COMPETITIVE STRATEGIC RESPONSE TO CHANGES IN TURBULENT ENVIRONMENT: A CASE OF MWEA RICE MILLS

By

DORCAS NGATHA MUNYI

A Project Report Submitted to the Chandaria School of Business in Partial Fulfilment of the Requirements for the Degree Masters of Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY

SUMMER 2014
STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than United States International University.

Signed _____________________________ Date_______________________

Munyi Dorcas Ngatha (636650)

This project report has been presented for examination with our approval as the appointed supervisors.

Signed: ______________________________ Date_______________________

Dr. Zachary Mosoti

Signed: ______________________________ Date: __________________

Dean Chandaria School of Business
COPYRIGHT

© 2014 Dorcas Ngatha Munyi
All rights reserved including rights of reproduction in whole or part in any form without the prior permission of the author or United States International University or Office of the Deputy Vice Chancellor Academic Affairs.
ABSTRACT

The main purpose of the study was to evaluate the competitive strategic response as a result of change in turbulent environment. The study was guided by three research questions, which sought to find out the effect of change of factor conditions on competitive advantage, effect change in demand conditions and external environment on competitive advantage and finally the effect of change in firm’s strategy on competitive advantage.

The research was a case of Mwea Rice Mills and it specifically concentrated on the competitiveness of Mwea Rice Mills. A descriptive research design was adopted where the researcher sought to establish the challenges faced by the firm to achieve competitive advantage. The population of the research was made of 59 employees from Mwea Rice Mills and from that population a sample of 49 was used for data collection using stratified random sampling technique. The collection of data was done using questionnaires which were pre-tested to ensure reliability and validity. Data coding was done using SPSS in order to generate the descriptive statistics, instance frequencies and percentages. The presentation of data was in form of figures and tables.

Form the first research question, the study revealed that human resource management and knowledge management affect achievement of a sustainable competitive advantage of the firm. Lack of structures that contributed to employee motivation was some of the factors that were facing Mwea Rice Mills. It was also established that the information received by members of the organization was not shared and therefore the information was not used as knowledge in the organization.

Through the second research question, the study was able to reveal that to ensure competitiveness a firm had to be more focused on changes in the tastes and preference of the customers. The study noted that feedback from customers was a way of ensuring that changes in demand, it was also noted and marketing of the firms products was essential in achieving a competitive advantage over the competitors.
Using the last research question the study was able to further confirm that government intervention was a way through which affirm would become competitive in its industry; however, government control would work against a firm gaining competitive advantage.

Finally, the research revealed that there were several ways through which a firm would enhance its competitiveness through change of strategy; one way was that the firm could adopt a new method of marketing through use of social corporate responsibility, the second is that the firm could get into competitive agreements with the competitors with the aim of out doing the competitor.

In conclusion the study found that employees were key factors of successful strategy implementation that would lead to achieving a sustainable competitive advantage. From the study a conclusion was also drawn that adoption of new technology was key in achieving the competitive advantage in a firm. This was due to reduction of cost of production. It was also established use of environmental friendly techniques contributed to an increase in sales as this created a perception in the customers that the products were of a higher quality.

Availability of government aid was seen to provide a competitive advantage to the firm. However, government control was seen to reduce on the competitiveness of the firm and therefore less government control would have been encouraged. Finally use of corporate social responsibility was seen as a method of indirect advertising should be encouraged in organizations.

In light of the findings the research recommended that it was necessary for the organizations to be more employee focused because through the employees the competitive goals are achieved. It was also recommended that the organization should engage in constant marketing of their products to maintain a constant remainder. Finally, it was recommended Mwea Rice Mills should embrace new strategies of being more competitive such as being more community service.
ACKNOWLEDGMENT

I sincerely acknowledge my supervisor Dr. Zachary Mosoti for the guidance and the never ending encouragement that he offered me. I also acknowledge all my lectures for their professionalism in content delivery of all the courses taught that gave me an insight to develop the project.

I would also like to acknowledge my entire family for the moral and financial encouragement you offered me to make this project a success.

I would also like to thank the Almighty God for the gift of life and good health that has enabled me accomplish this journey.
DEDICATION

This work is dedicated to my loving parents Mr. and Mrs. Munyi for their continuous support, encouragement and love as I pursued my life’s desire.
# TABLE OF CONTENTS

STUDENT'S DECLARATION........................................................................................................... i
COPYRIGHT .................................................................................................................................. iii
ABSTRACT .................................................................................................................................... iv
ACKNOWLEDGMENT ................................................................................................................. vi
DEDICATION ............................................................................................................................ vii
TABLE OF CONTENTS .............................................................................................................. viii
TABLE OF FIGURES ................................................................................................................ xii
ABBREVIATIONS .................................................................................................................... xiii
CHAPTER ONE ............................................................................................................................. 1
1.0 INTRODUCTION ................................................................................................................. 1
  1.1 Background of the Study ................................................................................................. 1
  1.2 Statement of the Problem .............................................................................................. 4
  1.3 Purpose of the Study ..................................................................................................... 5
  1.4 Research Questions ....................................................................................................... 5
  1.5 Importance of the Study ............................................................................................... 5
  1.6 Scope of the Study ......................................................................................................... 7
  1.7 Definition of Terms ....................................................................................................... 7
  1.8 Chapter Summary ......................................................................................................... 8
CHAPTER TWO ........................................................................................................................... 9
2.0 LITERATURE REVIEW ....................................................................................................... 9
2.1 Introduction ..............................................................................................................................9
2.2 Effect of Change in Factor Conditions on Competitive Advantage ...........................................9
2.3 The Effect of Change of Demand and External Environment on Competitive Advantage .................12
2.4 Effect of Change in Firm Strategy on Competitive Advantage ....................................................18
2.5 Summary ..................................................................................................................................24

CHAPTER THREE ..............................................................................................................................25

3.0 RESEARCH METHODOLOGY ..................................................................................................25

3.1 Introduction ..............................................................................................................................25
3.2 Research Design .......................................................................................................................25
3.3 Population and Sampling Design ..............................................................................................26
3.4 Data Collection Method ..........................................................................................................28
3.5 Research Procedure ................................................................................................................28
3.6 Data Analysis Technique .......................................................................................................29
3.7 Chapter Summary ....................................................................................................................29

CHAPTER FOUR ................................................................................................................................30

4.0 RESULTS AND FINDINGS .......................................................................................................30

4.1 Introduction ..............................................................................................................................30
4.2 General Information ................................................................................................................30
4.3 Effect of Change in Factor Conditions on Competitive Advantage ...........................................35
4.4 The Effect of Change of Demand and External Environment on Competitive Advantage ...............39
4.5 Effect of Change in Firm Strategy on Competitive Advantage ....................................................44
LIST OF TABLES

Table 3.1. Number of employees: ................................................................. 26
Table 3.2. Sample Size ........................................................................................................ 28
Table 4.1: Cross Tabulation of Staff According to Departments and Positions in the
Departments ......................................................................................................................... 34
Table 4.2: Correlation between Change Sales and Change in Technology .................. 40
Table 4.3: Correlation between Accessibility and Changes in Sales in the Retail Shop.... 40
Table 4.4: Correlation between Sales and Cost of Rice .................................................. 41
Table 4.5: Correlation between Environmental Sensitivity and Change in Sales ........... 42
Table 4.6: Correlation between Advertising and Changes in Sales ............................. 42
Table 4.7: Correlations between Government Aid, Government Control and Change
in Sales ............................................................................................................................... 43
Table 4.8: Correlation between Agreement with the Competitors and Sales ............... 44
Table 4.9 Correlation Coefficient of CSR and Changes in Sales ................................. 45
TABLE OF FIGURES

Figure 4.1 Response Rate ........................................................................................................30
Figure 4.2: Classifications According to Gender .................................................................31
Figure 4.3: Age Categories ....................................................................................................31
Figure 4.4: Level of Education ............................................................................................32
Figure 4.5: Years of Service .................................................................................................32
Figure 4.6: Employee Training ............................................................................................36
Figure 4.7 Employee Motivation .........................................................................................36
Figure 4.8: Feedbacks, Sources of Feedback and Recipients of Feedback .......................37
Figure 4.9: Information Sharing and Actions Taken on Feedback ....................................38
Figure 4.10: Use of New Technology ..................................................................................39
Figure 4.11: Major Customer .............................................................................................45
Figure 4.12: Suggestions to Increase Competitiveness ......................................................46
<table>
<thead>
<tr>
<th>ABBREVIATIONS</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
</tr>
<tr>
<td>DC</td>
<td>Dynamic Capabilities</td>
</tr>
<tr>
<td>HR</td>
<td>Human Resources</td>
</tr>
<tr>
<td>HRM</td>
<td>Human Resources Management</td>
</tr>
<tr>
<td>KM</td>
<td>Knowledge Management</td>
</tr>
<tr>
<td>MRM</td>
<td>Mwea Rice Mills</td>
</tr>
<tr>
<td>NIB</td>
<td>National Irrigation Board</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Scientist</td>
</tr>
<tr>
<td>TQM</td>
<td>Total Quality Management</td>
</tr>
</tbody>
</table>
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

All organizations serve the environment and are dependent on the same environment that they operate in and serve (Ansoff, 1987). This dependency was in form of their inputs and the market in which they sell their outputs. According to Minzberg (2005), the environment is a niche in which the organization operates in, therefore, the organization must be able to adapt successfully to the environment or otherwise be selected out.

The response that an organization employed was dependent on the level of turbulence. With increased turbulence the organization would focus its reaction to the product or the market by making changes in either of them. These changes trigger other changes in the organization which would be structural changes, leadership changes, technological changes and policy changes. These change in the organization enabled the organization to learn and be more efficient therefore making it easier to deal with their short comings (Senge, 1990).

Turbulence however, was not only from the external environment; changes may emerge from the internal environment which was within the organization hence making the competitiveness of the organization to decline. According to Ansoff (1987) the environment is constantly changing and therefore the need for an organization to constantly align itself and it various activities to the changes for survival.

Although there seemed to be no one agreed upon definition of strategy, Grant (1998) defined strategy as being about winning; Kenneth (1980), defined corporate strategy as a pattern of decisions in a company which reveals its objectives, goals or purposes. According to Kenneth (1980) strategy produced the principal policies to achieve the goals and define the range of business the company is to pursue. Porter (1996)
defined competitive strategy as being different. He argued that competitive strategy is a deliberate means of choosing a different set of activities to deliver a unique mix of values.

Since the environment keeps on changing from one turbulent level to the next the ability of the firm to change accordingly was important. If the firm failed to keep to the pace of the environment then it risked losing its competitive position and hence becoming unprofitable (Ansoff, 1990).

According to Porter (2008) the strongest competitive force or forces determined the profitability of an industry and therefore became the most important in strategy formulation, he went further to state that it is the structure of the industry that drives competition and hence profitability but not the maturity of the industry. Porter (1980) stated that a firm that is seeking competitive advantage had to first strive to be the low cost leader, be unique in the market in terms of its products through product differentiation and finally to have a special appeal to one or more target groups. He further went ahead to state that competitive advantage arises from selection of the generic strategy that best fit the organizations competitive environment (Porter, 1985).

