EFFECTS OF SELECTED PORTER’S FIVE FORCES ON
COMPETITIVE ADVANTAGE IN STEEL INDUSTRY: A CASE OF
FLAT-STEEL SEGMENT

BY

KUNG’U ANTONY MIRING’U

UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

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KUNG’U ANTONY MIRING’U

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

UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

FALL 2017
STUDENTS’ DECLARATION

I declare that this is my original work and has not been submitted to any other university or college institution except the United States International University-Africa in Nairobi for academic credit.

Signed: ___________________________  Date: ___________________________

Kung’u Antony Miring’u (ID.642938)

This project has been submitted for examination with my consent as the appointed supervisor.

Signed: ___________________________  Date: ___________________________

Dr. Juliana M. Namada

Signed: ___________________________  Date: ___________________________

Dean, Chandaria School of Business
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I thank God for giving me life and providing me an opportunity to improve it through my post-graduate studies at USIU-Africa. I appreciate the love, support and sacrifice of my dear wife and children throughout my studies. Your encouragement and moral support went a long way in ensuring that I did not give up in my pursuit to complete my graduate studies. To my parents, I will forever be grateful for your great sacrifices which gave the foundation to be a solution-provider to my generation. I am greatly indebted to my colleagues at Mabati Rolling Mills Limited for their assistance in providing the necessary information, data and materials for this project. Last but not least, I acknowledge my supervisor Dr. Juliana Namada for her great patience, requisite counsel and timely wisdom which were pivotal to the successful completion of this project. To all my lecturers at USIU-Africa, your expertise and knowledge dissemination will forever be engrained on the templates of my memory.
DEDICATION

I dedicate this work to my wife, and children for the continuous encouragement they gave during my study. To my parents, for their sacrifice and love in the formative stages of my life.
ABSTRACT

This study sought to establish the effects of selected Porter’s Five Forces on competitive advantage in steel industry in Kenya. The specific objective of the study was to examine the effect of the bargaining power of consumers, intensity of rivalry and threat of new entrants on competitive advantage within the steel industry in Kenya. The study focused on Mabati Rolling Mills Limited.

The target population was the 112 staff working in senior and middle level management at Mabati Rolling Mills Limited. The actual study was carried out between May and August 2017. The study adopted a stratified random sampling method to select 82% of the target population giving an ample size of 93 respondents. The study adopted primary data which was collected through structured questionnaires administered using emails and drop-and-pick method. The qualitative data collected was analysed content-wise and subsequently presented in prose form. Thereafter, inferential and descriptive statistics were analysed using Statistical Package for Social Sciences (SPSS version 21). The said descriptive statistics included mean, standard deviation, frequency and percentages of the data collected. Inferential statistics used correlation analysis to establish the relationship between the independent and dependent variables of the study which were the selected Porter’s five forces and competitive advantage respectively.

The study established that the bargaining power of consumers affects the competitiveness of organizations in the steel industry in Kenya and that favourable and attractive product prices create value to the customers who purchase an organization’s products thus helping an organization deliver consistent profits. The positive relationship between bargaining power of buyers/consumers and competitive advantage in the steel industry was affirmed. It was further established that the bargaining power of buyers influences consumers purchasing decisions thus affecting return on investment positively or negatively. The study further established that intensity of rivalry amongst the players in the steel industry in Kenya affects the competitive advantage of companies within the industry. In addition, product differentiation creates value to customers and consumers thus making an organization a winner in this highly competitive industry. The study revealed that the entry of new players in the steel industry has affected the companies’ pricing strategies. Furthermore, in spite of the stiff competition in the flat-steel industry in Kenya, it is still very attractive for long-term profitability hence the entry of new
players. It was established that due to the entry of new players in the industry, the return on investment and indeed profitability for players have been affected.

