Influence of Strategic Management Strategies on Organizational Performance of Private Construction Firms in Nairobi County

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INFLUENCE OF STRATEGIC MANAGEMENT STRATEGIES
ON ORGANIZATIONAL PERFORMANCE OF PRIVATE
CONSTRUCTION FIRMS IN NAIROBI COUNTY

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ABSTRACT

The main objective of this study was to investigate the influence of strategic management strategies on the performance of construction companies in Nairobi county, Kenya. The specific objective of the study was to evaluate the influence of cost leadership strategies, differentiation strategies, and focus strategies on organizational performance of construction companies in Nairobi county.

The importance of the study was to help the construction firms and their top management to evaluate the influence of strategic management on their overall performance. The study will assist the managers to come up with competitive strategy as it will show the benefits of having a good and effective strategy; The study will help the construction firms to be more effective and efficient, therefore the clients will benefit from saving costs and having a better and improved end products; The academicians and researchers will be able to use this study as a reference point and able to further develop more knowledge about the construction industry in Kenya. This study will further assist organizations to do further research on other similar and relevant areas.

The research design was descriptive in nature. The population comprised of owners and top management. Stratified sampling technique was used to select the sample in which 237 respondents were chosen. The employees were categorized into two categories namely owners and management staff. Information was collected using a questionnaire developed by the researcher. The questionnaire developed was pilot tested and refined before being administered to the respondents. The data was analyzed using descriptive statistics and correlation, with the help of SPSS Software as an analytical tool.

The study findings suggest that cost leadership strategies need to be adopted when it comes to the construction sector because the study findings show that this can facilitate competitiveness creation and encourage better overall performance of the construction firms. Differentiation strategies also need to be developed and make sure that the firms are offering unique and quality products and services of high value proposition and this can promote firms in the construction industry. These strategies have the capacity to
facilitate development in performance of these construction firms and also boost their sales and profits in the market.

The study also found out that focus strategies can be able to transform and grow the construction firms because they enable them to come up with effective strategies. All the resources and energies of the company are directed towards a specific market or segment of the construction market. This can facilitate the comprehension of the firms goals and objectives. This can also develop the general overall performance of construction firm and this will in turn be reflected in their growth.

The correlation analysis was done the researcher. There was positive relation between cost leadership, differentiation strategy and focus strategy. The organizational performance was positively correlated with all the independent variables. The highest correlation was with cost leadership strategy with coefficient of 0.452, second was differentiation strategy with coefficient of 0.381 and third was focus strategy with coefficient of 0.280. The findings were all positively correlated though they were not significant.

The study concludes that cost leadership contributes the most to the organizational performance and greater advantage is achieved if construction firms combine the generic strategies as opposed to achieving pure strategies. The study has drawn a conclusion that Cost leadership strategy achieved purely can lead to the growth overall organizational performance. In addition, cost leadership strategies combined with differentiation strategies and focus strategies achieve growth in sales, profit and overall performance.

The study recommends that construction firms should careful carry out a cost benefit analysis and invest in technology that would encourage development of new products and innovation, which would lead better quality products and services which in turn be a cost saver for firms, which in turn they can charge a premium price to gain higher profits.
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

According to Paul (2015), the construction spending has gradually shifted away from Europe to Latin America, Asia, the Middle East and Africa where expansion in the construction industry has been fuelled by economic growth and urbanization. Construction companies have taken advantage of a truly international construction market, exploiting opportunities to take on construction projects in countries that lack their own expert construction contractors, suppliers and consultants. Therefore international construction firms are also increasingly relying upon local joint venture partners in order to enter international construction markets (Paul, 2015). Joint ventures generally offer a number of benefits such as reducing a company’s exposure and allowing it to compete in a diversified international market. However, at the same time problems can arise due to the association of two or more companies from different countries, with differing political, cultural and legal frameworks. The obvious risk for an international company relying upon its joint venture partner is when the technical and managerial capabilities of that partner, fall short of what is necessary to execute the project (Paul, 2015).

The building and construction sector is one of the important sectors of the Kenyan economy. It is a major contributor to the GDP. For enhancing national, regional, international integration and trade facilitation, the Kenyan government has continued to develop an effective and efficient infrastructure. This development of infrastructure has also created sustainable economic growth. The industry registered a thriving growth rate of 13.6% in 2015 (KNBS, 2016). According to Kenya National Bureau of Statistics (2016), the formal sector employment grew from 132.9 thousand in 2014, to stand at 148.0 thousand in 2015, a growth of 11.4%. The private sector accounted for majority of these jobs.
The construction industry's economic growth is through backward and forward linkages. This is because construction activities utilize goods and services from other industries. According to the Kenya National Bureau of statistics, Construction industry contributed up to 4.8% to the Kenyan GDP, and employs approximately over one million people. In 2015, the annual basic wages for skilled, semi-skilled and unskilled workers increased by 9.7, 10.1 and 10.5 per cent compared to 8.2, 7.9 and 7.5 per cent, respectively (Kenya National Bureau of Statistics, 2016).

Gwaya et.al (2014), states that, in the past few decades, building and construction research in Kenya has mainly focused on the firms that comprise the construction industry - particularly the human resources, the contractors and the projects. Working out the performance of the industry as a whole from the observations made on its parts.

Today Kenya is considered as a hub for trade and finance in East Africa and whereas many large businesses and corporations have their headquarters set up in Nairobi (Thami, 2016). As stated previously, Kenya is going through a building and construction boom. The government and the authorities have invested heavily to improve the national infrastructure. With an increasing population, opportunities seem to be created every new day in building of residential properties, as well as commercial and industrial properties (Thami, 2016). New opportunities such as prefabricated low-cost housing. Therefore the construction sector would and is attracting key investors in the country. Widespread opportunities for investment exists in areas such as; urban renewal, construction of middle and low end houses, improvement of slums and informal settlements and manufacture of building resources and materials (Thami, 2016).

Accordingly, very little or no consideration has been given to strategic management strategies in this sector. Strategic management strategies is the management of an organization's resources to achieve its goals and objectives (Dess, 2010). It also includes understanding the strategic position of an organization, making strategic choices for the future and managing strategy in action. Therefore it involves setting objectives, analyzing the competitive environment, analyzing the internal organization, evaluating strategies
and ensuring that management rolls out the strategies across the organization (Marios, 2002). Hence the main focus of strategic management strategies involves identifying how the organization stack up compared to its competitors and recognizing opportunities and threats facing an organization, whether they come from within the organization or from competitors (Bob & Ron, 2010).

The importance of strategic management strategies in a firm can be answered by studying the relation between a firms strategic strategies and its performance. Strategic management strategies can improve efficiency in various firms such as the building and construction industry (Njiru, 2014). Practice of strategic management strategies in organizations can improve efficiency to a great extend. Strategic management is applied across various sectors and adoption of the same management is used to respond to changing environment, market and consumer demands, and similarly in rapidly changing day to day technology. The organizations performance is hence affected by adoption of clear strategic perspective (Solomon & Barrack, 2015). Many scholars state that for organization to survive in the turbulent environment, having a clear and good strategy is one of the most important factors.

Strategic management strategies are yet to effectively implemented in the building and construction companies in Kenya. It is evident that very many construction projects in Kenya are supervised by very qualified individuals, who end up failing due to lack of strategic planning and processes (Solomon & Barrack, 2015).

According to Solomon and Barrack (2015), the building and construction industry is unable to satisfy its clients time and again. This causes a major issue and concern for the whole of the sector. Therefore, to overcome these issues, firms need to adopt new strategies and approaches to augment the efficiency and client satisfaction. Davenport and Smith (2005), scrutinized the involvement of all types of procurement and relative level of client satisfaction. Whereby they concluded, satisfying a private client was much harder than satisfying a public client. They also stated that the success rate of the building and construction industry was highly dependent on how the firm used its resources and
how they planned for them. It is extremely important to examine the strategic management strategies used by organizations in building and construction industry in Kenya, which is one of the most booming and promising sectors in the country. This is because construction project are very costly and are more so when the project is stalled for a period of time. Restarting the project is extremely expensive (Muchungu, 2012).

1.2 Statement of the Problem

The government recognized the importance of construction industry to its economy, as it provides important products such as buildings and other important infrastructures which assist in growth and development of the country's economy. The sector provides employment for the people which helps a nation to reduce its unemployment rates, especially in Kenya. Many developing nations have come up with policies that have an objective of creating an efficient building and construction industry.

Construction industry in Kenya is facing stiff competition from companies from abroad especially Chinese companies that are offering construction products cheaply as compared to their counter parts in the industry. Companies in Kenya require to cut their costs for them to compete with the increasing in number of companies. Hence affecting the quality of products (Muchungu, 2012). There are new regulations introduced that affect the construction industry, where companies have to register with national construction authority. Adding cost of operations for the companies among other costs. Therefore companies need strategize their operations, in order to maintain their employees and cut down their costs to remain competitive in the industry and to satisfy their clients as an end objective.