Once the forces that were affecting the organizations competitiveness in the industry and the underlying causes had been identified the company then identify its strengths and weaknesses. The most important strengths and weaknesses are the company’s competitive posture compared to the underlying causes affecting the industry. For example where did the company stand against substitutes, the barriers to entry and exit from the industry (Humphrey, 2005).

Thompson, Strickland and Gamble (2007) outlined the company’s menu of strategic responses. Generic competitive strategic option was the first; it includes the cost of leadership, differentiation and focus strategies. The second strategic choice was the complementary strategic option which includes employing strategic alliances and partnerships, mergers and acquisitions, integration of companies both forward and
backward integration, outsourcing of certain activities and initiating offensive strategic moves. Functional area strategy to support the above strategic choices was third, with the fourth being timing of a company’s strategic moves in the market, finally the fifth is the web site strategy being employed.

Environmental turbulence varied from one industry to another and the levels of uncertainty was different in organizations belonging to the same industry. This turbulence had posed challenges such as an increase in competition, changing customer demands and expectations, increased knowledge and alignment to technological advancement (Ferrier and Lee, 2002).

Mills in Kenya had experience major challenges both internal and external. The Kenyan economy has been unstable from the 90’s to the 21st century and the customer preference change to preferring cheap imports as opposed to the locally manufactured rice. Internal factors had been another major impact on the industry with the Mills preferring to use low cost manufacturing methods hence producing poor quality local rice. Economic factors such as the cost of acquiring capital, interest on loans and political and legal uncertainties had been of an impact to the rice milling business (FAO, 2004).

These challenges had not been different in MRM. Middle men had taken advantage of both the mill and the growers buying paddy at low price from the farmers sell it at high price to the mill and then take up the sales of the already manufactured rice making it more expensive to the end user. Since the controls on price and marketing were removed in 1993, MRM had faced a lot of competition from the small scale millers. It was estimated that by 2001 there were around 200 small scale millers operating within the vicinity of the mill (FAO 2004).

MRM is a subsidiary of the National Irrigation Board (NIB) and is a limited liability company with 55% shares owned by the (NIB) and 45% of the shares owned by the farmers. MRM had been faced with poor factor conditions, and rapid change in the
processing technology and constant changes in the competitors’ strategies, (NIB 2013).

From this background the researcher was able to explore the effects of availability of factor conditions, change of technology and the change of firm’s strategy on competitive advantage which led to profitability of the firm. The study also explored ways of improving the supply chain which had also been a major challenge for MRM. The supply chain was to help the mill improve on the success of the business goals and to gain competitive advantage hence improving business performance (Cohen & Roussel, 2005).

1.2 Statement of the Problem

Phatcharee (2012) carried out research on rice mills in relation to supply, demand, process planning and control, competitors’ action, climatic conditions and the uncertainty in government policies. Demand, planning and control in the mill, competition and government policy contribute to the decline of efficiency and performance in the mills. The reach having been carried out in Thailand was not of relevance to Kenya due to the differences in government policies and at the same time the demand and preferences of customers are different and therefore this study could not be domesticated to the Kenya situation. More still the MRM had been faced with competition from imports of cheap rice which is not the case in Thailand.

Closer home a study carried out by Japan International Cooperation Agency (JICA 2006), concentrated on generating basic information on the status of rice production, processing and marketing in Uganda, this study however could not be domesticated to Kenya as it concentrated more on production, secondly Kenya has a higher production of rice as compared to Uganda and finally Ugandan Rice Mills do not face the competition that the Kenyan rice mills face from the local small scale producers.

The research was therefore seeking to find out and establish ways of filling the gap on the factors that affect MRM in the constantly changing competitive environment. This involved finding out the effect of employing more factor conditions on the
competitive advantage of the firm, the effect of change in the home market demand on profitability, effect of technology on competitive advantage, new strategy and competitive positioning of the firm and the effect of the government policies on the profitability and competitive posture of the Mills.

The study sort to cover the knowledge gap that existed on government owned organizations. It provided a source of reference for any researcher who will be willing to carry out further research.

1.3 Purpose of the Study

The purpose of the study was to explore the competitive strategic response by Mwea Rice Mill Ltd to the rapidly changing rice retailing and processing business.

1.4 Research Questions

The research was guided by the following research questions;

1.4.1 What is the effect of change on factor conditions on competitive advantage?
1.4.2 Is there an effect of change in demand and external environment on competitive advantage?
1.4.3 What is the effect of change in firm’s strategy on competitive advantage?

1.5 Importance of the Study

The major challenge faced by the mills had been the changing tastes and preference of their customers, an increase in the number of competitors in the industry that was once monopolized by the NIB owned mills had also necessitated the need for a change in strategy. This study could be of a great importance to the stake holders which include: the major and minor shareholders, other NIB owned mills, the government, other scholars and academicians.
1.5.1 National Irrigation Board

The National Irrigation Board owns 55% of the Mwea Rice Mills shares making it the major decision maker in the mill. With the change in laws regarding pricing and marketing of rice which saw the mill lose its monopoly power, the mills major share holder has been faced with challenge of maintaining a competitive edge. The study will enable the NIB to assess the impact of each decision they make and therefore making a more informed decision.

1.5.2 Minority Share Holders

The study addressed ways in which cost of processing rice can be reduced and this will in return increase on the profitability of the mill and therefore maximizing profits for the farmers who are the minority shareholders.

1.5.3 Government

The findings of the study highlighted issues regarding the industry which can help the government on policy formulation that would affect the rice milling industry.

1.5.4 Other Rice Mills

This study also contributed to the body of knowledge and can be used by other small scale and NIB owned mills. Especially in the development of policies and formulating strategies to maintain market leadership.

1.5.5 Researchers and Academicians

The research was to contribute on the body of knowledge on effective ways to manage change on facilities that are partially government owned and at the same time are facing competition in the free market and had to formulate strategies that would keep them competitive. The research would provide a useful source of reference for scholars and researchers who may be interested in carrying out future research based on the findings of the study.
1.6 Scope of the Study

The study was be carried out in Kenya Mwea Rice Mills in Kirinyaga County and the sample was drawn from the Mwea Rice Mills permanent staff members, the study was carried over the period of May 2014 to June 2014. One limitation expected in the data collection process was the chance that the respondents may not give honest information. The researcher dealt with the limitation by assuring the respondent that the information given would not be accessible to a third party and that only the final analyzed data will be shared with the organization. The second mitigation measure was to give similar questions in the same questionnaire to ensure truthful answering of the questions.

1.7 Definition of Terms

1.7.1 Strategy

Strategy is performing different activities from the rivals or performing or performing similar activities differently, (Porter, 1996).

1.7.2 Competitive Advantage

Competitive advantage is the ability of the firm to effectively use organizations resources to satisfy customer demands as compared its competitors, (Hutzschenreuter and Israel, 2009).

1.7.3 Strategic Response

Strategic response: strategic response is a set of commitments, actions and decisions undertaken by firm to achieve strategic competitiveness and earn above average returns, (Wheelen and Hunger, 2004).

1.7.4 Turbulent Environment

Turbulent environment: environmental turbulence is a combined measure of the changeability and predictability of the firm’s environment, (Ansoff, 1990).
1.7.5 Internal Environment

Internal Environment: the internal environment is the physical and social factors within the boundaries of a firm that affect the decisions of the firm, (Ferrier and Lee, 2002)

1.7.6 External Environment

External environment: the external environment is made up of the physical and social factors outside the boundaries of an organization and which the organization may not have control over, (Ferrier et al. 2002).

1.8 Chapter Summary

This chapter provided a background of the research topic and a brief history of the firm. In this chapter an elaboration of the challenges that are faced by firms in a rapidly changing environment has been given. Further research questions related to the major sources of MRM’s challenges have been given; the scope and importance of the study were also covered in this chapter. The next chapter is chapter two, it has covered the literature review in relation to the research questions then chapter three will give details of the study methodology. Chapter four will show the results and findings and chapter five will give a discussion of the study, conclusions and recommendations.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter addressed review of literature on the response to a turbulent environment. This review was based on the porter’s diamond model and it explored how the pillars of the diamond model would be used to improve a firm’s response to its changing environment. The review included the effect factor conditions, effect of change on customer demand, effect of changes in the rival company’s strategy and change on the firm’s strategies.

2.2 Effect of Change in Factor Conditions on Competitive Advantage

To maintain a competitive advantage a firm had to strategically position its factor conditions. In his definition of competitive advantage Stevenson (2009) stated that competitive advantage is the ability of the firm to effectively use organizations resources to satisfy customer demands as compared its competitors. The positioning the factor conditions were essential since they created and sustained a superior performance for the firm. Competitive advantage can be defined as creating more economic value than the competitors, (Barney, 2008). Factor conditions therefore, were essential inputs for a firm’s productivity. Porter (1990) defined factor conditions as resources divided basic and advanced they are then grouped into; human resources, physical resources, knowledge, capital and infrastructure. He went ahead and argued that different industries have specialized resources that are specific only to the industry and are important to enable firms in that industry to maintain a competitive advantage. Ordaz, Alcazar and Cabrera (2003) defined resources as input factors that are available for the firm to carry out its activities.

2.2.1 Effect of Human Resources on Competitive Advantage

Human resource management (HRM) is an important faction in organizations mainly because of its role in providing competitive advantage, studies have shown that HRM strategies, activities and practices have an impact on the overall organization
performance and bottom line results (Stone and Deadrick, 2008). To maintain a competitive advantage in a turbulent environment, human resources management forms an important part of the strategic planning process of the firm this is because implementation of the firm’s strategy and performance of the firm depends on the attitude and behavior of the employees (Burton, Lauridsen and Obel, 2004). Therefore, the organization has to recruit and maintain a competitive set of human resource. This means that the organization cannot rely on mimic of other organizations process and has to figure out what works best for them (Gross and Friedman, 2004).

The competitiveness of an organization based on the employee’s performance was considered to be drawn from the organization’s intentions to enhance the employee skill, motivate the employees and providing an opportunity for the employees to perform (Boxall and Purcell, 2008). Employee training provided opportunities for the development of talents and skills. When talents are natured an organization is able to achieve its competitive advantage (Bowling, 2007). Pool and Pool (2007) argued that employees tend to be more involved and to identify more with an organization that provided effective training and development.

Other than improving the employee’s skills through training reward systems motivated employees to perform better, it also enabled an organization to attract and retain employees (Bowen, 2004). The reward system should be tailored to the organizations specific circumstances and in reference to the competitive strategy and the human resource strategy selected (Armstrong and Brown, 2005). Gkorezis and Petridou (2008) argued that a reward is anything that reinforces, maintains and strengthens behavior in the firm; they continue to argue that rewards can be intrinsic and extrinsic and both can be combined to enhance outcomes.

