
Others please state

SECTION 2.2: What are the factors influencing the choice of a particular strategy to be employed?

<table>
<thead>
<tr>
<th>Factor</th>
<th>Not at all</th>
<th>Little extent</th>
<th>Moderately</th>
<th>Highly</th>
<th>Very high use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited number of staff cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Lack of resources</td>
<td></td>
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<td></td>
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<tr>
<td>Cash flow challenges</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Very competitive environment</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Inability to attract repeat customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Limited number of staff cost</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Lack of team work</td>
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<tr>
<td>Low representation in the region</td>
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<tr>
<td>Credit management</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No marketing budget</td>
<td></td>
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<tr>
<td>Government policy</td>
<td></td>
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<td>E.g. cement axle weight load on roads</td>
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<tr>
<td>High cost of skilled staff</td>
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<tr>
<td>Lack of controls e.g. product tampering</td>
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<td></td>
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<tr>
<td>Distribution challenges</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Inability to meet product tonnage levels</td>
<td></td>
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<tr>
<td>Stringent alliance requirements</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Low staff morale</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Others please state</td>
<td></td>
<td></td>
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</tbody>
</table>

In conclusion what would you comment on the strategy you have implemented

Low cost strategy ____________________________ ( )

Differentiation ____________________________ ( )

Focus strategy ____________________________ ( )

Please explain

_________________________________________
## APPENDIX III

### RESEARCH PROJECT WORK PLAN

#### DURATION

**YEAR 2009 - 2010**

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Presentation of synopsis to chairman of school of business K.U &amp; working on project background</td>
<td>xxx</td>
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<td></td>
<td>xxx</td>
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<tr>
<td>Presentation of proposal to Kenyatta University</td>
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<td></td>
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<td></td>
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</table>

**Notes:**
- Presentation of synopsis to chairman of school of business K.U & working on project background is scheduled for Jan 2010.
- Data collection is set for the period Jan 2010.
- The exact dates for specific activities within the months are not provided.
<table>
<thead>
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<th>Data analysis</th>
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<tbody>
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<tr>
<td>Printing and binding</td>
<td>xxx</td>
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<tr>
<td>Presentation of research project to Kenyatta University</td>
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<tr>
<td>Graduation</td>
<td>xxx</td>
</tr>
</tbody>
</table>
### APPENDIX IV

### ESTIMATED PROJECT BUDGET

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>UNIT</th>
<th>PRICE PER UNIT</th>
<th>TOTAL KSHS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>KSHS</td>
<td></td>
</tr>
<tr>
<td>Photocopying papers</td>
<td>6 rims</td>
<td>500</td>
<td>3,000</td>
</tr>
<tr>
<td>Drafting papers &amp; pens</td>
<td>10 rims</td>
<td>400</td>
<td>4,000</td>
</tr>
<tr>
<td>Laptop</td>
<td>1</td>
<td><strong>35,000</strong></td>
<td>35,000</td>
</tr>
<tr>
<td>Typing, printing and binding</td>
<td>50x40</td>
<td><strong>50</strong></td>
<td>10,000</td>
</tr>
<tr>
<td>services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport expenses: Mombasa</td>
<td>2x2x3</td>
<td>1,000</td>
<td>12,000</td>
</tr>
<tr>
<td>- Athi River</td>
<td>2x2x15</td>
<td>150</td>
<td>9,000</td>
</tr>
<tr>
<td>Accommodation - Mombasa</td>
<td>2x3</td>
<td>3,000</td>
<td>18,000</td>
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<tr>
<td>Food - Mombasa</td>
<td>2x3x3m</td>
<td>500</td>
<td>9,000</td>
</tr>
<tr>
<td>Athi River</td>
<td>2x15</td>
<td>300</td>
<td>9,000</td>
</tr>
<tr>
<td>Wages - research assistant</td>
<td>1x25</td>
<td>500</td>
<td>12,500</td>
</tr>
<tr>
<td>Miscellaneous/contigences</td>
<td>-</td>
<td>-</td>
<td>10,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>131,500/=</strong></td>
</tr>
</tbody>
</table>

East African Portland Company Ltd

Bamburi Portland cement Company Ltd

Athi River Mining Rhino Cement Company Ltd.
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