With growing globalization, Foreign and Kenyan-owned construction firms have been fighting for the market shares, revenues and returns in Kenyan market since the beginning of 21st century. Firm employing unique strategic approaches, organizational cultures and core competences, the gap of influence of strategic management strategies on organizational performance within Kenyan owned construction firms are becoming broader and broader. However there have been very little studies regarding to the gap
issues yet conducted up-to-date and there is no much related findings accessible for references, therefore implementing the study of examining the gap of effectiveness influence of strategic management strategies on organizational performance of private construction firms. Thami (2016) and Solomon (2015), gave recommendations for further studies on this area in their research.

This study therefore was to seek establishment of the influence of strategic management strategies that the organizations are likely to use to remain afloat in business as well as their performance.

1.3 General Objective
The general objective of the this study was to establish the influence of strategic management strategies on performance of construction companies in Nairobi, Kenya.

1.4 Specific Objectives
1.4.1 To evaluate the influence of cost leadership strategies on the performance of construction companies in Nairobi.

1.4.2 To evaluate the influence of differentiation strategies on performance of construction companies in Nairobi.

1.4.3 To evaluate the influence of focus strategies on performance of construction companies in Nairobi.

1.5 Importance of the Study
1.5.1 Construction Firms
The construction firms and their top management will benefit from this study as it will evaluate the effects of strategic management strategies on their overall performance. The study will assist the managers to come up with competitive strategy as it will show the benefits of having a good and effective strategy.
1.5.2 Clients

The study will help the construction firms to be more effective and efficient, therefore the clients will benefit from saving costs and having a better and improved end products.

1.5.3 Academicians

The academicians and researchers will be able to use this study as a reference point and able to further develop more knowledge about the building and construction industry in Kenya. This study will further assist organizations to do further research on other similar and relevant areas.

1.6 Scope of the Study

This study was focused on the construction companies in Nairobi County - Kenya. The respondents of this study were owners, managers and assistant managers. The researcher was limited to a certain area during the process of undertaking the research study. These limitations were: access to literature on the topic; access to respondents, as many were busy in the field; and balance between personal and official work towards carrying out the study. However, these issues were worked through with guidance and assistance of the supervisor. The data collection process was another obstacle which was faced by the researcher since it took over four weeks to collect all the data, and the researcher had anticipated three weeks before the start of the process.

1.7 Definition of Terms

1.7.1 Strategy

The top management of an organization is concerned with the selection of a course of action from among different alternatives to meet the organizational objectives. The process by which objectives are formulated and achieved is known as strategic management and strategy acts as the means to achieve the objective (Hunger & Wheelen, 2003).
1.7.2 Strategic management

Strategic management is the process of examining both present and future environments, formulating the organizations objectives, and making, implementing, and controlling decisions focused on achieving these objectives in the present and future environments (Marios, 2002).

1.7.3 Organizational Performance

An analysis of a company's performance as compared to goals and objectives. Within corporate organizations, there are three primary outcomes analyzed: financial performance, market performance and shareholder value performance (Bob & Ron, 2010).

1.7.4 Cost leadership Strategy

Cost leadership Strategy is the strategy used by organizations to minimize their operations cost within their niche. The main purpose of this strategy is to gain a lead over the competitors by reducing operation costs below than that of others in the same industry (Kotler, 2010).

1.7.5 Differentiation Strategy

Differentiation Strategy is an approach under which an organization aims to develop and market exceptional products for diverse customer segments. Usually employed where a firm has clear competitive advantages, and can sustain an expensive advertising campaign. It is one of three generic marketing strategies that can be adopted by any organization (Kotler, 2010).

1.7.6 Strategy Integration

Strategic integration is the gradual combination and transformation of independent components of business organizations into cohesive and synergistic entities. Strategic integration is an important element in the process of improving organizational
performance because it facilitates the continuous alignment of business strategies within the ever changing business environment (Hunger & Wheelen, 2013).

1.8 Chapter Summary

This chapter consisted of background study of the problem, statement of the problem, general objectives, specific objectives, significance of the study, scope of the study, definitions of terms. Each of the element was carefully studied and analyzed, hence brought up the content of this chapter. The next chapter is chapter two which presents the literature review. The review relates to the topic of research. Thereafter is chapter three, which describes the methods and procedure will be used to carry out the study. Chapter four deals with analysis, presentation and interpretation of the findings of the study. Finally, chapter five concludes the study and it offers summary of the findings, discussions, conclusions and recommendations.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction
This chapter presents the review of the literature from various sources. The review relates to the topic of research: influence of strategic management strategies on performance of construction firms. The chapter was structured with the alignment to the specific objectives of the research.

2.2 Cost Leadership Verses Performance
What is strategy? According to John and Richard (2013), strategy is refers to large scale, future oriented plans for interacting with the competitive environment to achieve goals and objectives. Formulation and implementation of these strategies is mostly done by the top management of an organization. Therefore, strategic management is the set of decisions and actions that result into formulation and implementation of plans designed to achieve a company's objectives (Pearce & Robinson, 2011). Intense competition in domestic and international markets, more demanding, assertive customers and rapid advancement of has placed greater pressure on organizations to seek ways to achieve a sustained competitive advantage.

2.2.1 Strategic Management in Construction Industry
Cost leadership or low-cost strategy put emphasis on organizational efficiency. This strategy involves the process through which the company is able to produce or distribute goods and services at a lower cost than competitors within the industry. Porter defines strategy of cost leadership as trading standard products combined with aggressive pricing (Porter, 1996). Enida and Kume (2015) states that cost leadership strategy was proposed by Porter, as a successful way to achieve sustainable competitive advantage by reducing and controlling the costs. Some of the ways to realize low cost strategy and achieving the required performance are: economies of scale, control and reduction of administrative costs, the curve of experience, technology. Cost Leadership also tends to be more
competitor oriented rather than customer oriented (Lynch, 2003). Lynch (2003) states that a firm that successfully pursues cost leadership strategy emphasizes vigorous pursuit of cost reduction, tight cost and overhead control, research and development and advertisement among others to achieve a low cost position.

Sources of cost advantage depend on industry structure. Cost advantages may come from economies of scale, economies of scope, propriety technology, and preferential access to materials among other factors. With cost advantages, firms are able to have above-average return or can command price. Grant (2005) argues that common to the success of Japanese companies in consumer goods industries such as cars, motorcycles, consumer electronics, and musical instruments has been the ability to reconcile low cost with high quality and technological progressiveness.

Performance is the ability of an object to produce results in a dimension (Laitinen, 2002). According to Rauch et al.(2009), there are two types of firm performance. They care perceived firm performance and archival data. Archival data involves aspects of firm performance especially related to financial performance measured from secondary sources while perceived performance involves use of perceptions of managers in a firm about the company’s performance. This study chose to use perceived indicators to measure firm performance. This is considered to be the most appropriate measure as discussions with managers suggested that in general it was not possible to obtain a wide range of hard measures of performance (Rauch et al., 2009).

Strategic management is concerned with the strategic processes that produce requirements answers to an organizations changing environment, this is the most general acceptance of the idea. In other terms, strategic management is involved in deploying a firm's internal strengths and weakness to take advantage of its external opportunities and minimize its external threats (Adeleke, 2008). Therefore, it is the management of change that organizations face. It involves the system of corporate values, the corporate culture, and all managerial process of change, such as leadership, planning, control, and human resources management (Ryszard, 2014).
In construction, many researches were carried out on strategic management practices including studies by Chinowsky and Meredith (2000), Dikmen and Birgonul (2003), Price et al. (2003) and Dansoh (2005). The traditional philosophy of management in construction emphasizes on the ability to plan and execute. According to Abu Bakar (2014) the management of the construction industry is important in order to improve its performance and increase the number of national Gross Domestic Product (GDP), since the construction industry contributes on average between 5 to 9% of GDP in developing countries. The effective management must have a strategy and must operate on the day-to-day level to achieve it. Also it was noted that while project management topics receive significant focus from construction professionals, less attention is paid to strategic management. However, the need for a strategic perspective for construction companies has long been stressed by many researchers (Abu Bakar, 2014).

2.2.2 Organizational Performance

An analysis of a company's performance as compared to goals and objectives. Within corporate organizations, there are three primary outcomes analyzed: financial performance, market performance and shareholder value performance, also in some cases, production capacity performance may be analyzed (Business Dictionary, 2016).