2.2.2 Effect of Knowledge Management on Competitive Advantage

Knowledge management (KM) was attached to human resource and human resource management; knowledge can therefore be considered to be an advanced form of
human resource (Svetlik and Starvrou-Costea, 2007). Many organizations have realized that knowledge played an important role in gaining a competitive advantage in an industry (Choi, Kang and Lee, 2008). In their study Alton and Dion (2008) found that competitive performance of the firm ranked highest as the most important application of knowledge in terms of attaining the overall firm objectives.

According Fawzy and Soliman (2000) knowledge management is the ability to sustain the coordinated use of assets and unique capabilities in an organization in a way that will help the organization to achieve its goals and objectives. Choi et al. (2008) found that gaining a competitive advantage relied on the capability of the firm to create and apply intellectual expertise. Knowledge is therefore a valuable asset in building the human resources in an organization, (Lloria, 2008). According to Lloria (2008) the strategic objectives of KM include development of new opportunities and customer value creation.

Knowledge acquisition related to the location, creation and discovery of knowledge (Darroch, 2003). Knowledge could be acquired from within and outside the organization (Werr, Blomberg, Lowstedt, 2009). Analyzing of various internal data could be a vital source of knowledge and could be exploited, on the other hand customers and channel members have got information that is essential for the organizations decision making (Werr et al., 2009). Knowledge can also be acquired from external environment from members such as the competitors and the general public (Petruzzelli, Albino, Carbonara, 2009). The information acquired by the firm can be used to develop a sustainable competitive advantage hence superior market performance (Petruzzelli et al., 2009).

The acquired knowledge would becomes useful when disseminated (Al-Alawi, Al-Marzooqi and Mohammed, 2007). Knowledge dissemination is important in an organization since it enables the members of the organization to share the knowledge (Al-Alawi et al., 2007). It has also been noted that customers and producers share knowledge through interacting and conversations around the product offerings (Rosa and Spanjol, 2005).
2.2.3 Effect of Innovation on Competitive Advantage

Rosenbusch, Brinckmann and Bausch (2011) argued that continuous innovation activities are key to sources of long term competitive advantage. Firms that do not engage in competitive innovations risk losing their competitiveness hence being selected out (Kotler, 2000). Artz, Norman, Hatfield and Cardinal (2010), argued that due to the high levels of competition and short product lifecycle innovation is important to improve performance and maintain competitive advantage. This has caused innovation to be a requisite objective for all firms, (Lipit, 2006).

According to Jimenez and Sanz-Valle (2011), innovation is one of the key factors to a firm’s success and survival and eventually competitive advantage (Standing and Kiniti, 2011). It is a complex process related to change in production functions and processes where firms build up on their particular technologies (Therrien, Doloreux, and Chamberlin, 2011).

Calantone, Cavusgil, and Zhao (2002), concluded from their study that innovation and a firm performance are positively relate this was after carrying out study on firm performance, learning orientation and innovation. The relationship between quality, growth, profitability and innovation indicated that innovation contribute the highest to profitability, (Cho and Pucik, 2005).

2.3 The Effect of Change of Demand and External Environment on Competitive Advantage

Porter (1990) defined demand conditions as changes in the tastes, preferences and buying behaviour of sophisticated buyers that pressure firms to innovate faster and to create advanced products to those of their competitors. Due to constant changes in customer preferences firms need to adapt themselves in order to ensure the survival and success in business performance (Kwahk and Lee, 2008). The external environment contribute to the changes in customer demands, the external environment is made up of the physical and social factors outside the boundaries of an organization and which the organization may not have control over, (Ferrier et al.
Firms therefore have to come up with a superior marketing strategy that creates a sustainable competitive advantage (Aakar, 2008).

### 2.3.1 Effect of Market Orientation on Competitive Advantage

An organization’s market orientation was one which produces customer value that is rare and difficult to imitate, which yielded a sustainable competitive advantage which will eventually enable the organization to outperform the competitors (Liao, Chang, Wu, and Katrichis, 2011). Market orientation was either behavioural or cultural, (Theodosiou, Kehagias and Katsikea, 2012). Kohli and Jaworski (1990) defined the behavioural perspective as the specific activities that relate to the generation and responsiveness to the market, they went ahead and defined the cultural perspective as the behaviours and norms that were consistent with the market orientation.

In their study, Kirca, Jayachandran and Bearden (2005) study confirmed that market orientation had an impact on the business performance. However, Zhou, Yim and Tse (2005) argued that an over emphasis on the customer may hamper innovation and hence damage the firm’s ability to produce innovative products which is essential for competitive advantage. Kumar, Jones, Venkatesan and Leone (2011) also argued that competitors may also be market oriented and this will make the marketing orientation to fail as a basis for competitive advantage, they also viewed market orientation as a source of extra cost for doing business.

To complement the failures of market orientation to solely provide a competitive advantage to the firm, Smirnova et al. (2011), explored firm capabilities that can be combined with the market orientation to strengthen performance. According Morgan, Vorhies and Mason (2009) market orientation and marketing strategies could be used together to complement each other and result to a superior firm performance. Noble, Sinha and Kumar (2002) also realized that strategic orientation is the guiding principle to a firm’s marketing and strategic activities.

According to Marinova et al. (2008), there were four strategic orientations that contributed to superior business performance, customer orientation, competitor
orientation, innovation orientation and internal cost orientation. Olson et al. (2005) defined internal orientation as the firm’s emphasis on efficiency in the value chain. Still according to Olson et al. (2005) customer orientation was the continuously proactive disposition of meeting customer needs while the competitor’s orientation is the competitor’s ability to understand the short term weaknesses and threats and the long term strengths and opportunities.

Olson et al. (2005) stated that strategic orientation supported risk and therefore enhancing the possibility of designing and developing new products. This provides significant benefits to the firm in terms of enhancing the market share and outperforming the competitors (Lisboa, Skarmeas and Lages, 2011). Kumar et al. (2012) also argued that strategic orientation could determine the responsiveness to change in the industry and the environment.

### 2.3.2 Marketing Capabilities and Competitive Advantage

In his article Day (1994), argued that a firm’s capabilities were key in a firm achieve competitive advantage. Capabilities could be defined as the ability to bring organizational assets together and deploy them to the advantage of the organization (Zhou et al., 2008). Therefore, the possession of certain resources would lead to superior positional advantage Ketchen, Hult and Slater (2007); however, this was dependent on the firm’s ability to use its organizational capabilities to deploy resources (Vorhies, Morgan and Autry, 2009).

To achieve a competitive advantage a firm would use several marketing efforts to reach customers with value-added products and services (Weerawardena, 2003). The first process was customer service that involves deeds, according to Wouters (2004) there was a direct impact of customer service performance on market share. Customer service provides the contact point between the firm and the customers, through customer service the firm can tell about the performance of the existing products and at the same time can spot opportunities that might lead to new product ideas (Adcock, 2001).
Effective promotional activities came second; they helped the firm to gain a market share and sales growth (Jerman and Zavrsnik, 2012). Promotion involved the integration of different communication tools in order to achieve competitive advantage which is the desired result (Zavrsnik and Jerman, 2011). The quality of sales force was also important since they took a strategic role to ensure increased buying process (Agnihotri and Rapp, 2011). A firm also needed to carry out market research to ensure that it reduces the level of uncertainty to tolerable levels hence making it possible to effectively plan at reasonable cost (Bingham, Gomes and Knowles, 2001).

2.3.3 Effect of Quality Management on Competitive Advantage

Godfrey (1999) defined total quality management (TQM) as quality-centred, customer-focused fact-based, team-driven and senior management led process that enables the organization to achieve competitive advantage through continuous improvement process. This definition has however been narrowed down by Hassan, Malik and Faiz (2012), who defined TQM as conformance to requirements and fitness for use. According to Wade (2008) effective TQM application can lead to improving a firm’s ability to compete and provide a strategic advantage in the market.

For an organization to achieve the best product and services mix that is essential for competitive advantage more attention had to be placed on TQM (Wade, 2008). Use of TQM enables an organization to avoid wastage and reduce on errors (Young, 2000). Through the application of TQM a firm was able to win customer loyalty, reduce on their operation costs and at the same time attract well informed motivated employees (Gilbert, 1992).

When TQM was successfully implemented an organization gained the benefit of improvement in products services and reduction in cost (Al-asiri, 2004). To ensure successful implementation of TQM the organization needed to understand the barriers so as to avoid them during the implementation process (Salegna and Fazel, 2000). Studies have revealed that the main barriers to implementation of TQM are lack of
enough resources to implement TQM, poor human resource management and development, poor customer focus and not planning for TQM (Salegna and Fazel, 2000).

2.3.4 Effect of Government Intervention on Competitive Advantage

According to Rodrik (2004) government induced investments can foster the development of productive industries and firms. This was possible through government protection against industrialised products as well as government sponsored science research and targeted initiatives in fields such as health and agriculture (Graham, 2010). However the government involvement in the private sector can lead to favouritism, Pack and Saggi (2006), but according to Reinert (2009) an imperfect industrial policy “is infinitely better than failing on the opposite side” (p. 102).

Porter (2008), argued against industrial policies such as temporary protection, pro-domestic bias and targeting the promotion of handpicked industries as being disadvantageous to the emergence of competitive cluster since they shield firms from competition forces. In contrast to Porters view Cimoli, Dosi, Nelson and Stiglitz (2009), argued that a country should create various advantages by creating a mechanism through which firms are able to upgrade their capabilities and exploit new technologies. However those firms that fail to learn and develop new technologies maybe locked out into inferior capabilities (Reinert, 2009).

Industrial policy is a form of government investment intervention that attempts to promote investment in a way that would not occur in market equilibrium (Cimoli et al, 2009). Industrial policy is categorized as either vertical or horizontal (Buiges and Sekkat, 2009). Vertical Industrial Policy aims at enabling specific industries to take advantage of existing advantages (Lazzarini, 2012). In horizontal industrial policy the government policies are advantageous to multiple investment sectors, (Lazzarini, 2012). Since horizontal industrial policy does not target any particular industry it is considered to be a weak policy (Khan and Blankenburg, 2009). Through horizontal
policy the government will be facilitating firm entry and resource deployment while the selection of by using vertical policy the government may cause distortion to the natural forces of competition (Pack and Saggi, 2006). In his view Porter (2008) argued that the government should influence cluster development and take more horizontal stance instead of vertical.

Since industrial policy is a deliberate intervention by the government appropriate policies need to be put in place in order for the government to conduct performance enhancing interventions (Pack and Saggi, 2006). According to Aghion (2011), policy makers should build on the existing resources to build competitive advantage while avoiding under investment in other sectors. Policies that execute coordinated interventions and monitor performance and cease support for non performance so as to encourage innovation and experimentation should put in place (Khan and Blankenburg, 2009).

2.3.5 Effect of Environmental Protection on Competitive Advantage

Due to an increase of environmental related problems that arise because of economic activities, political and social demands have been on the rise demanding that firms reduce their environmental impact (Galdeano, Cespedes & Martinez-del-rio, 2008). Environmental management abilities of an organization may lead to competitive advantage (Henri & Journeault, 2008). According Sarkis (2006), those firms that are first movers in adapting environmental friendly programs and practices tend to have a more sustainable competitive advantage.