Cost advantages could be found through via many sources. The organizations which successfully practice cost leadership include; economies of scale, diseconomies of scale, experience differences, size differences and learning curve economies, differential low cost access to productive inputs, technological advantages independent of scale and policy choices (Barney & Hesterley, 2006). According to Paul and Jane (2015), growth and increased performance is developed by identifying and seeking out new opportunities, promoting the firm’s products and services, including responsibility for technical appraisals and supply of advice to customers on all aspects of the firm’s business from procurement to final delivery. The construction industry's core business is undertaking projects in erecting new structures or refurbishing existing ones for a variety
of clients. The success or failure of construction projects has been pegged on the pillars of cost, time and quality achieved (Paul & Jane, 2015)

Paul and Jane (2015), Additionally adds that other approaches or philosophies as measures of performance within the construction industry. These include BPR (business process re-engineering), TQM (total quality management), CP (continuous improvement) and BPM (business process management). This has a holistic view of performance and does not concentrate measure of success on the traditional pillars of cost, quality and time. These measures are directly related to the strategic objectives set as the core nature of business entities is to perpetuate success through a robust and successful road map chartered through the firm’s mission and vision (Paul & Jane, 2015). It therefore involves the development of a framework upon which performance measures can be developed and implemented as to identify the degree to which an organization is able to implement its strategy.

According to Takim and Akintoye (2014), construction projects encompass a number of phases, stakeholders, processes that require a great deal of input in the form of tangible and intangible resources. The level of success in a project which translates to the performance of the construction firm largely depends on the expertise of management, financial, technical and organizational process flows. Chan and Tam (2010) emphasize that just as in any industry, the key success factor or rating is based on quality. A construction project is deemed successful when it is completed on time, within budget and in accordance to the primary stakeholder's specifications. According to Hanson et al.(2013) there are several factors that if not mitigated properly can have a negative impact on the performance of the construction firm. These include; poor conflict resolution procedures and poor workmanship. The generally perceived factors that influence quality performance can be grouped under the headings of client, project, project environment, project team leaders, project procedures and project management procedures (Chan and Tam, 2010).
2.2.3 Effective Strategic Management Approaches

According to Tang (2016), successful strategic management is highly required in confrontation of nowadays increasing global business turbulence, nonetheless successful strategic management entails the best options for strategic formulation and strategic approaches in sequence, and therefore how to assess and choose the best model for strategic formulation will be of the first and foremost importance and within the process of the formulation the best strategic approaches should be availed for further analysis. These approaches are namely: SOSTAC, PESTEL, SMART principle, RBV (resource based view), Balance Scorecard, Input - Output model and Blue Ocean strategies.

Strategy formulation process and in between the strategic models presented, to choose the approach best-fitting to the managerial situations is the managers’ or entrepreneurs’ priority to ensure the effectiveness of strategic management. Without proper strategic planning and strategic options no success of strategic management will be warranted. Paying good attention on strategic approaches is therefore of great importance to effectiveness of strategic management.

Different strategic approaches applied by firms will be resulted in different effectiveness of strategic management. In order to ensure success of the strategic options, every firm ought to seek the best strategy-fit with its internal capacities and external environment. Each company should adopt a unique approach to creating its strategy, which should include creating a competitive advantage by choosing a specific set of activities to deliver value to the customer (Porter, 1996). The right strategic approaches will be adopted depending on the various resources and core competences of the firms, thus there is no the best strategic solution existed for all the companies, however every company can find the best strategic fit.
2.3 Differentiation Strategy Versus Performance

2.3.1 Differentiation Strategy

Differentiation is the approach under which a firm aims to develop and market unique products for different customer segments. Normally used where an organization has apparent competitive advantages, and can sustain an costly advertising campaign. It is one of the three generic marketing strategies that can be adopted by any organization (Business Dictionary, 2017). The pursuit of competitive advantage is at the root of organizational performance and as such understanding the source of sustained competitive advantage has become a major area of study in the field of strategic management.

According to Dirisu and Oluwole, (2013), a differentiation strategy would provide greater scope for these organizations to produce products with more valued, desirable features as a means of coping with such demands. Therefore the focus on how competitive advantage can be achieved through product differentiation strategy and ultimately, how it influences the performance of the organization in the construction industry. Although, competitive advantage has taken centre stage in discussions of business strategy, a definite definition of the term is quite elusive. However a common theme has remained ‘value creation’. According to Porter (1986), ‘competitive advantage is at the heart of a firm’s performance in competitive markets’ This implies that, competitive advantage means having low costs, differentiation advantage, or a successful focus strategy. Also, he argues that ‘competitive advantage grows fundamentally out of value a firm is able to create for its buyers that exceeds the firm’s cost of creating it’ (Porter, 1986). Porter’s arguments reflect the common strengths, weaknesses, opportunities, and threats (SWOT) framework for assessing competitive advantage. Competitive advantage stems from a firm’s ability to leverage its internal strengths to respond to external environmental opportunities while avoiding external threats and internal weaknesses (Mooney, 2007)

Globally, many organizations have employed different ways to achieve differentiation and may charge a premium for their goods and services since customers who are loyal to
the brand may not be price sensitive (Tanwar, 2013). Differentiation strategies lead to high profitability when the premium charged on the price exceeds the costs of distinguishing products or services (Jeff, 2009). Differentiation strategy can be implemented alongside other generic strategies or alone for farms which are large and have resources.

2.3.2 Differentiation Strategy in Construction Industry

According to Raj, & Arindin (2014), firms that pursue differentiation strategies achieve superior profits than those that pursue cost leadership strategies. Construction industry is heterogeneous and they may not be able to distinguish the services and products offered by firms. According to Jeff (2009), the type of products or services offered to the clients by the construction firms may depend on the definition; where there are small and large construction firm in private sector that may require more hi-Tec sophisticated products. The approach that most construction firms have used is to attract clients using lending products to increase revenue and attract other customer segments. Most organizations require lending to move their business to the next level and convenience and flexibility beats the cost of lending (Dirisu & Oluwole, 2013). As such, differentiation through different products other than the lending products is an element that firms would have to re-visit to retain this segment. Construction firms pursuing differentiation strategy may win a huge market share by providing unique products that may cause a lot of influence to their current and potential customers (Dirisu & Oluwole, 2013).

Johnson, Scholes and Whittington (2007) elaborated, strategy gives an organization the direction and visual scope that yields benefit both in operational efficiencies and financial targets and sustains the charted mission and vision of the organization within a challenging environment. Importance of strategic management in the construction industry is validated by its requirement for better performance. Technology, communication, and market advances are fundamentally changing the global perspectives of time, distance, and socio-economic boundaries (Johnson, Scholes & Whittington, 2007). With the emergence of knowledge experts and industry innovations, the
construction industry has undergone a tremendous dynamic trend that complement design and project construction work in almost any location, therefore having a direct influence on competition and market share. This therefore necessitates the need for the adoption of strategic management practices within construction firms while factoring in the concept of knowledge workers and domain experts, new markets and the use of information technology (Johnson, Scholes & Whittington, 2007).

Adaptive capacity is a key theme in resilience thinking (Pisano, 2012). It is the capacity of factors in a system to influence resilience (Pisano, 2012). Possessing adaptive capacity, a system such as the construction industry, should have the ability to reconfigure itself with minimum loss of function (Gonsalves and Mohan, 2012). As the environment in developing countries changes due to rapid urbanization, the construction industry as a social-ecological system, should possess the required adaptability that will enable it to deal with such changes through integrated actions of observation, learning and altering interactions. Adaptability focuses on proactive behaviors, rather than simply being limited in a conceptual sense to reactive behaviors. Thus, strategic adaptability is regarded as a source of competitiveness and success (Tuominen, Rajala, & Mcoller, 2004).

2.3.3 Developing Differentiation Strategy for Construction Industry.

According to Tanwar (2013), globally many organizations have employed different ways to achieve differentiation and may charge a premium for their goods and services since customers who are loyal to the brand may not be price sensitive. Differentiation strategies lead to high profitability when the premium charged on the price exceeds the costs of distinguishing products or services. (Jeff, 2009). Differentiation strategy can be implemented alongside other generic strategies or alone for organizations which are large and have resources (Tanwar, 2013). Dirisu, Oluwole, & Ibidunni (2013) stated that, there is a positive relationship between firms that pursue product differentiation through product innovation, product design, higher quality product or unique product and the firm performance; further, the study confirms that product differentiation could be used as a
tool to achieve competitive advantage and enhance organization performance. Secondly, differentiation may be implemented through relationship between itself and customers and finally through linkage with other firms in the same industry; this include: linkage within functions of a firm, linkage with other firms, product mix, distribution channels and service support (Tanwar, 2013).

Tang (2016), stated that this strategy requires the development of goods or unique services from unmatched by relying on customer loyalty to the brand. A firm can offer higher quality, performance or unique features that each of them can justify the higher prices. The product differentiation firms tend to invest heavily in research and development activities in order to increase their innovative capability and enhance their ability to keep up with their competitors’ innovations (Jermias, 2008). The constraints of increased debt and requirements to satisfy debt covenants will likely impede managers’ creativity and innovation, qualities which are critical to maintain competitive advantage for product differentiation firms (Jermias, 2008). Tang (2016) argued that product differentiation firms face high uncertainty, as their strong emphasis on innovation requires them to engage in more risky activities and bet on products that have not yet crystallized. This might make it both difficult and undesirable for firms to use a greater amount of debt (Tang 2016).

2.4 **Focus Strategy Versus Organizational Performance**

2.4.1 **Focus Strategy**

The generic strategy of focus rests on the option of a narrow competitive scope within an industry. The focuser selects a segment or group of segments in the industry and modifies its strategy to serving them to the segregation of others. The focus strategy has two distinctions: First, differentiation focus an organization seeks differentiation in its target segment, while in second, cost focus an organization looks for a cost advantage in its target segment (Porter, 1985). The two variants of the focus strategy rest on differences between a focuser's target segment and other segments in the industry. The target segments must either have buyers with unusual needs or else the production and delivery
system that best serves the target segment must differ from that of other industry segments. Cost focus exploits differences in cost behavior in some segments, while differentiation focus exploits the special needs of buyers in certain segments (Porter, 1985).

Caxton (2015) expresses, a firm using a focus strategy often enjoys a high degree of customer loyalty, and this entrenched loyalty discourages other firms from competing directly. Because of their narrow market focus, firms pursuing a focus strategy have lower volumes and therefore less bargaining power with their suppliers. However, firms pursuing a differentiation-focused strategy may be able to pass higher costs on to customers since close substitute products do not exist (Caxton, 2015). Firms that succeed in a focus strategy are able to tailor a broad range of product development strengths to a relatively narrow market segment that they know very well. Some risks of focus strategies include imitation and changes in the target segments. Furthermore, it may be fairly easy for a broad-market cost leader to adapt its product in order to compete directly. Finally, other focusers may be able to carve out sub-segments that they can serve even better (Caxton, 2015).

In the last several years, the economic crisis has determined significant changes in the conditions organizations have to operate. The organizations that seek performance must learn how they can increase their abilities at managing the new, volatile risks that they face and how can they transform the adaptability into a strategic capability.

2.4.2 Focus Strategy in Construction Industry

The focus strategy. Another strategy proposed by Porter (1985) is the strategy of focusing. Through focus strategy, the company aims to serve the customers in a narrow market segment (Davidson, 2001) through low cost or differentiation. Developing the studies about Porter’s competitive strategies, Thompson et al., (2009) declare that a focused strategy aimed at securing a competitive edge based on either low cost or differentiation becomes increasingly attractive as more of the following conditions are met: The target market niche is big enough to be profitable and offers good growth
potential; Industry leaders do not see that having a presence in the niche is crucial to their own success; It is costly or difficult for multi segment competitors to put capabilities in place to meet the specialized needs of buyers comprising the target market niche and at the same time satisfy the expectations of their mainstream customers; The industry has many different niches and segments, thereby allowing a focuser to pick a competitively attractive niche suited to its resource strengths and capabilities. Implementation of this strategy provides to firms the integration of a range of activities associated with differentiation and low cost in a target market niche from which the company generates higher profits (Thompson et al., 2009).

All organizations face the challenge of adapting to their environment, whether it provides contexts for growth or for decline. Firms seek to develop a fit with the environment, which often requires a change in their organizational system and practices (Carmeli, Gelbard, & Gefen, 2010). The ability to adapt, learn and change, to turmoil and jolts in the external environment clearly affects the performance outcomes and the viability of the organization. The importance of top management teams (TMTs) in making strategic decisions and navigating the organization through an ever-dynamic environment is anchored in strategic leadership or upper echelon research (Finkelstein, Hambrick, & Cannella, 2009). Through strategic decision-making, TMTs shape the orientation, structure, and context of the organization, thereby influencing the type and the sequence of responses to changes in the task environment, and by extension the organizational outcomes (Finkelstein et al., 2009).

The most important decisions in adaptation planning are made during the scoping phase. But, some studies suggests that many organizations tend to spend very little time on scoping and see adaptation as a technical issue which can be tackled on a project level as a discrete package of work, either in-house or by specially commissioned external consultants. While it may be convenient to see adaptation in this way, and while this approach is certainly appropriate for some questions which relate to a wider program of work, it may not always be sufficient (Brown, Gawith, Pringle & Lonsdale, 2011).
2.4.3 Development and Adaptability of Focus Strategy for the Construction Industry

The challenge of applying traditional strategic planning models to construction firms has been recognized by a number of authors on the subject (Langford and Male, 2001). However, Porter’s (1980) generic strategies for identifying strategic options or competitive advantage does not pose a similar challenge. On the contrary, the generic strategy framework has practical application to contracting and PSFs alike and has previously been used in the analysis of the construction industry (Price et al., 2003). Porter’s generic strategies broadly take the form of cost leadership, differentiation or focus/market niche.

The capacity of a firm to develop strategies is vital for avoiding decline and strategic erosion on the one hand, and a key for fostering growth and viability on the other (Beer, 2003). However, many organizations struggle to change and adapt to new strategies developed, thereby failing to create environmental fit (Beer, 2003). Failure to adapt to the strategies means that an organization provides inappropriate responses, which results in a misfit between the firm and its environment, as well as misalignment between organizational goals and strategies and organizational structure.

Therefore, the challenge of reconciling seemingly fundamentally opposing demands between capacity and stagnation also occurs in a micro-dynamic context (Zacher, Rosing, Henning, & Frese, 2011). Stagnation emerges when managers are self-centered or overly focused on a particular feature without paying adequate attention to others such as focusing on the internal environment of the organization without considering developments in the competitive environment in the construction industry, and vice versa. In theory, adaptability of strategies has a direct implication on achieving success, especially in a changing environment. In the present turbulent times, when construction industry is changing drastically, it is expected that this relationship between adaptability of strategies and performance is identified in most industries (Mintzberg, 2013). In the last decades, researchers have focused simultaneously on strength of culture and
particular dimensions as the determinants of superior performance. It has been stated that organizations that are characterized by a strong culture and adaptability, are also high performers. In addition to this theory, mentioned that high performing firms are likely to have strong cultures, values which encourage adaptable behaviors, and to value customers, employees and shareholders equally. Adriana (2011) states in her studies that: corporate culture will become more important for performance in the future; cultures which inhibit strong performance are common and easily developed; and cultures can be changed to enhance performance.

The focus strategy addresses a specific market niche, geographical area and/or customers. It is suitable for specialized construction firms because it focuses on maintaining a faithful group of clients by providing good services and encouraging personal relationships (Hassan, 2015). This strategy is also realistic for small firm sizes as they require limited resources and entry barriers to small market segments may be fairly low. This strategy requires a smaller number of staff who have essential skills and a wide breadth of knowledge, are able to handle multiple tasks and are well trained (Hassan, 2015). This strategy focuses on three elements: strong networking, IT, and specific projects. Construction firms that adopt a focus strategy have to be selective in choosing the market segments that they wish to enter. The construction firms that adopt this strategy will focus their services on the same geographical area where they have already established themselves and where they have a good relationship with the clients and other professionals (Hassan, 2015).

Reeves and Deimler, (2011) states that traditional approaches to focus strategy assume a relatively stable world. They aim to build an enduring competitive advantage by achieving dominant scale, occupying an attractive niche, or exploiting certain capabilities and resources. But globalization, new technologies, and greater transparency have combined to upend the business environment in the construction industry. Sustainable competitive advantage no longer arises from positioning or resources. Instead, it stems from the four organizational capabilities that foster rapid adaptation (Reeves & Deimler, 2011): The ability to read and act on signals of change; The ability to experiment rapidly
and frequently not only with products and services but also with business models, processes, and strategies; The ability to manage complex and interconnected systems of multiple stakeholders; The ability to motivate workforce.

2.5 Chapter Summary

This Chapter consisted of literature review carried out by the researcher related to the research objectives. The researcher had viewed and undertook various literatures to form the body of chapter two which were then aligned to the study objective. Next chapter is chapter three, it provides a discussion of the research methodology that was used in this study. It discusses the research design especially with respect to the choice of the design.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
This chapter provides a discussion of the research methodology that was used in this study. It discusses the research design especially with respect to the choice of the design. This chapter also discusses the population of study, sample and sampling techniques, data collection methods as well as data analysis and presentation methods that was used in the study.

3.2 Research Design
Cooper and Schindler (2014) inform us that research design is the plan and structure of investigation so conceived so as to obtain answers to research questions or the objectives. It includes an outline of what the researcher would do from writing hypotheses and their operational implication to the final analysis of data. The structure of the research problem includes the framework, organization or configuration of the relationships among variables of a study. The research design employed in this study was descriptive in nature. According to Cooper and Schindler (2014), descriptive studies try to discover answers to the questions who, what, when, where and sometimes how. The study was guided by specific objectives of the study: To evaluate the influence of cost leadership on the performance; To evaluate the influence of differentiation strategies on the performance; To evaluate the influence of focus strategies on the performance of construction companies in Nairobi County. For the researcher to be able to collect in depth information about the population, descriptive design was chosen. Descriptive design provides appropriate and concise recommendations that management of construction firms can utilize and researchers that are working in this field.
3.3 Population and Sampling Design

3.3.1 Population

Cooper and Schindler (2014) describe population as the total collection of elements about which we wish to make inferences. Burt, Barber and Rigby (2012) define it as a set of all individuals that are relevant to a particular study. According National Construction Association (2016), there are 571 registered private construction firms in Nairobi County. The target population in this study were owners and management staff of these construction firms in Nairobi County. A total of 237 of individuals were questioned as shown in the table 3.1 below.