This competitive advantage can be achieved terms of cost reduction and differentiation (Galdeano et al., 2008). Cost reduction advantage is achieved through practices that reduce on the amount of inputs required hence cost of dealing with waste products (Hart, 1995). Use of green technology will reduce the number of inputs that are required in the production process and at the same time reduce on the number of waste products that the firm will have to deal with (Fraj, Martinez & Mature, 2008). Christmann (2000) provides evidence that shows that the more a firm
engages in environmentally friendly technology the more firm will gain cost advantage form environmental strategies.

Competitive advantage through differentiation is achieved through the perception created on customers by the firm that their products are of a higher value Lankoski (2008), to achieve this a firm has to make the environmental friendly characteristic of the goods and services known to the customers (Galdeano et al., 2008). Therefore achieving competitive advantage based on differentiation is partially attached on the firm’s reputation and its ability to market (Aragon & Rubio 2007).

Environmental performance of a firm enables a firm to develop and gain new resources (Konar & Cohen, 2001). According to Konar and Cohen (2001), there is a significant relationship between a firm’s environmental performance and its intangible assets. These intangible assets may improve the competitiveness of firm over time (Lopez-Gamero et al., 2008). The ultimate consequence of maintain a positive environmental protection is an improvement in the financial performance of the firm (Gonzale & Gonzalez, 2005).

2.4 Effect of Change in Firm Strategy on Competitive Advantage

The main aim of interacting with the competitor is to disrupt competitor from the main course or outcompete the competitor (Ferrer et al, 2000). Interaction in competition is also part of defending one’s business niche (Livengood and Reger, 2010). However, according to Smith, Ferrier and Ndofor (2001), competition is a stream of actions and reactions. Therefore the interaction of firms lies in the strategy and completion of the firms and is most essential in the competitive dynamic of the firms (Chen and Miller, 2013).

2.4.1 Effect of Competitive Rivalry on Competitive Advantage

The responses of competitors to a firm’s attack or change of strategy is an important concern to the strategy formulation of an organization (Chen and Miller, 2012). The response of the rivals to the firm’s attacks can be advantageous to the organization for
example in the case of Apple iPads (Yoffie and Kim, 2010). Derfus, Maggitti, Grimm and Smith (2008), argued that successful competitive attack can lead to faster and stronger responses from the attacked firm which would in return reduce the performance of the attacking firm.

According to the rivalries mode of competition the ultimate action to defend the firm against competition and find the most appropriate method to outperform the competitors (Chen et al, 2013). In cooperation strategy the firm is willing to cooperate with the rivals as long as the initiating firm will eventually stand to benefit in the interaction (Chen, 2008). According to Dyer and Singh (2013) the aim is neither to assist nor to destroy the rival but for the focal firm to come out ahead of the competitors. According to Chen and Miller (2011), in the relational perspective the firm aims at benefiting all kind of the market players. The main goal is not to damage or beat a rival but to do well by creating value for the players (Freeman et al, 2010).

2.4.2 Effect of the Mode of Competition and Competitive Advantage

The basic mode of competition involved direct or indirect form attacks and avoiding retaliation, this in turn contributed to an increase in the market share (Burritt, Wolf & Boyle, 2010). Hughes-Morgan, Ferrier and Labianca (2011), argued that low-profile competitive tactic will avoid retaliation. Competitive advantage on the other hand could be attained through sharing of patents, technologies and even key personnel, but with the ultimate design to achieve an upper hand (Dussauge, Garrette and Mitchell, 2000). The focus of the firm is to those who have a direct or indirect rivalry with the firm and may become party to business agreement alliance or mergers (Ahuja 2000, Haleblian et al, 2012). The option to join in a cooperation mode of business also includes a broadened scope of interaction by the firms involved and this will enable the firm to compete more effectively (Markman et al, 2009).

Chen (2008) argued that a firm can gain advantage and market share through combining competition and cooperation, however this is dependent on the
relationship of the parties involved (Tsai et al, 2011). Through combining competition and cooperation parties that are not only relevant to the organization success but to the well being of all stakeholders are included increase the scope of advantage (Freeman et al, 2010). From this mode of competition stakeholders are considered as having influence upon the organization, Freeman (2010) and therefore competitive acts that injure any of the stakeholders may compromise the firm’s position both economically and ethically.

According to Chen et al (2013), the rivalries view concentrated on economic means of competition which involve the traditional level of strategy with the competitive tactics leaning toward economical achievement than strategic achievements. The tactic included an economical action such as price changes and promotions (Smith et al, 2001). In the competitive view political actions were used (Kingsley, Bergh and Bonardi, 2012). However, Capron and Chatain (2008) viewed the political action as a vital and underexploited element by the firm.

In the relational view the tactic was to understand all the stakeholders in a firm’s environment in order to most effectively gain support and cooperation (Freeman et al, 2010). Building a good reputation through social responsibility and a record of being a good employer would be a tool to achieve the rational view (Chen et al, 2013). According to Pfeffer (2010) through such strategic action the organization was able to gain more reputation than the competitors and hence more financial and human resources.

Due to the restricted conception of competition on rivalries view, competition involved tactical moves and countermoves (Yu and Cannella, 2007). Due to the limited nature of rivalries view a longer-term solution was found through the cooperation view (Ferrier, 2001).

The competitive cooperation gave a chance for consideration of strategic alliances that would pay off in the long run (Ahuja, 2000). Ferrier and Lee (2002) held that in relational view any action taken at any given time would have a long term effect on
the firm. Therefore it was not possible for a firm to take actions that in the short run are advantageous and would have long term harm on its reputation (Chen and Miller, 2011).

2.4.3 Effect of Competitive Move on Competitive Advantages

According to Mas-Ruiz, Nicolau-Gonzalbez and Ruiz-Mareno (2005), competitive moves by a firm were shaped by the characteristic of the acting firms in terms of the size, past performance and industrial characteristics. Action and reaction in competition consisted of a matching pair, the action and reaction was a direct reaction to a firm’s move (Yu and Cannelle, 2007). Therefore there was a connection between the reaction of the competing firm and the previous rival’s actions (Hutzschenreuter and Israel, 2009).

Two assumptions on competitive moves brought forward by Hsieh and Chen (2010) stated that each firm perceive rival action individually and are unaware of potential interdependencies, secondly, they assume that firm’s reactions are exclusive responses to individual actions by specific rivals. The identification of the firm’s rivals and the threat posed by the rivals were based on the view point of the firm (Ang, 2008). The competitive move of the firm was influenced by the competitive pressure in the industry (Hsieh and Chen, 2010).

Chen et al (2007) defined competitive posture as the extent to which a firm’s managers and industry stakeholders consider a rival as primary competitor. Competitive pressure depended on the firm’s awareness on the rival moves and its motivation to respond to them (Chen and Miller, 2013). Hsieh and Chen (2010) came up with three areas that competitive pressure could rise from; first competitive pressure could arise from firm’s awareness of building up action by one rival and motivation to respond, secondly a firm makes competitive moves to relieve competitive pressure, and finally, directing moves towards several at the same time.
2.4.4 Effect of Technology for Value Creation and Competitive Advantage

Technology is a combination of knowledge, process, tools methods and systems employed in the creation of goods and the provision of services (Khalil, 2000). Value chain of different firms is interconnected to create on big value chain which happens in complementary technologies that happen in outside the firm (Taylor and Helfat, 2009). With international distribution of technology there is a requirement to integrate globally distributed assets (Pitelis and Teece, 2010).

Zaidi and othman (2013), argued that continuous change of technology is affecting the firm’s competitiveness. It’s therefore imperative to consider the technology as the primary influencing economical growth Khalil (2000), since the competitive environment is characterized by rapidly changing and unpredictable technology (Chen and Lee, 2009). This has caused complex value nets Kylaheiko and Sandstorm (2007) rapid and new innovations (O’connor, 2008).

Changes in market needs could also make the firm unable to maintain the competitive posture that was needed in competitive environment since the firm’s capabilities had become irrelevant Biedenbach and Soderholm (2008), therefore to remain relevant the firm needed to confront the uncertainties of technology (Kylaheiko et al., 2007). Due to these rapid changes firms dynamic capabilities (DC) which was the ability of the firm to respond rapidly to technological changes had becoming popular (Teece, 2007). DC explored how changes in the environment influenced the changes in the firm and how a firm could improve it capabilities to adapt to the environment (Teece, 2009). DC explained the sources of sustainable competitive advantage Teece (2007), through alignment of the firm’s assets resource alteration processes, Ambrosini, Browman and Collier (2009) to create value.

Teece (2009) then went ahead and argued that re-deployments and reconfiguration also involve the re-designing of the business model for competitive advantage. Harreld O’Reilly and Tushman (2007) argued that alignment of the firm’s capabilities to sustain competitive advantage is important, this is because the ability of the
management to co-specialize assets based on technology, opportunities and market is important to DC (Teece, 2007). Value could be added through co-specialization with another party (Pitelis and Teece, 2010).

It was therefore important to continuously realign resources and structures of the firm to achieve strategic Fit and hence gaining sustainable competitive advantage (Teece, 2007). Since no single resource configuration could fit in all environments McKelvie and Davidsson (2009), alignment between the resources for efficiency and for reacting to changing environment needed to be done (Sirmon Hitt and Ireland, 2007).

2.4.5 Effect of Corporate Social Responsibility (CSR) on Competitive Advantage

CSR was defined as the economic and legal obligation together with voluntary responsibilities of companies to participate in social developments of the communities where they operate while staying in the limit of their available resources and their strategies (Fifka, 2009). However this definition has been disputed with authors like Wang and Juslin (2009) arguing that it did not cover some cultures. Russo and Pirrini (2010) defined culture as a stakeholder’s relationship and companies are required to build a relationship that is complex with their stakeholders.

Husted and Salazar (2006) concluded that strategic management yielded better results to those companies that tried to maximize both on profits and their social performance. Companies can obtain competitive advantage through social responsible activities, but to achieve that the company had to act strategically and CSR should be connected with corporate strategies (Porter and Kramer, 2002). Therefore an alignment of business strategy, CSR and core business activities could occur in order to achieve corporate social strategies, (Zadek, 2005). With effective management CSR projects create significant benefited ranging from reputation, employee motivation and loyalty and can also strengthen valuable partnerships (Pearce and Don, 2005).

Penn, Schoen and Berland (2010) argued that customers take into consideration a firm’s CSR activities in the purchases decisions. Customers were also willing to pay
more for products from a firm with CSR involvements (Baron, 2001). However in some instances the customer was not aware of the firms CSR activities (Du, Bhattacharya and Sen, 2010). Lack of customer awareness is a limiting factor to the ability of the customers to respond to the CSR activities by the firm (Schucker and Cording, 2006). Therefore customers had to be fully aware of the CSR activities to be able to respond positively (McWilliams and Siegel, 2001).