Table 3.1 Population Distribution

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>NUMBER OF RESPONDENTS</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owners</td>
<td>145</td>
<td>61%</td>
</tr>
<tr>
<td>Management Staff</td>
<td>92</td>
<td>39%</td>
</tr>
<tr>
<td>Total</td>
<td>237</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: NCA, 2016

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

A sampling frame can be defined as the list of elements from which the sample is actually drawn Cooper and Schindler (2014). The frame was selected from individuals who were responsible for running the construction firms. A sample is a subset of a particular population while sampling is the practice concerned with the selection of individual observations intended to yield some knowledge about a population of concern especially for the purpose of statistical inference.

3.3.2.2 Sampling Technique

Stratified sampling technique was used to select the sample in this study. Saunders, Lewis and Thornhill (2012) inform us that in stratified sampling you divide the
population into two or more relevant and significant strata based on one or a number of attributes. This permits the investigator to split the sample into suitable strata that are mutually exclusive. A researcher may use stratified sampling to: increase a sample’s statistical efficiency, offer adequate data for analyzing the various sub-population, and facilitate diverse research methods and procedures to be used in unlike strata (Coopers & Schindler, 2014). The stratification variable used in this study was top management category. Two different strata will be used namely owners and management staff as shown in the table below. Each respondent was randomly selected from the categories. Stratifying ensured that the views of both categories were captured. Researchers can employ stratified sampling when they want to observe existing relationships between two or more sub groups. The use of stratified sampling ensured that the two categories formed part of the selected sample without any category being excluded. Due to the fact that the population was small, the entire population was taken as a sample.

3.3.2.3 Sample Size
Saunders, Lewis and Thornhill (2012) argue that the larger the sample size the lower the likelihood of error in generalizing to the population. They also inform us that the choice of sample size is governed by: the confidence you need to have in your data, the margin of error that you can tolerate, the type of analysis to be undertaken, and to a lesser extent, the size of the total population from which your sample is being drawn. The sample size is a representative of the target population. According to Mugenda and Mugenda (2003) a researcher would have to use 30% of the total target population as a sample size for it to be accepted as a good representative sample. A sample size of 237 individuals was selected out of a total population of 746 individuals from 571 firms in Nairobi County.

3.4 Data Collection Methods
Primary data collection method was used in this study. Data was collected using a questionnaire that was developed by the researcher based on the research questions. The questionnaire was divided into five parts each representing a different category of questions. The first part of the questionnaire required the respondents to provide general information such as gender, age, employee category and how long they had worked for
the organization. The questions in part two to part five were structured using the Likert Scale where respondents are to indicate their level of agreement or disagreement on a scale of one to five.

3.5 Research Procedures

The researcher performed a pilot study of the questionnaire to ascertain suitability of the tool before the actual administration. The questionnaire was pre-tested amongst ten percent of the respondents selected randomly from the sample size of 237. This allows the investigator to modify and make necessary changes to the questionnaire for objectivity and efficiency of the process. It was estimated to take between ten to fifteen minutes to complete the questionnaire. To facilitate ease of administration the questionnaire were collected electronically and each questionnaire was checked if they were fully filled and meeting the researcher's and study requirements. This enabled the researcher easily track the response rate and where necessary prompt the respondents through follow up emails and phone calls.

3.6 Data Analysis Methods

Data analysis was done using descriptive statistics including mean, standard deviation, frequency distribution, percentage distribution and also the inferential techniques including correlation was also used. The main objective of any statistical investigation was to determine relationships that make it feasible to predict one or more variables in terms of other variables. The obtained data was analyzed using Microsoft Excel and the Statistical Package for Social Sciences (SPSS) and then presented in tables and figures to enable effective and efficient interpretation. Correlation was used to establish the influence of the objectives (independent variables) and organizational performance. It ranges from positive one to negative one. Therefore the variables under study had positive or negative influence. Reliability analysis was also done to check whether the variables were reliable for subsequent analysis.
3.7 Chapter Summary

This chapter described the methodology used in the study. The research design was descriptive in nature. The population comprised of owners and top management. Stratified sampling technique was used to select the sample in which 237 respondents were selected. The employees were categorized into two categories namely owners and management staff. Information was collected using a questionnaire developed by the researcher. The questionnaire developed was pilot tested and modified before being administered to the respondents. The chapter has also indicated that data was analyzed using descriptive statistics using SPSS Software. Chapter four will present the findings of the research.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction
This chapter deals mainly with analysis, presentation and interpretation of the findings of this study. The chapter therefore presents the overall breakdown of data collected and how it responded to the research objectives and questions that were meant to analyze and provide answers on the issue of the influence of strategic management strategies on performance of construction companies in Nairobi, Kenya

4.2 General Information

4.2.1 Reliability Analysis
According to Cooper and Schindler (2014), reliability is the overall consistency of a measure. Cronbach's alpha is the measure of consistency. The table 4.1 shows the reliability analysis done in this study. Overall performance scored the highest with 0.878, followed by cost leadership strategy with cronbach's alpha of 0.783, differentiation strategy with 0.670 and lastly focus strategy with 0.657. Generally, reliability coefficient of 0.70 and above is considered acceptable. Therefore, this study's data was generally acceptable because the reliability coefficient was near 0.7 and above.

Table 4.1 Reliability Analysis

<table>
<thead>
<tr>
<th>Reliability Results</th>
<th>No. of Item</th>
<th>Cronbach's Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Leadership Strategy</td>
<td>10</td>
<td>0.783</td>
</tr>
<tr>
<td>Differentiation Strategy</td>
<td>10</td>
<td>0.67</td>
</tr>
<tr>
<td>Focus Strategy</td>
<td>10</td>
<td>0.657</td>
</tr>
<tr>
<td>Overall Performance</td>
<td>5</td>
<td>0.878</td>
</tr>
</tbody>
</table>
4.2.2 Response Rate

A total of 237 questionnaires were distributed. The questionnaires were reviewed for completeness and accuracy. They registered 100% participation and this was considered adequate for the analysis. According to Thornhill (2012), the higher the response rate the better, since this will we lower the likelihood of error in generalizing to the population.

Table 4.2 Response Rate

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Questionnaires Returned</td>
<td>237</td>
<td>100%</td>
</tr>
<tr>
<td>Total</td>
<td>237</td>
<td>100%</td>
</tr>
</tbody>
</table>

4.2.3 Respondents Gender Distribution

The figure below shows the number and the percentage of each of the respondents under this study. Male respondents were much more than the female. The male respondents were 88% as compared to their female counterparts who were just 11% of all the respondents in this study. 1% of the respondents did not indicate their gender. This shows that the construction industry is highly dominated by men and women have less choice of career in this field.
Figure 4.1 Respondents Gender Distribution

4.2.4 Job Category

The below figures show the job category of the respondents. Where the highest category was of owners/directors at 61%, followed by managers at 27% and the lowest category was assistant managers at 12%. The owners/directors were the leading target for the study. Hence the researcher states it was well balanced as the main target was focused on owners and directors and then followed by the managers.

Figure 4.2 Job Category of the Respondents
4.2.5 Employment Period

Respondents who participated in the study had varied years of experience in their different positions. Most respondents fell in the category 10 years and above at 50%, followed by 7 - 9 years at 24%, 4 - 6 years at 19% and the least was less than 3 years at 6%. The owners and directors were the leading respondents who had work experience of 10 years and above in the field. A small percentage of owners registered less than 3 years of working period.

Figure 4.3 Employment Period

4.3 Cost Leadership Analysis

The following shows the frequencies of cost leadership analysis of this study as given by the respondents who participated in this research. The Table 4.3 shows the mean and standard deviation of cost leadership strategy.

The leading strategies were cost cutting in underperforming areas with mean of 4.33, product designing techniques to economize cost with mean of 4.24, outsourcing functions to control costs (3.83), charging lower price than competitors (3.64), exerting tight cost and paying attention to details (3.61), high level of expertise in manufacturing process (3.59), then followed by access to low cost raw materials and cost reduction in
administration activities (3.41), vigorously pursuing cost reduction (3.05) and lastly reduction in labor input through automation with mean of 2.95. Therefore, the study results show that most of the firms in construction industry try to reduce their costs in various departments and areas. Cost reduction therefore is the main aim for most of the firms in the industry.