According to McWilliams and Siegel (2001), advertising and media coverage on CSR activities increased the customer awareness and hence an increase in demand of the firm’s products. Schuler and Cording (2006) also argued that information is key in CSR value relation. According to Schuler et al. (2006), CSR information from firms with prior reputation has a greater intensity of positive response than from firms that did not have a positive reputation. Barnett (2007) argued that response from a firms CSR need consistency and may yield either positive or negative results. In agreement Du et al (2010) stated that a firm’s prior reputation amplifies the positive effect of CSR communication.

Fisman, Heal and Nair (2008), argued that CSR activities are more beneficial in more beneficial to competitive industries with high advertising intensity. According to Fisman et al (2008) product quality is important in highly competitive industries (Fernandez-Kranz and Santalo, 2010). In agreement to that Siegel and Vitaliano (2007), firms selling experienced goods that were difficult to determine quality did more of CSR activities.

2.5 Summary

This chapter provided the review of literature guided by the research questions. The literature assisted the researcher to come up with an appropriate research methodology in the next chapter. This chapter was reviewed according to the research questions; what is the effect of change on factor conditions on competitive advantage, is there an effect of change in demand and external environment on competitive advantage, what is the effect of change in firm’s strategy on competitive advantage. Chapter three covered the research methodology.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter provided a discussion on the methodology that was used in the study. It discussed the choice of the research design that was used through the study. It also showed the population of the study, the sample and sampling technique, data collection methods and data analysis as well as the data presentation method.

3.2 Research Design

Burns and Grove (2003), defined research design as the blue print of conducting a study, with the maximum control over the factors that can influence and otherwise interfere with the validity of the findings. However, Coopers and Schindler (2008), defined research design as a plan and structure of investigation conceived to obtain answers to research questions. The research designed employed in this study was descriptive research design.

Descriptive research design had both advantages and disadvantages. One major advantage is that data was readily available and thus relatively inexpensive as compared to causal research design, this is because it seeks to answer the question “what” as opposed to “how when and why” (Shield and Rangarajan, 2013). The disadvantage was that the association between the causes and the effects maybe unclear and therefore the researcher may draw wrong inferences (Shield and Rangarajan, 2013).

Under this research design a survey was conducted on the population. The dependent variable was competitive strategic response which is the action taken by an organization in order to maintain its competitive niche while the independent variables were be the factor conditions, demand conditions, external environment and the firm’s strategy.
3.3 Population and Sampling Design

3.3.1 Population

A population is the total collection of elements from which a measure is being taken for the sake of making inferences (Cooper and Schindler, 2008). The population of this study comprised the senior management, supervisors and the general staff of the management. A Mwea rice mill is comprised of 50 general workers, 2 supervisors and 5 managers.

Table 3.1. Number of employees: (National Irrigation Board [NIB] 2013).

<table>
<thead>
<tr>
<th>GROUP</th>
<th>NUMBER</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>MANAGERS</td>
<td>5</td>
<td>9%</td>
</tr>
<tr>
<td>SUPERVISORS</td>
<td>2</td>
<td>3%</td>
</tr>
<tr>
<td>GENERAL WORKERS</td>
<td>50</td>
<td>88%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>57</td>
<td>100%</td>
</tr>
</tbody>
</table>

3.3.2 Sampling Design

A sample design is the means by which one selects the primary elements of data selection and analysis appropriately for research questions (Handwerker, 2005).

3.3.2.1 Sampling Frame

According to Sarndal, Swensson and Wretman (2003) a sampling frame is the source material or the device from which a sample is drawn. According to Coopers and Schindler, (2000), a sampling frame is the list of elements from which the sample is actually drawn. The sampling frame for this study was a list of all then staff of Mwea Rice Mills obtained from the National irrigation board. The list constituted of a total of 57 employees. The employees were categorized into senior level management, middle level supervisors and the general staff (NIB, 2013).
3.3.2.2 Sampling Technique

A sampling technique is the identification of the specific process used to select the entities in the study (Sarndal et al, 2003). The sampling technique for this study was stratified sampling technique. According to Hunt and Tyrrell (2001), stratification is the process of dividing members of population into homogeneous subgroups before sampling; the strata should be mutually exclusive where the elements in the population are assigned to one stratum (Hunt et al., 2001). The population was segmented into three the top level managers the supervisors and the general workers, this was because each level is deferent from the other in terms of responsibilities and nature of work.

3.3.2.3 Sample Size

According to Cramer and Howitt (2004), a sample size is the number of cases or individuals in the sample studied which is represented by “n”. The sample size for this project the sample size of this study will be computed using the formula adapted from (Coopers and Schindler, 2000)

\[ n = \frac{N}{1+N(e)^2} \]

\[ n = \frac{57}{1+57(0.05)^2} \]

\[ n = 49 \]

Where \( n \) was the sample size, \( N \) was the population of the size \( e \) was the error. The study assumed a confidence interval of 95% making the allowed error to be 5%.
Table 3.2. Sample Size

<table>
<thead>
<tr>
<th>GROUP</th>
<th>NUMBER</th>
<th>PERCENTAGE</th>
<th>SAMPLE SIZE</th>
</tr>
</thead>
<tbody>
<tr>
<td>MANAGERS</td>
<td>5</td>
<td>9%</td>
<td>4</td>
</tr>
<tr>
<td>SUPERVISORS</td>
<td>2</td>
<td>3%</td>
<td>1</td>
</tr>
<tr>
<td>GENERAL WORKERS</td>
<td>50</td>
<td>88%</td>
<td>43</td>
</tr>
<tr>
<td>TOTAL</td>
<td>57</td>
<td>100%</td>
<td>49</td>
</tr>
</tbody>
</table>

### 3.4 Data Collection Method

A structured questionnaire was adopted as the reliable tool for collecting the required information. The questions asked in the questionnaires were based on the research questions that were raised in the first chapter. The questionnaires were used to capture specific information from the respondents. This method provided immediate feedback and clarification of the questions asked to the respondents. The questions were both closed ended and open ended. The questionnaire was made up of four parts; the first part was the respondents background information, the second part was based on the first research question, effect of change in factor conditions on competitive advantage. The third part was based on the second research question, effect of change on demand and external environment on competitive advantage and finally the fourth part which was based on the third research question, effect of change in firm strategy on competitive advantage.

### 3.5 Research Procedure

A pre-test of the questionnaire was undertaken to ensure that the questioners were effective for data collection. A pre-test was carried using a strategic management professor and later four employees of MRM. The feedback that was collected was on quality of the questioner, length of the questioner, time take to fill the questioner, clarity of questions and relevance of the questions to the mills. The method that was used to distribute questioners and collect data will be drop and pick where by the
questionnaires were left with the respondents for some time and later picked from the respondents.

3.6 Data Analysis Technique

According to Ader and Mellenbergh (2008), data analysis is the process of inspecting, cleaning, transforming and modelling data with the goal of highlighting useful information that support decision making process. Data collected was edited for completeness and visibility, a code book was then developed to code the data, and the data was then cleaned and was entered to the computer for analysis using statistical package for social scientist (SPSS).

Since the study consisted of two variables a bivariate analysis method was used. Measures of dependency which are correlation and covariance were applied (Babbie, 2009). After analysis it was presented for use using tables and figures.

3.7 Chapter Summary

The chapter described the methodology that was used in carrying out the study. The research design was descriptive in nature focusing on MRM. The population, the sample size, the sampling technique and questionnaire as a primary data collection instrument were all described. The questionnaire developed was pilot tested before a refined one was administered to the respondents. The chapter has also indicated that, data was analyzed using SPSS and excel and then presented in inform of figures and tables.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

The general objective of the study was to investigate how Mwea Rice Mills would competitively respond to changes in the turbulent environment. The chapter is divided into various sections. The initial section covers the background information with respect to the respondents; the second section covers effect of change in factor conditions on competitive advantage. The second section looks at the effect of change of demand and external environment on competitive advantage, the final section looked at the effect of competitive rivalry on competitive advantage.

The target population of this study was the employees of Mwea Rice Mills. A total sample size of 49 respondents was drawn from the population; sample was made up of the 4 members of the management, 1 supervisor and 44 members of the general staff. The study employed random sampling.

4.2 General Information

4.2.1 Response Rate

A total of 49 questionnaires were issued to the respondents and out of the 49 all were received back translating to 100% response rate. Figure 4.1 shows the response rate.

![Figure 4.1 Response Rate](image)

Source: Researcher, 2014
4.2.2 Gender

Figure 4.2 shows the category of the respondents according to gender. Majority of the respondents were male at 65.3% and a minority of 34.7% were female.

![Figure 4.2: Classifications According to Gender](source)

4.2.3 Age of the Respondent

The majority of the respondents were between the ages of 31 to 40 years followed by those who were between the ages of 41 to 50 years the minority were those who were above the age of 51 years. The results are displayed in Figure 4.3.

![Figure 4.3: Age Categories](source)

Source: Researcher, 2014
4.2.4 Education Levels

Majority of respondents in MRM are certificate holders at 30.6%, 26.5 are secondary certificate holders, followed closely by diploma holders at 24.5% degree holders make 10.2% and 8.2% are primary school graduates. The results are displayed in figure 4.4

![Pie chart showing education levels](image)

Figure 4.4: Level of Education

Source: Researcher, 2014

4.2.5 Years of Service

Figure 4.5 below displays the number of years worked in MRM. Majorities 46.9% of the respondents have worked in MRM for a period one and five years while 34.7% have worked for a period of six and ten years while a minority of 18.4% have worked for a period of 11 years.

![Bar chart showing years of service](image)

Figure 4.5: Years of Service

Source: Researcher, 2014
4.2.6 Department Categorization

Respondents were asked to indicate the department and the position held in the department. The departments were in three categories: General staff, management, and supervisory. The results are shown in Table 4.1, revealing that the majority of the staff in MRM are in the department of General staff and they held the following positions: clerks, milling, mill operators, packing, production, secretary, supervisor, and weighing personnel. In the category of general staff, the position of production personnel were the 26.5% while minority of 2.0% was the secretaries. In the management category, those who indicated as just managers were 6.1%, and where the majority in that category, the accountants were the least with 2.0%. The categories of supervisory were the least with 2% and there were no other respondents in that category. The segmentation into different departments and the positions held in each department provided a broad spectrum for understanding the projects and the findings.
Table 4.1: Cross Tabulation of Staff According to Departments and Positions in the Departments

<table>
<thead>
<tr>
<th>Position</th>
<th>Department</th>
<th>General Staff</th>
<th>Management</th>
<th>Supervisor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accountant</td>
<td>Count</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>% Of Total</td>
<td>.0%</td>
<td>2.0%</td>
<td>.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Accounts</td>
<td>Count</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Clerk</td>
<td></td>
<td>2.0%</td>
<td>.0%</td>
<td>.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Clerk</td>
<td>Count</td>
<td>7</td>
<td>0</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>% Of Total</td>
<td>14.3%</td>
<td>.0%</td>
<td>.0%</td>
<td>14.3%</td>
</tr>
<tr>
<td>Manager</td>
<td>Count</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>% Of Total</td>
<td>.0%</td>
<td>6.1%</td>
<td>.0%</td>
<td>6.1%</td>
</tr>
<tr>
<td>Milling</td>
<td>Count</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>% Of Total</td>
<td>6.1%</td>
<td>.0%</td>
<td>.0%</td>
<td>6.1%</td>
</tr>
<tr>
<td>Operator</td>
<td>Count</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>% Of Total</td>
<td>10.2%</td>
<td>.0%</td>
<td>.0%</td>
<td>10.2%</td>
</tr>
<tr>
<td>Packing</td>
<td>Count</td>
<td>9</td>
<td>0</td>
<td>0</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>% Of Total</td>
<td>18.4%</td>
<td>.0%</td>
<td>.0%</td>
<td>18.4%</td>
</tr>
<tr>
<td>Production</td>
<td>Count</td>
<td>13</td>
<td>0</td>
<td>0</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>% Of Total</td>
<td>26.5%</td>
<td>.0%</td>
<td>.0%</td>
<td>26.5%</td>
</tr>
<tr>
<td>Secretary</td>
<td>Count</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>% Of Total</td>
<td>2.0%</td>
<td>.0%</td>
<td>.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Supervisor</td>
<td>Count</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>% Of Total</td>
<td>.0%</td>
<td>.0%</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Weighing</td>
<td>Count</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>% Of Total</td>
<td>8.2%</td>
<td>.0%</td>
<td>.0%</td>
<td>8.2%</td>
</tr>
<tr>
<td>Workshop</td>
<td>Count</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>% Of Total</td>
<td>2.0%</td>
<td>.0%</td>
<td>.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Total</td>
<td>Count</td>
<td>44</td>
<td>4</td>
<td>1</td>
<td>49</td>
</tr>
</tbody>
</table>

Source: Researcher, 2014
4.3 Effect of Change in Factor Conditions on Competitive Advantage

The study sought to find out the benefits of factor conditions. It sought to identify the relationship between competitive advantage and changes through employee development in the form of training, motivation, feedback, and technology. The results are as shown below.

4.3.1 Training, Frequency of the Training and Level of Employees Trained

Results indicate in Figure 4.6 that a majority 46.9% of the employees disagreed that there was any training being provided to the employees, 38.8% strongly disagreed that training was provided. A total of 12.2% agreed that training was provided while 2.0% were neutral on the provision of training.

Majority 55.1% disagreed to the statement that training was provided often another 32.7% strongly disagreed to that statement, only a total of 8.1% agreed to the same statement.

The results in figure 4.6 also indicated that a majority 46.9% of the respondents disagreed with the statement that training was provided to employees of all levels, 38.8% of the respondents also strongly disagreed with that statement. A minority of 12.2% agreed with the statement that training was provided to employees of all levels.
4.3.2 Employee Motivation

Majority 49% of the respondents disagreed with the statement that the majority of Mwea Rice Mills employees were highly motivated. Another 36.7% strongly disagreed with that statement bring to a cumulative total of 85.7% of those who were not in agreement with that statement. A total of 8.1% of the employees were in agreement with that statement. However 6.1% remained neutral. These results were displayed in Figure 4.7.

Figure 4.6: Employee Training
Source: Researcher, 2014

Figure 4.7 Employee Motivation
Source: Researcher, 2014
4.3.4 Feed Back

The results in Figure 4.8 showed the results for feedback and how the feedback was dealt with in MRM. Most of the respondents disagreed 51.0% to the statement that the organization received any feedback from the employees and the customers another 30.6% strongly disagreed making the total of those who were not in agreement to be 81.6%. Minority total of 12.3% agreed to that statement and 6.1% remained neutral.

On statement that the organization allowed feedback from the employees a cumulative total of those who were not in agreement were 77.6%, 8.2% remained neutral while a total of 14.3% were in agreement. When asked whether the feedback was received by the top level managers a majority total of 53.1 % disagreed with statement while 26.55% agreed to the statement 20.4% remained neutral.

![Figure 4.8: Feedbacks, Sources of Feedback and Recipients of Feedback](image)

Source: Researcher, 2014

4.3.5 Information Management in Mwea Rice Mills

A majority 51.0% of the respondents disagreed that if any information received by the organization was shared with the employees, 24.5% also strongly disagreed that there was information sharing from the top level management and the employees. That was a total of 75.5% of those who were not in agreement with the statement that
information was shared in the organization. A total of 8.1% agreed that there was information sharing in the organization while 16.3% remained neutral.

A majority 49% disagreed with the statement that the information received was acted upon; this brought a total of 75.5% of those who disagreed together with those who strongly disagreed. A total of 14.2%, agreed with that statement while 10.2% of the respondents remained neutral. The results explained above were displayed in Figure 4.9.

![Figure 4.9: Information Sharing and Actions Taken on Feedback](image)

**Figure 4.9: Information Sharing and Actions Taken on Feedback**

Source: Researcher, 2014

**4.3.6: New Technology in Mwea Rice Mills**

Figure 4.10 shows that a majority 71.4% of the respondents agreed with the statement that MRM had embraced new technology, 18.4% also strongly agreed this made the total of the respondents who were in agreement to be 89.8%. A total of 8.1% were not in agreement while 2% of the respondents remained neutral.
4.4 The Effect of Change of Demand and External Environment on Competitive Advantage

The research also sought to understand the relationship between change of demand and changes in the external environment and their effect on the competitiveness of the Mill. Changes in sales and were used as a measure in changes in demand as well as changes in competitiveness of the mill. To analyze this data correlation was used.

4.4.1 The Correlation between Adoption of New Technology and Change in Sales

Table 4.2 shows that there was a significant positive correlation of 17.9% between the statement that MRM had adapted new technology in the last five years and the statement that the sale of rice in the retail outlet had been increasing over the period of five years.
Table 4.2: Correlation between Change Sales and Change in Technology

<table>
<thead>
<tr>
<th>Raise in Sale in the Retail Shop</th>
<th>Pearson Correlation</th>
<th>1</th>
<th>.179</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sig. (1-tailed)</td>
<td>.109</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>49</td>
<td>49</td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher, 2014

4.4.2. Correlation between Accessibility of the Retail Shop and the Changes in Sales in the Retail Shop

The statements that the retail shop was accessible to the majority of the customers and produced a significant positive correlation of 17.1% with the statement that there was an increase in sales in the retail shop in the last five years. This was illustrated in table 4.3.

Table 4.3: Correlation between Accessibility and Changes in Sales in the Retail Shop

<table>
<thead>
<tr>
<th>Accessibility</th>
<th>Pearson Correlation</th>
<th>1</th>
<th>.171</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sig. (2-tailed)</td>
<td>.239</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raise in Sale in the Retail Shop</td>
<td>Pearson Correlation</td>
<td>.171</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.239</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>49</td>
<td>49</td>
<td></td>
</tr>
</tbody>
</table>

Source, Researcher, 2014
4.4.3. The Correlation between Costs of Rice and Changes in Sales in the Retail Shop

Table 4.4 showed the correlation between sales and the cost of rice in the retail centre. The statement that rice in the retail shop was affordable to the majority of their customers yielded a significant positive correlation of 27.7% with the statement that there was an increase in sales in the retail shop in the last five years.

Source: Researcher, 2014

4.4.4 The Correlation between Environmental Sensitivity and Changes in Sales

The statements that MRM used environmental friendly means of production and there was an increase in the sales of rice in the last five years resulted in a significant positive correlation of 18.7%. This correlation was shown in table 4.5.

<table>
<thead>
<tr>
<th></th>
<th>Raise in Sale in the Retail Shop</th>
<th>Costs Affordable to Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise in Sale in the Retail Shop</td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>49</td>
</tr>
<tr>
<td>Costs Affordable to Customers</td>
<td>Pearson Correlation</td>
<td>.277</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>49</td>
</tr>
</tbody>
</table>
Table 4.5: Correlation between Environmental Sensitivity and Change in Sales

<table>
<thead>
<tr>
<th></th>
<th>Raise in Sale in the Retail Shop</th>
<th>Environmental Friendliness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise in Sale in the Retail Shop</td>
<td>Pearson Correlation 1</td>
<td>.187</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.198</td>
</tr>
<tr>
<td></td>
<td>N 49</td>
<td>49</td>
</tr>
<tr>
<td>Environmental Friendliness</td>
<td>Pearson Correlation .187</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.198</td>
</tr>
<tr>
<td></td>
<td>N 49</td>
<td>49</td>
</tr>
</tbody>
</table>

Source: Researcher, 2014

4.4.5 The Correlation between Advertising and Changes in Sales

Table 4.6 show the correlation between advertising and changes in sale. The statement that MRM was involved in advertising and increase in sales over the last five years in the retail shop yielded a significant negative correlation of -26.5%.

Table 4.6: Correlation between Advertising and Changes in Sale

<table>
<thead>
<tr>
<th></th>
<th>Raise In Sale In The Retail Shop</th>
<th>Advertising</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise in Sale in the Retail Shop</td>
<td>Pearson Correlation 1</td>
<td>-.265</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.066</td>
</tr>
<tr>
<td></td>
<td>N 49</td>
<td>49</td>
</tr>
<tr>
<td>Advertising</td>
<td>Pearson Correlation -.265</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.066</td>
</tr>
<tr>
<td></td>
<td>N 49</td>
<td>49</td>
</tr>
</tbody>
</table>
4.4.6. The Correlation between Government Aid, Government Control and Changes in Sales

The statement that MRM has been receiving government aid had a significant positive correlation 10.9% with the statement that there was an increase in sales of rice in the retail shop over the last five years. While the statement that the government should maintain control over MRM had a significant negative correlation -15% with the statement that, sales had been increase in the retail shop over the last five years. Table 4.7 shows the correlations between government aid government control and changes in sale.

Table 4.7: Correlations between Government Aid, Government Control and Change in Sales

<table>
<thead>
<tr>
<th></th>
<th>Government Aid</th>
<th>Government Control</th>
<th>Raise in Sale in the Retail Shop</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Aid</td>
<td>Pearson Correlation</td>
<td>1</td>
<td>.379**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.007</td>
<td>.455</td>
</tr>
<tr>
<td>N</td>
<td>49</td>
<td>49</td>
<td>49</td>
</tr>
<tr>
<td>Government Control</td>
<td>Pearson Correlation</td>
<td>.379</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.007</td>
<td>.304</td>
</tr>
<tr>
<td>N</td>
<td>49</td>
<td>49</td>
<td>49</td>
</tr>
<tr>
<td>Raise In Sale In the Retail Shop</td>
<td>Pearson Correlation</td>
<td>.109</td>
<td>-.150</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.455</td>
<td>.304</td>
</tr>
<tr>
<td>N</td>
<td>49</td>
<td>49</td>
<td>49</td>
</tr>
</tbody>
</table>

Source: Researcher, 2014
4.5 Effect of Change in Firm Strategy on Competitive Advantage

The researcher also sought to find out the relationship between change in the firms strategy and competitiveness of the firm. Sales were still used to indicate the changes in the firm competitiveness. Correlation and graphs were used to represent the data for the section.