Table 4.3 Mean and Standard Deviation of Cost Leadership Strategy

<table>
<thead>
<tr>
<th>Strategies</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The company charges lower price than our competitors</td>
<td>235</td>
<td>3.64</td>
<td>1.128</td>
</tr>
<tr>
<td>2. The company reduces labour input through automations</td>
<td>237</td>
<td>2.95</td>
<td>1.009</td>
</tr>
<tr>
<td>3. The company vigorously pursue cost reduction</td>
<td>237</td>
<td>3.05</td>
<td>0.755</td>
</tr>
<tr>
<td>4. The company have access to low cost raw materials than our competitors</td>
<td>237</td>
<td>3.41</td>
<td>1.06</td>
</tr>
<tr>
<td>5. The company strives to reduce cost in administration activities</td>
<td>237</td>
<td>3.41</td>
<td>1.084</td>
</tr>
<tr>
<td>6. The company outsources functions to control costs</td>
<td>237</td>
<td>3.83</td>
<td>0.73</td>
</tr>
<tr>
<td>7. The company continuously exercise tight cost control and pay attention to details</td>
<td>237</td>
<td>3.61</td>
<td>0.893</td>
</tr>
<tr>
<td>8. The company identifies underperforming areas in order to cut costs</td>
<td>237</td>
<td>4.33</td>
<td>0.645</td>
</tr>
<tr>
<td>9. The company focuses on product design technique that economize on cost of materials</td>
<td>237</td>
<td>4.24</td>
<td>0.709</td>
</tr>
<tr>
<td>10. The company enjoys high level of expertise in manufacturing process engineering</td>
<td>237</td>
<td>3.59</td>
<td>0.877</td>
</tr>
</tbody>
</table>

4.4 Differentiation Strategy Analysis

In determining how differentiation strategies have contributed to performance of construction firms, according to the research objective on the influence of differentiation strategies on performance of construction companies in Nairobi, the table below shows the distribution in mean of the responses which reflect the frequency of data that was collected for this research study.
The table 4.4 shows the mean and standard deviation of the differentiation strategy questions from the questionnaire. Most of the correspondents agree with differentiation strategies employed in their firms. The following were the leading strategies employed with their mean. The firm led in product/service delivery (4.05), reputation for quality and innovation (4.04), products/services with unique characteristics (3.71), products/services offered at affordable prices (3.64), products/service have appealing features (3.55), firms have highly skilled and creative product development teams (3.41), limitations by competitors and customers (3.12), research to match customers needs and strong sales team (3.03) and lastly keeping customers aware of products/services attributes with mean of 2.39. The results of the study show that companies use various strategies to differentiate their products and services from their competitors. Also delivery of high quality and innovative new products and services are the top strategies firms employ to satisfy their customers.

**Table 4.4 Mean and Standard Deviation of Differentiation Strategy**

<table>
<thead>
<tr>
<th>Strategies</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The company offers products/services with unique characteristics</td>
<td>237</td>
<td>3.71</td>
<td>0.782</td>
</tr>
<tr>
<td>2. The company creates and maintains products/services with appealing features</td>
<td>237</td>
<td>3.55</td>
<td>0.498</td>
</tr>
<tr>
<td>3. The company does research to match products/services with customer needs</td>
<td>237</td>
<td>3.03</td>
<td>0.709</td>
</tr>
<tr>
<td>4. The company offers products/services at affordable prices</td>
<td>235</td>
<td>3.64</td>
<td>1.128</td>
</tr>
<tr>
<td>5. The company always strives to lead in product/service delivery in our sector</td>
<td>237</td>
<td>4.05</td>
<td>0.693</td>
</tr>
<tr>
<td>6. The company always keeps the customers aware of our product/service attributes</td>
<td>237</td>
<td>2.39</td>
<td>1.038</td>
</tr>
<tr>
<td>7. The company has highly skilled and creative product development teams</td>
<td>237</td>
<td>3.41</td>
<td>1.08</td>
</tr>
<tr>
<td>8. The company has strong sales team with the ability to communicate the perceived strengths of the product</td>
<td>237</td>
<td>3.03</td>
<td>1.279</td>
</tr>
<tr>
<td>9. The company has reputation for quality and innovation</td>
<td>237</td>
<td>4.04</td>
<td>0.901</td>
</tr>
<tr>
<td>10. The company has limitation by competitors and changes in customer tastes</td>
<td>237</td>
<td>3.12</td>
<td>1.281</td>
</tr>
</tbody>
</table>
4.5 Focus Strategy Analysis

The researcher also analyzed the influence of focus strategies on organization performance of private construction firms in Nairobi county. The table 4.5 shows the mean distribution of focus strategies were analyzed as below. The following strategies are the ones most of the respondents agreed to and which their firms employ: The company strives to remain in the market and having competitive advantage on product quality were rated highest amongst the respondents with mean of 4.05. Understanding and updating firms focus and mandate was also amongst the top with mean of 4.01. Firms maintaining price advantage (3.63), customers having positive image of the brand (3.61) and firms specializing on its target market (3.31) were strategies that followed which were used by companies. The rest had lower mean scores but still used by many organizations. These included, firms updates its mandate in line with market changes (3.22), customers willing to pay more for better quality (3.19), firms reviewing changes in their niche market and lastly, firms cost of reaching the customers is low. Therefore the study shows that most of construction firms take focus strategy in to account to gain access to new niche markets.

Table 4.5 Mean and Standard Deviation of Focus Strategy

<table>
<thead>
<tr>
<th>Statements</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The company understands its focus and mandate</td>
<td>237</td>
<td>4.01</td>
<td>0.676</td>
</tr>
<tr>
<td>2. The company always updates its mandate in line with changes in the market</td>
<td>237</td>
<td>3.22</td>
<td>1.128</td>
</tr>
<tr>
<td>3. The company specializes on its target market</td>
<td>237</td>
<td>3.31</td>
<td>1.015</td>
</tr>
<tr>
<td>4. The company always strives to remain in its market</td>
<td>237</td>
<td>4.05</td>
<td>0.693</td>
</tr>
<tr>
<td>5. The company always reviews changes in the niche market</td>
<td>237</td>
<td>3.06</td>
<td>1.159</td>
</tr>
<tr>
<td>6. The cost of reaching the customers is low</td>
<td>237</td>
<td>3.03</td>
<td>1.279</td>
</tr>
<tr>
<td>7. The company maintains the price advantage while focusing on increasing sales</td>
<td>237</td>
<td>3.63</td>
<td>0.615</td>
</tr>
<tr>
<td>8. Customers are willing to pay more to get better quality</td>
<td>237</td>
<td>3.19</td>
<td>1.227</td>
</tr>
<tr>
<td>9. The company have a competitive advantage on product quality</td>
<td>237</td>
<td>4.05</td>
<td>0.891</td>
</tr>
<tr>
<td>10. The customers have positive image of the brand and can afford to buy it</td>
<td>235</td>
<td>3.61</td>
<td>1.143</td>
</tr>
</tbody>
</table>
4.6 Organizational Performance Analysis

The researcher analyzed the organizational performance to find out whether there was any influence of strategic management strategies on performance. The researcher analyzed: sales growth rate for the past 5 years, profit growth rate for the past 5 years and overall performance for the past 5 years. 19% of the respondents stated that sales growth rate was much better over past 5 years and 51% said it was better. Whereas for profit growth rate for past 5 years, 6% of the respondents stated that it was much better, 43% better and 37% said there was no difference in the growth rate. Finally overall performance for the past 5 years was analyzed and it was found that only under 2% of the respondents said it was much better and where by 48% said it was better, 36% indifferent and 15% stated that overall performance for past 5 years was worse.

The table 4.6 shows mean and standard deviation of organizational. It is quite evident that many respondents have agreed that their firms have done better generally in terms of sales growth rate, profit growth rate and overall performance for the past 5 years. Top of the list was profit for past 5 years with mean of 4.13, followed by sales for the past 5 years (4.03), sales growth rate for the past 5 years (3.84), and then the profit growth rate for the past 5 years (3.41), and finally, the overall performance for the past 5 years with mean of 3.36. It is evident that using various strategies in the firm has yielded fruits for many organizations in the construction industry in terms of growth in sales, profits and overall performance.
### Table 4.6 Mean and Standard Deviation of Performance

<table>
<thead>
<tr>
<th>Statements</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Sales growth rate for the past 5 years</td>
<td>237</td>
<td>3.84</td>
<td>799</td>
</tr>
<tr>
<td>2. Sales for the past 5 years</td>
<td>237</td>
<td>4.03</td>
<td>0.706</td>
</tr>
<tr>
<td>3. Profit growth rate for the past 5 years</td>
<td>234</td>
<td>3.41</td>
<td>0.804</td>
</tr>
<tr>
<td>4. Profit for the past 5 years</td>
<td>234</td>
<td>4.13</td>
<td>0.681</td>
</tr>
<tr>
<td>5. Overall performance for the past 5 years</td>
<td>237</td>
<td>3.36</td>
<td>0.744</td>
</tr>
</tbody>
</table>

#### 4.7 Correlation Analysis

Pearson’s correlation shown below explains the relationship between the independent variables, cost leadership strategy, differentiation strategy, focus strategy and the dependent variable, organizational performance. From the table 4.7 below, there is a positive relationship between cost leadership, differentiation strategy and focus strategy. The correlation between cost leadership and organizational growth is at 0.452. Differentiation strategy is negatively correlated to focus strategy (-0.392) but positively related to both cost leadership (0.165) and organizational performance (0.381). Focus strategy shows a negative correlation with the differentiation strategy (-0.932) but positive correlation with cost leadership strategy (0.303) and organizational performance (0.280) as per the table below. Finally, the organizational performance is positively correlated with all the independent variables: Cost leadership strategy (0.452), Differentiation strategy (0.381) and Focus strategy (0.280).

Therefore the results show that cost leadership is the prominent strategy used by construction firms in Nairobi county with a coefficient of correlation $r = 0.452$, followed by differentiation at $r = 0.381$ and finally focus strategy at $r = 0.280$. All the variables were positively correlated though they were not significant.
Table 4.7 Correlations

<table>
<thead>
<tr>
<th></th>
<th>Cost Leadership Strategy</th>
<th>Differentiation Strategy</th>
<th>Focus Strategy</th>
<th>Organizational Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Leadership Strategy</td>
<td>Pearson Correlation</td>
<td>1</td>
<td>.165</td>
<td>.303</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.885</td>
<td>.621</td>
<td>.708</td>
</tr>
<tr>
<td>Differentiation Strategy</td>
<td>Pearson Correlation</td>
<td>.165</td>
<td>1</td>
<td>-.392</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.885</td>
<td>.611</td>
<td>.931</td>
</tr>
<tr>
<td>Focus Strategy</td>
<td>Pearson Correlation</td>
<td>.303</td>
<td>-.392</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.621</td>
<td>.611</td>
<td>.898</td>
</tr>
<tr>
<td>Organizational Performance</td>
<td>Pearson Correlation</td>
<td>.452</td>
<td>.381</td>
<td>.280</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.708</td>
<td>.931</td>
<td>.898</td>
</tr>
</tbody>
</table>

4.8 Chapter Summary

This chapter consisted results and findings. The data was collected by the researcher and was broadly analyzed and presented using figures and tables. Detailed explanations have been given on the data collected and the findings have also been broadly examined. This would assist the readers to fully comprehend the findings and the analysis of the results of the study. Descriptive statistics has been used in the study analysis. This gives readers a healthier understanding of the kinds of discussions, conclusions and recommendations to expect in the next chapter of this study.
CHAPTER FIVE

5.0 DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter concludes the study. This chapter presents readers with the summary, the discussions, conclusions and the recommendations of the studies. The recommendations offered are both for improvement management in construction industry and its growth and performance. The research will assist in further studies on this issue of the generic strategies influencing the performance of construction industry and other closely related areas.

5.2 Summary
The purpose of the study was to investigate the influence of strategic management strategies on performance of construction companies in Nairobi county, Kenya. The specific objective of the study was to evaluate the influence of cost leadership strategies, differentiation strategies and focus strategies on organizational performance of construction companies.

This study began by broadly examining the various key strategic management strategies concepts. Also the global perspective and their influence on the construction industry were studied. This formed the foundation for the researcher for a better understanding and overview of the issue at a global level and this helped the researcher in fully getting the key pointers of enhancing and achieving more accurate and reliable data. This also helped the researcher in gaining information for this study on this research topic.

The study looked at the literature available to support this issue of the influence of strategic management strategies on the organizational performance of construction industry. This helped in analyzing theories and studies available on the similar issue globally. Several strategies were identified, analyzed and evaluated. This led to the research questions and the objectives of the study. After data collection, interpretation and analysis stages of this study. The study then analyzed the results using descriptive.
This has led to the final chapter in this research study, where several discussions, recommendations and conclusions are made as well as the final further study recommendation to other scholars and researchers.

The key findings of the study suggest that cost leadership strategies need to be adopted when it comes to the construction sector because the study findings show that this can facilitate competitiveness creation and promote better overall performance of the construction firms. Differentiation strategies also need to be developed and ensure that the firms are offering unique and quality services and products of high value proposition and this can promote firms in the construction industry. These strategies have the ability to facilitate improvement in performance of these construction firms and also increase their sales and profits in the market.

The researcher also found out that focus strategies can be able to transform and grow the construction firms because they enable them to come up with effective strategies. All the resources and energies of the company are directed towards a specific market or segment of the construction market. This can facilitate the comprehension of the firms goals and objectives. This can also improve on the general overall performance of construction firm and this will in turn be reflected in their growth.

5.3 Discussion

5.3.1 Cost Leadership Influence on Performance

The results show that there is positive correlation between cost leadership strategies and overall organizational performance. This agrees with Enida and Kume (2015) who states, a successful way to achieve sustainable competitive advantage by reducing and controlling the costs. Some of the ways to realize low cost strategy and achieving the required performance are: economies of scale, control and reduction of administrative costs, the curve of experience, technology. as per literature review carried out by the researcher in chapter two, Cost Leadership also tends to be more competitor oriented rather than customer oriented (Lynch, 2003). Lynch (2003) states that a firm that successfully pursues cost leadership strategy emphasizes vigorous pursuit of cost
reduction, tight cost and overhead control, research and development and advertisement among others to achieve a low cost position.

Cost leadership is the ability of an organization to be able to come with the best prices which are admirable by the various stakeholders in the business environment. This study has been able to establish that cost leadership strategies in construction firms are able to improve performance in this industry. The results show that Cost leadership is a factor that has a close relationship with performance and is highly important when it comes to the transformation of the construction firms. This means that, for firms to be able to fully achieve and maintain their performance, they should be able to analyze and evaluate fully the cost strategies that they adapt and implement in their operations. This will greatly improve, create, maintain and sustain the overall profitability and performance.

The respondents agreed that outsourcing functions has controlled their firms' costs and continuous tight cost control exercises and paying attention to details is the strategies they employed, which is having overall operational efficiency. According to Lynch (2003), one of the main strategies that past studies have confirmed to be effective in cost leadership strategy is through operational efficiency. The research findings confirm that operational efficiency is important to reduce the costs and hence improve profitably and overall performance. Other benefit available to low cost operators in construction industry is higher profit margins. If the firms can sell products and services with a lower cost basis and competitive pricing, the margins are greater than companies that invest more to produce products of a standard quality.

According to Grant (2008), sources of cost advantage depend on industry structure. Cost advantages may come from economies of scale, economies of scope, propriety technology, and preferential access to materials among other factors. With cost advantages, firms are able to have above-average return or can command price. This could be seen in study findings as many firms agreed to Grants statements. Grant (2005) argues that common to the success of Japanese companies in consumer goods industries
such as cars, motorcycles, consumer electronics, and musical instruments has been the ability to reconcile low cost with high quality and technological progressiveness.

Construction firms that have low-cost leadership are also typically in a more sustainable business position. During tough economic times, downturns in a construction industry or when price wars beat down price potential, companies with lower costs of doing business have a better chance of survival. As it was noted that Kenyan construction industry is facing intense price wars between competitors in the background problem. Construction firms who have cost leadership strategies have more capital hence they can fund growth and other investments.

5.3.2 Differentiation Strategies Influence on Performance

When it comes to differentiation contribution towards firms overall performance, the various strategies of differentiation have really contributed to the transformation and growth of the construction industry and many organizations in the sector. Differentiation ensures that firms are able to come up with unique products and services and ensure that these services have high value and quality standards (Dirisu & Oluwole, 2013). This was evident in the study due to firms agreeing with their unique and valuable services and products for clients/customers. This has facilitated growth and development of performance in the construction industry. The pursuit of competitive advantage is at the root of organizational performance and as such understanding the source of sustained competitive advantage has become a major area of study in the field of strategic management.

Pearson’s correlation shows a positive relationship between differentiation strategy and cost leadership strategy. Construction firms pursuing a combination of differentiation and cost leadership are likely to achieve growth in organizational performance. This study shows otherwise mainly due to modern technologies that have made it possible for firms to achieve both differentiation and cost leadership strategies. On the other hand, differentiation strategy is negatively correlated with focus strategy, which is also in line with Dirisu and Oluwale (2013) studies, that differentiation does not require market
segmentation. Differentiation strategy is positively correlated to the growth organizational performance.

Globally, many organizations have employed different ways to achieve differentiation and may charge a premium for their goods and services since customers who are loyal to the brand may not be price sensitive (Tanwar, 2013). Differentiation strategies lead to high profitability when the premium charged on the price exceeds the costs of distinguishing products or services (Jeff, 2009). Differentiation strategy can be implemented alongside other generic strategies or alone for farms which are large and have resources.

According to Dirisu and Oluwale (2013) states that successful differentiation strategy is that the construction company may charge a premium for its products and services. According to the findings in this study, firms should create reputation for quality and innovation in the industry for them to charge a premium price. The firm does so with confidence because of a highly developed and strong corporate identity. The company can readily pass along higher supplier costs to its customers because of the lack of substitute or alternative products on the market. Having a loyal customer following helps stabilize the company's revenue and lessens the impact of market downturns because of customer loyalty in good times and bad.