4.5.1 Correlation between Change in Sales and Agreements with Competitors

A majority 77.5% of the respondents disagreed with the statement that an agreement with the competitors would make MRM more competitive, 8.1% agreed that an agreement gotten into with the competitors would make MRM more competitive. However 12.2% remained neutral while 2% did not respond to that question. The correlation between the statements that MRM was in an agreement with the competitors and sales had been increase in the retail shop over a period of five years was significantly negative -89%. Table 4.8 shows the results.

<table>
<thead>
<tr>
<th>Table 4.8: Correlation between Agreement with the Competitors and Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise in Sale in the Retail Shop</td>
</tr>
<tr>
<td>Pearson Correlation</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td>N</td>
</tr>
<tr>
<td>Agreement With Competitors</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td>N</td>
</tr>
</tbody>
</table>

Source: Researcher, 2014

4.5.2 The Correlation of Change in Sales and Corporate Social Responsibility

The correlation coefficient of the statement that sales in rice have been increasing over the past five years and that MRM had been involved in CSR was significantly negative -16%. This is showed in table 4.9
4.5.3 Majority Customers

When asked who were the majority customers for MRM majority of the respondents 55.1% indicated that passersby or travellers, 26.5%, suggested that institutions where the largest clients while 16.3% indicated that Mwea residents were the major customers, those who did not respond to that question were 2%. Figure 4.11 shows the results.

Table 4.9 Correlation Coefficient of CSR and Changes in Sales

<table>
<thead>
<tr>
<th></th>
<th>CSR</th>
<th>Raise in Sale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spearman’s rho</td>
<td>Correlation Coefficient 1.00</td>
<td>-.016</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>49</td>
</tr>
<tr>
<td>RAISE in SALE</td>
<td>Correlation Coefficient -.016</td>
<td>1.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>49</td>
</tr>
</tbody>
</table>

Source: Researcher, 2014

Figure 4.11: Major Customer

Source: Researcher, 2014
4.5.4 Suggestions to Increase Competiveness

The researcher sought to find out the recommendations that the respondents would give for the improvement of the performance of the mill. The question was open ended. A majority 84% responded to the question while 16% did not respond to the question. Of the 84%, 27% felt that MRM would be more competitive if it increased the employees’ salaries and hence motivation of the employees’, 18% felt that MRM would be more competitive if it got involved in advertising. Another 10% felt that improved working conditions for the workers would make the MRM more competitive. Better utilization of the machinery came from 4% of the respondents, while 6% of the respondents felt that new and better methods of packaging would improve the competitiveness of the organization. Some of the respondents 2%, felt that having more skilled workers would make MRM more competitive while 16% felt that by opening more retail shops MRM would be more competitive. Figure 4.12 was used to illustrate the results.

Figure 4.12: Suggestions to Increase Competiveness

Source: Researcher, 2014
4.6 Chapter Summary

The finds of the study were presented in this chapter. Descriptive statistics were used to provide further insight. Using the questionnaire that had both closed ended and open ended questions data was collected from 49 respondents and using SPSS it was collated and analyzed using the research questions. Tables and figures were widely used in the chapter to present the data. The next chapter will critically discuss the analysis of the result as presented in this chapter with the view of coming up with recommendations and conclusions.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter had four sections they were made up of the summary, discussion, conclusion and recommendations. The first section provides a summary of the elements of the study. The second section discussed the implications of the results in light of the literature reviewed. The third section presented the conclusions drawn on the basis of the research questions while using the findings and the results obtained in chapter four. Finally the last section identified the research limitations, implications and recommendations for further studies are highlighted.

5.2 Summary of Findings

The purpose of the study was to explore the competitive strategic response by Mwea Rice Mills Ltd to the rapidly changing rice retailing and processing business. The study was guided by the following research questions: what was the effect of change on factor conditions on competitive advantage, secondly, was there an effect of change in demand and external environment on competitive advantage and finally was there an effect of change in firm’s strategy on competitive advantage.

In order to achieve the above objectives a study was carried out in MRM. A descriptive research design was adopted; stratified random sampling was used to sample 49 respondents from a population of 57. The population was made up of the members of staff of Mwea rice Mills. Data was collected over a period of two days.

Questionnaires were the primary tool used for data collection. Before the actual data collection was started a pretest was conducted to detect the weaknesses in the design of the data collection instrument and to determine the approximate time that it would take a respondent to complete the questionnaire. Questionnaires were distributed to members of staff of Mwea Rice Mills and were picked immediately the respondent was done filling the questionnaire.
The study revealed that there was a knowledge gap in the organization this was due to
the number of employees, who did not have post diploma qualifications, there was
also no on job development of the employees this was evident through the high
percentages that disagreed with the statement that training was provided to MRM
employees. Most of the employees also disagreed with the statement that employees
were highly motivated to do their work showing that most of the employees were not
motivated. On information management the study reviled that any information that
was received by the organization was not shared with the employees, this was reviled
by the high percentage of the respondents who were not in agreement with the
statement that information received was share with the organization. It was also
evident that the organization did not encourage feedback from both the employees
and the customers.

The study also revealed that technology had a significant impact on the changes in
competitiveness of the organization this was evidence by the positive correlation that
technology had with increase in sales in the retail shop. The location of the retail shop
also correlated positively with an increase in sales in the retail shop showing that
accessibility of the products to the customers also contributed to competitiveness. On
environmental sensitivity and competitiveness the study showed that MRM had a
positive correlation between environmental sensitivity and growth in sales.

It was also revealed that the organization need to advertise more since there was a
negative correlation between sales and advertising; this showed that MRM had not
concentrated on advertising and therefore a need to increase on advertising. There
was a also a positive correlation between government aid and sales showing that
government aid contributed positively to sales, however, government control and
sales correlated negatively with sales increase showing that government control
would reduce on the competitiveness of the mill.

Finally the study revealed that any agreement gotten into with the competitors would
significantly reduce on the competitiveness of MRM. There was also a need to
engage in more corporate social responsibilities this was due to the negative
correlation that CSR had with increase in sales. The study also revealed that majority of the customers were passersby and therefore there was need to establish customer loyalty.

5.3 Discussion

This section presents the discussion of the key findings of the study on the already reported research questions.

5.3.1 Effect of Change in Factor Conditions on Competitive Advantage

The findings revealed that Mwea Rice Mills uses one major factor condition, the human resources. Studies show that human resource activities have an impact on the bottom line results (Stone and Deadrick, 2008). The findings revealed that most of the employees did not receive training this was due to the cumulative to total of 85.7% that disagreed and strongly disagreed to the statement that employees training was provided to employees of MRM, therefore the organization did not create and sustain intellectual capacity which is important for an organization to gain competitive advantage, Choi et al. (2008) argued that gaining a competitive advantage relied on the firm’s capability to create and apply intellectual expertise.

According to Bowling (2007) employee training provided opportunities for the development of talents and skills the provision of training opportunity moves to motivated employees and consequently attract more qualified personnel (Bowen, 2004). In MRM employee training was not provided and turn majority of the employees 49% were de-motivated and therefore the organization was not able to attract highly qualified personnel.

The study also revealed that feedback was not received from the employees which and therefore little information concerning the organization was being received from its major stake holders. This was evidenced by the high percentage 81.6% that disagreed with the statement that feedback was received from employees and customers. These showed that MRM has not been constantly updated on changes in
customer orientations. Well handled feedback in the organization informs the management on the changing customer orientation. Since customer orientation has an impact on the business performance (Kirca et al., 2005). Form the study it was evident that employees also did not provide any information to the organization these was in agreement with Pool and Pool (2007) who argued that motivated employees tend to be more involved and to identify more with an organization that provided effective training and development.

On information management the study revealed that most information received in the organization was not shared with the employees who are the executers of the same information. This was shown by the majority 74.5% of the respondents who disagreed with the statement that feedback were shared in the organization. According to Petruzzelli et al., (2009) information received in an organization can be used to develop sustainable competitive advantage and hence superior market performance; however this was only possible when that information was converted to knowledge.

Acquired knowledge was also proven to be useful only when it was shared in the organization (Petruzzelli et al., 2009). One way of converting the information to knowledge was through acting on it. The majority 75% of the respondents disagreed with the statement that any feedback received by the organization was acted upon. In this case of MRM acquired knowledge was not shared and therefore was not useful in creating a sustainable competitive advantage of the Mill, in turn this did not contribute there was no value creation since the strategic objective of knowledge management was customer value creation (Lloria, 2008)

The findings also revealed that the mill had acquired new technology inform of a machine in the past five years. Majority 71.4% of the respondents agreed to the statement that in the last five years MRM had acquired new technology. Use of new technology in the production process enabled the organization to become more innovative. According to Jimenez et al. (2000) innovation is a key factor in the firm’s survival and competitive advantage. From the findings the machine had contributed
significantly in the increase in sale of rice. These were in agreement with Cho et al. (2005) who argued that there was a relationship between growth, profitability technology and innovation.

5.3.2 Effect of Change of Demand and External Environment on Competitive Advantage

The second objective of the study was to determine the effect of change of demand and external environment on competitive advantage. In this objective change in sales was used as a basis to measure the competitiveness in respect to accessibility of products from MRM, cost of the rice, sensitivity to the environment and advertising.

There is also a significant positive correlation 17.1% between the accessibility of the Mwea Rice Mills sales retail shop and the increase in the sales in the retail outlet. The accessibility of MRM was an indication of customer focus and therefore strategically positioning their retail shop along the high way to serve their majority customer bases who were the passersby. Through making the product accessible to its customers MRM was able to achieve a superior positional advantage over its competitors (Ketchen et al, 2007). The position of the retail shop was also not imitated by her competitors making it a unique market orientation. Unique market orientations were proven to eventually enable the organization to outperform the competitors since it yielded superior competitive advantage (Liao et al., 2011).

From the accessibility of their retail shop MRM was also able to deal with the behavior of their customers who were mostly passersby, this was in agreement with Kirca et al. (2012) who in his study confirmed that market orientation had an impact on the business performance. However MRM should watch out on the customer orientations of the competitors since the competitor orientation may make their market orientation fail on the basis of competitive advantage, (Kumar, 2011).

There was also a significant positive correlation of 27.7% between sales and cost of the rice. Provision of cheaper products was due to the capability of the organization to bring its assets together to their advantage Zhou et al. (2008) this was as a result of
proper utilization of the new technology for their advantage. The more affordable prices may also have been through the provision of high quality products which was in agreement with Gilbert (1992) who argued that a firm was able to win customer loyalty, reduce on their operation costs and this would in turn lead to reduction in costs at which goods are provided to the consumers.

Lankoski (2008) in his study showed that competitive advantage could be achieved by firms that used environmental friendly methods of production through the perception that created in the customers that the products were a higher value. The study also revealed that there was a significant positive correlation of 18.7% between the increase in sales over the last five years and environmental sensitivity. This may have been possible through cost reduction (Galdeano et al., 2008). Use of environmentally friendly methods of production reduces the number of inputs and waste products that a firm has to deal with and in turn reduction of production cost and therefore reduction of their prices (Fraj et al., 2008).