5.3.3 Focus Strategies Influence on Performance

Focus strategies involve the process in which the organization is able to establish a specific target market for its products and services (Caxton, 2015). The findings of this study have established that construction firms largely come up with products and services which are meant for specific classes of clients in the market and this enables the firm to serve each class of clients effectively. The results of the study shows that focus strategies has influenced greatly the performance of construction firms.

Pearson's correlation results shows that focus strategy is positively correlated to cost leadership strategy and negatively correlated to differentiation strategy. Caxton (2015) expresses, a firm using a focus strategy often enjoys a high degree of customer loyalty,
and this entrenched loyalty discourages other firms from competing directly. Because of their narrow market focus, firms pursuing a focus strategy have lower volumes and therefore less bargaining power with their suppliers. However, firms pursuing a differentiation-focused strategy may be able to pass higher costs on to customers since close substitute products do not exist (Caxton, 2015). Firms that succeed in a focus strategy are able to tailor a broad range of product development strengths to a relatively narrow market segment that they know very well.

One of the major benefits of focus strategy is that construction firms often develop tremendous expertise about the goods and services that they offer. Firms’ product knowledge is important, rivals and new entrants may find it difficult to compete with firms following a focus strategy. Through adopting the focus strategy, a firm ideally focuses on specific target markets. These are ordinarily distinct groups that have specialized requirements. It is believed that through focusing a company’s marketing efforts towards a narrow market segment and also tailoring the marketing to the specialized market, the company will better meet all the requirements of that specific market. Better marketing translates to better services that consumers will enjoy. Construction firms using the focus strategy naturally look for the competitive advantage by brand marketing and product innovation, instead of efficiency. The targeted market segments are less open to substitutes and this allows for high return on the initial investment. This is especially seen where the construction firms have the capability of identifying the preferences of narrow market regions, enabling it to better meet them than its other competitors.

Firms that succeed in a focus strategy are able to tailor a broad range of product development strengths to a relatively narrow market segment that they know very well. Some risks of focus strategies include imitation and changes in the target segments. Furthermore, it may be fairly easy for a broad-market cost leader to adapt its product in order to compete directly. Finally, other focusers may be able to carve out sub-segments that they can serve even better (Caxton, 2015).
5.4 Conclusion

5.4.1 Cost leadership Influence on Performance

The study has drawn a conclusion that Cost leadership strategy achieved purely can lead to improvement in sales growth, profit growth and overall performance. In addition, cost leadership strategies combined with differentiation strategies and focus strategies achieve better performance far much better. The study has established that Cost Leadership can be achieved with investments in the right technology tools which will lead to a ripple effect in achieving differentiation and focus strategies.

5.4.2 Differentiation Strategies Influence on Performance

Construction firms pursuing differentiation strategies on their own may not achieve much growth. However, the study concludes that differentiation strategy combined with focus and cost leadership strategies achieve growth. This is because combination of strategies has helped coming up with more innovative and unique products at much more affordable pricing and the product and services are tailor made according to clients taste and preferences.

5.4.3 Focus Strategies Influence on Performance

Focus strategies is ideal for smaller firms. This study concludes that focus strategy contributes the least to the growth of the construction firms. It is therefore concluded that this strategy would be effective for firms looking to employ specialized individuals, or provide a product mix. The study concludes that focus strategy will require the organizations to do segmentation to ensure the right customer is targeted. Further, focus strategy in this study, is concluded to lead to the performance of construction firms if combined with cost leadership and differentiation strategies.
5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 Cost leadership Influence on Performance
Cost leadership contributes the most to the performance of the construction firm due to its ripple effect on both differentiation and focus strategies. Construction firms should carefully carry out a cost benefit analysis and invest in technology automation that would encourage development of new products, innovation, make construction of buildings easier as well as encourage clients to purchase such houses or offices. This will lead to reduced costs, unique products that are suited for various client needs and more focused approach would be adopted by the construction firms. Due to the dynamic nature of technology, the construction companies will be required to take caution and do a market research to ensure the resources are invested in the right technology.

5.5.1.2 Differentiation Strategies Influence on Performance
Differentiation works well for the construction industry, this is due to various different taste of clients. However, given the fact that this sector is price sensitive, the organizations may not be in a position to charge a margin to recover the investment on the uniqueness of the products and services. In the process of introducing new products to this sector, firms should not be aggressive as the uptake of the product and services may be poor. Differentiation in regards to improved service as well as cross selling is highly recommended as this does not require huge capital outlay as the organizations will be able to use the marketing team to achieve this. Firms that invests wisely in technology will easily achieve differentiation through new products designs and innovations.

5.5.1.3 Focus Strategies Influence on Performance
Focus strategy requires segmentation in construction industry and more emphasis on through provision of specialized services and products. This study recommends that construction firms pursuing focus strategy to combine this with differentiation and cost leadership strategy to achieve a greater advantage.
5.5.2 Recommendation for Further Studies

The researcher suggests that further study needs to be carried out on additional strategies that can be employed in construction firms to achieve highest competitive advantage as well as growth in performance in the construction industry. The study also recommends a further research on the cost leadership strategy given the fact that it contributes heavily to the growth. The influence of technology on cost control within the firms also need to be further researched.
REFERENCES


APPENDICES

Appendix 1: Data Collection Instrument

This study is a requirement for the partial fulfillment of the Master of Business Administration (MBA) program at the United States International University (USIU). The purpose of this study is to investigate the influence of strategic management strategies on organizational performance of private construction firms in Nairobi County.

Your contribution responses and support to this study will be highly appreciated and the information given will be treated with confidentiality.

SECTION 1: GENERAL INFORMATION

Kindly answer all the questions by ticking in the boxes provided

1. Which of the following best describes your job category?
   - Director □
   - Manager □
   - Assistant Manager □

2. Your gender:  
   - Male □
   - Female □

3. How long have you worked for your organization
   
   a) Less than 3 years □
   b) 4-6 years □
   c) 7-9 years □
   d) 10 years and above □
**SECTION 2 : COST LEADERSHIP STRATEGY**

Please tick the number which represents the extent to which you agree with the following statements: Strongly Agree = 5, Agree = 4, Neutral = 3, Disagree = 2, Strongly Disagree =1

<table>
<thead>
<tr>
<th>Statements</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company charges lower price than our competitors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The company reduces labour input through automations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The company vigorously pursue cost reduction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The company have access to low cost raw materials than our competitors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The company strives to reduce cost in administration activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The company outsources functions to control costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The company continuously exercise tight cost control and pay attention to details</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The company identifies underperforming areas in order to cut costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The company focuses on product design technique that economize on cost of materials</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The company enjoys high level of expertise in manufacturing process engineering.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**SECTION 3 : DIFFERATIATION STRATEGY**

Please tick the number which represents the extent to which you agree with the following statements: Strongly Agree = 5, Agree = 4, Neutral = 3, Disagree = 2, Strongly Disagree =1

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strongly Agree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company offers products/services with unique characteristics</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>The company creates and maintains products/services with appealing features</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>The company does research to match products/services with customer needs</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>The company offers products/services at affordable prices</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>The company always strives to lead in product/service delivery in our sector</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>The company always keeps the customers aware of our product/service attributes</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>The company has highly skilled and creative product development teams</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>The company has strong sales team with the ability to communicate the perceived strengths of the product</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>The company has reputation for quality and innovation</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>The company has limitation by competitors and changes in customer tastes</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
SECTION 4 : FOCUS STRATEGY

Please tick the number which represents the extent to which you agree with the following statements: Strongly Agree = 5, Agree = 4, Neutral = 3, Disagree = 2, Strongly Disagree = 1

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company understands its focus and mandate</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>The company always updates its mandate in line with changes in the market</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>The company specializes on its target market</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>The company always strives to remain in its market</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>The company always reviews changes in the niche market</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>The cost of reaching the customers is low</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>The company maintains the price advantage while focusing on increasing sales</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Customers are willing to pay more to get better quality</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>The company have a competitive advantage on product quality</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>The customers have positive image of the brand and can afford to buy it</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
**SECTION 5: ORGANIZATIONAL PERFORMANCE**

Please tick the number which represents the extent to which you agree with the following statements: Much Better = 5, Better = 4, Indifferent = 3, Worse = 2, Much Worse = 1

<table>
<thead>
<tr>
<th>Statements</th>
<th>Much Worse</th>
<th>Worse</th>
<th>Indifferent</th>
<th>Better</th>
<th>Much Better</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales growth rate for the past 5 years</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Sales for the past 5 years</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Profit growth rate for the past 5 years</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Profit for the past 5 years</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Overall performance for the past 5 years</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

THANK YOU FOR TAKING YOUR TIME TO PARTICIPATE IN THE STUDY