The firm has to however advertise their environmental friendly methods of products otherwise they would not be competitive (Lankoski, 2008). The finds show a significant negative correlation of -26.5% between increases in sales and advertising a conclusion can be drawn that MRM had not invested in marketing at the time of the study and therefore sales would increase with greater margins if marketing. Marketing is key to achieve competitive advantage and several marketing efforts should be put in place to reach the customers with value added products and services (Weerawardena, 2003). MRM should put a mix of several promotional mixes in place in order to achieve a greater market share. This can achieved through market research to ensure a reduction in advertising cost (Bingham et al., 2001)

The study showed that government aid received over the last five years was found to have a significant positive correlation of 10.9% with an increase in sales over the same period of time with was in agreement with Rodrik (2004) who argued that government induced investment could foster the developments in productive industries and firms. However government control and sales correlated negatively
with an increase in sales showing that government control with a significant negative correlation of -15% would have a negative impact on the competitiveness of MRM. This was in agreement with Porter (2008), who argued that government intervention through industrial policy would handicap industries and make the less competitive.

**5.3.3 Effect of Change in Firm Strategy on Competitive Advantage**

The findings revealed that MRM had not engaged in any form of competitive move with the competitors this was shown by the negative correlation of -8.9% that competitor agreements had with sales in the recent past five years. MRM can be involved in direct or indirect form of attacks and avoid retaliation, this in turn contribute to an increase in market share (Burritt et al., 2010). However the competitive move of that MRM employs can be influenced by the competitive pressure in the industry (Hsieh et al., 2010). Mas-ruiz et al. (2005) stated that competitive move that a firm employed was characterized by the size, past performance and industrial characteristic. To remain competitive MRM has to make a competitive move in order to relieve the competitive pressure it has been experiencing (Hsieh et al., 2010).

MRM has also not engaged in any form of CSR in the last five years this was from drawn from the significant negative correlation of -16% that sales had with CSR activities. According to Pearce (2005) CSR involvement of an organization had a significant benefit ranging from reputation, employee motivation and customer loyalty. Having not engaged in CSR actives is also evidenced by the low motivation levels with the employees; the organization has also not attracted highly qualified employees and therefore a conclusion could be drawn that it’s not a highly reputable organization.

To be able to fetch higher prices for their products more CSR activities should be put in place since customers were found to be willing to pay more for products in from firms that had CSR activities in a study carried out by (Baron, 2001). Another reason why MRm should be involved in CSR is that advertising and media coverage on CSR
activities increased customer awareness and hence an increased demand of their products (McWilliams et al., 2001).

The study also showed that MRM had one major customer who was the passersby who had the highest percentage of 55.1%. MRM therefore maybe at a risk situation since the highest number of their customers are not loyal and therefore a change in market need could make their capabilities like the retail shop irrelevant (Biedenbach et al., 2008). However, MRM can use their dynamics capabilities to respond to the changes in the environment (Teece, 2007). There should be a re-alignment of its resources and structures to achieve strategic fit and hence gain a competitive advantage in the changing environment (Teece, 2007).

From the suggestions that were given by the respondents on competitiveness it was found that a majority who were 27% suggested that MRM should be more employee focused through increase in salaries and motivation of the employees another 10% suggested that by providing a better working condition MRM would be more competitive. All this suggestions were aimed to making MRM a better employer. by being a better employer they would be able to attract more skilled staff making them more competitive in their environment. This was in agreement with Pfeffer (2010) found out that through actions such as being a good employer the organization was able to gain more reputation than the competitors and more finances and more qualified human resources. This would in turn make the organization more competitive.

5.4 Conclusions

5.4.1 Effect of Change in Factor Conditions on Competitive Advantage

From the study it was possible to infer that through provision of regular training the employees of a firm are more motivated hence are able to provide relevant feedback to the organization and therefore the organization is more competitive. The findings from MRM showed that the organization did not provide any training as result the employees were high de-motivated and therefore did not give relevant feedback to the
organization. This was in agreement with Burton et al., (2004) who argued that to maintain a competitive advantage in a turbulent environment, human resources management forms an important part of the strategic planning process of the firm this is because implementation of the firm’s strategy and performance of the firm depends on the attitude and behaviour of the employees.

5.4.2 Effect of Change of Demand and External Environment on Competitive Advantage

Form the study a conclusion was drawn that adoption of new manufacturing technology had enabled the Mill to be more competitive by significantly increasing in the sales. The positioning of their retail shop conveniently had also contributed to the rice in sales. It can also be concluded that with the new technology, production had become more efficient and hence a reduction in cost of production and these led to the affordable prices with which they sold their rice. Increase in sales and environmentally friendly methods of production also correlated positively indicating customers preferred buying from organizations that environment conscious. This was in line Lankoski (2008) argument that competitive advantage can be achieved through the perception created on customers by the firm that their products are of a higher value due to use of environmentally friendly methods of production.

5.4.2 Effect of Change in Firm Strategy on Competitive Advantage

Government aid showed a positive correlation with the increase in sales while government control showed a negative correlation with the increase in sales. A conclusion was therefore drawn government funding improved on the competitiveness of MRM. But the control of the government on MRM would reduce its competitiveness. From the analysis agreements with the competitor related negatively with sales. A conclusion was drawn that getting into any form of an agreement with the competitor whether partnership or mergers would reduce the competitive advantage of MRM.
5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 Effect of Change in Factor Conditions on Competitive Advantage

The study recommends to the management of MRM to always consider employees as being the key contributors of achieving a sustainable competitive advantage. This is because to achieve competitive advantage MRM needs committed employees implementation of the firm’s strategy and performance of the firm depends on the attitude and behavior of the employees (Burton, Lauridsen and Obel, 2004).

5.5.1.2 Effect of Change of Demand and External Environment on Competitive Advantage

The study also recommends that MRM needs to constantly market their products in line to the constantly changing trends in the environment. They might have superior products but without customer awareness about the products they might not achieve the desired competitive advantage. A study carried out by Jerman (2012) showed that promotional activities helped a firm to increase on its market share and therefore growth in sales.

5.5.1.3 Effect of Change in Firm Strategy on Competitive Advantage

The study also acknowledges that the firm should come up with new strategies to deal with the constantly competitive environment. The study therefore recommend that more aggressive competitive moves like more vigorous advertisements, secondly agreements with competitors that will reduce on competition impact on MRM, they should use CSR to make a change in the current method of competition.

5.5.2 Recommendations for Further Studies

Though the conceptual framework was successfully examined, it also presented a rich prospect for areas to be researched in future. The research concentrated only on one
firm in the industry and therefore it would be useful to carry out a similar study across the industry.

The study was also keen to look at the strategic competitive response to changing environments. It would therefore be interesting to conduct a study to determine the possible extents to which responses to turbulent environments would be fruitful.
REFERENCES


APPENDIX I: QUESTIONNAIRE COVER LETTER

Date

Dear participant,

My name is Dorcas Ngatha Munyi and I am a graduate student at United States International University. I am undertaking a study on competitive strategic response in turbulent environment on Mwea Rice Mills towards attaining a master degree. Being an employee of Mwea Rice Mills you have been selected and you have been invited to participate in a study on how Mwea Rice Mills can respond more competitively on the constantly changing business environment.

Once this study is complete it will enable the management of the mill to be able to make more informed decision concerning the day to day running of the mill, it can also be used by the government to informed laws concerning the Milling industry. Better employee motivation can also be achieved using the information gathered in this study. Knowledge gathered will also be available to other individuals who will be interested in the field.

The questioner will take approximately 5 to 7 minutes to complete. Kindly answer each and every question as honestly as possible since the results of the study depend on you. Please do not indicate your name for the sake of confidentiality; I will correct the questioners in person to ensure no other person has access to your answers.

A summary copy of all the results will be shared with the Mill. Thank you for taking time to assist me with the information you have.

Sincerely

Dorcas Ngatha Munyi

dorcasngatha@ymail.com
APPENDIX II: QUESTIONNAIRE

Part I

Please indicate your gender  Male  ☐  Female  ☐

Age category in years

☐ 20 – 30 years

☐ 31– 40 years

☐ 41 – 50 years

☐ Above 51 years

Kindly state the highest level of education attained

☐ Primary

☐ Secondary

☐ Certificate

☐ Diploma

☐ Degree

☐ Post Degree

Please indicate the number of years you have worked with Mwea Rice Mills

☐ Between 1-5

☐ 6 - 10

☐ Above 10
Kindly indicate your department___________________________________

What is the position held in the department______________________________

PART II

Using a scale of 1 – 5 tick the appropriate answer from the alternatives provided for each of the questions. **Strongly Disagree 2. Disagree 3. Uncertain 4. Agree 5. Strongly Agree**

<table>
<thead>
<tr>
<th>Code</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>FC. i</td>
<td>Mwea Rice Mills provides training for its employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FC. ii</td>
<td>Training is provided regularly</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FC. iii</td>
<td>Training is provided to employees of all levels</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FC. iv</td>
<td>Mwea Rice Mills employees are highly motivated</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FC. v</td>
<td>The organization gives room for personal opinions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FC. vi</td>
<td>Mwea Rice Mills allows feedback from customers and employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Effect of change of demand and external environment on competitive advantage**

Using a scale of 1 – 5 tick the appropriate answer from the alternatives provided for each of the questions. **Strongly Disagree 2. Disagree 3. Uncertain 4. Agree 5. Strongly Agree**

<table>
<thead>
<tr>
<th>DC. i</th>
<th>Mwea Rice Mills has embraced new processing technology</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>DC. ii</td>
<td>The machine has contributed to a significant increase in sales.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DC. iii</td>
<td>The rice produced by Mwea Rice Mills is easily accessible to the customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DC. iv</td>
<td>In the last five years the sale in the retail shop has been increasing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DC. v</td>
<td>The cost of rice is affordable to the majority of customers.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DC. vi</td>
<td>Mwea Rice Mills uses environmental friendly methods of production</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DC. vii</td>
<td>Mwea Rice Mills is effectively advertised in the media</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Effect of Change in Firm Strategy on Competitive Advantage**

Using a scale of 1 – 5 tick the appropriate answer from the alternatives provided for each of the questions. **Strongly Disagree 2. Disagree 3. Uncertain 4. Agree 5. Strongly Agree**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>FS. I</td>
<td>In the past five years Mwea Rice Mills has been receiving government aid</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FS. ii</td>
<td>Government should maintain control over Mwea rice Mills</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FS. iii</td>
<td>In the last five years Mwea Rice Mills has gotten into any agreement with the competitors?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FS. iv</td>
<td>Mwea Rice Mills has been involved in community based activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Who are the majority customers for Mwea Rice Mill.

- [ ] Institutions
- [ ] Passers by
- [ ] Mwea residents
- [ ] Others (kindly indicate)
Kindly give suggestions on how Mwea Rice Mills Can be more competitive..........................................................
...........................................................................
...........................................................................
...........................................................................