The study concludes that bargaining power of consumers, intensity of competitive rivalry and threat of new entrants do influence the competitive advantage of firms in the steel industry in Kenya and that innovation and high level of competition increases competitive advantage in the long run. Each of these forces influence a firm’s competitive advantage at a different level and extent, depending on the industry the firm operates in. Moreover, the competitive forces determine the intensity of competition and hence the profitability and attractiveness of the industry. Therefore, information derived from an analysis of the selected Porter’s Five Forces helps management decide how to influence or exploit particular characteristics of their industry.

The study recommends that a further study be conducted to establish whether findings from this study are applicable to other industries. Additionally, the study suggests that detailed research could be done to ascertain the effect of all the Five Forces as opposed to selected Porter’s Five Forces in a package, as were the case in this study. Further, a study could also be conducted on individual players within each force such as the effect of threat of new entrants, bargaining power of suppliers, bargaining power of buyers, intensity of rivalry, threat of substitutes and government policies on performance of companies within and outside the industry.
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<tr>
<td>ANOVA</td>
<td>Analysis of Variance</td>
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<tr>
<td>CCL</td>
<td>Continuous Colour-coating Line</td>
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<tr>
<td>COMESA</td>
<td>Common Market for East and Southern Africa</td>
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<td>CR</td>
<td>Concentration Ratio</td>
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<td>CRM</td>
<td>Cold Rolling Mill</td>
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<td>ERP</td>
<td>Enterprise Resource Planning</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>MRM</td>
<td>Mabati Rolling Mills Limited</td>
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<tr>
<td>PESTEL</td>
<td>Political, Economic, Social, Technological, Environmental and Legal</td>
</tr>
<tr>
<td>SAP</td>
<td>Systems, Applications and Products</td>
</tr>
<tr>
<td>SCS</td>
<td>Stakeholder Communication Support</td>
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<tr>
<td>SPSS</td>
<td>Statistical Package for the Social Sciences</td>
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<tr>
<td>SWOT</td>
<td>Strengths, Weaknesses, Opportunities and Threats</td>
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<td>USIU-A</td>
<td>United States International University-Africa</td>
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

A firm’s choice of direction and action, and ultimately its organizational structure and internal processes are influenced by a plethora of external factors. These factors constitute a firm’s external environment which is classified into the remote environment, the industry environment, and the operating environment. Michael E. Porter, a professor at Harvard, brought forth the concept of industry environment in strategic thought and business planning. To this end, he postulates the Five Forces Model that are attributable to shaping competition in an industry, using various theoretical frameworks and perspectives which attempt to explain competitive advantage (M.E.Porter, 1979). In any firm, gaining and sustaining competitive advantage is the supreme objective of strategy. Studying the industry's competitive process to discover the main sources of competitive pressure and assess their strength is the cornerstone of industry analysis (Fleisher & Bensoussan, 2015).

In his fundamental work on Strategic Management, Porter (1980) has built up a viable model for investigation of environmental forces and market structures in an industry. The Five Forces Model gives an adaptable system to depicting and evaluating focused weights in an industry and industry allure. It is one of the key models used to evaluate the engaging quality of the business (be it administration or assembling). This model is characterized through the five key forces which are: Rivalry among the current firms, Threat of new entrants, Threat of substitutes, bargaining power of suppliers and Bargaining power of customers. It is then contended that in view of this examination, an organization can build up a focused system for picking up and maintaining upper hands over opponent firms and along these lines producing better than expected quantifiable profit (Porter, 1980).

According to Porter, each firm contending in an industry must have a game plan. Keeping in mind the end goal to survive, firms need to settle on decisions: choice of objectives, selection of items or potentially administrations to offer, the outline and setup of strategies deciding how the firm positions itself to contend in item showcases – focused
methodology, decision of a fitting level of degree and assorted variety; and the plan of association structure, managerial frameworks and arrangements used to characterize and organize (Mburu, 2015). These decisions normally determine the achievement or failure of an organization and that its determination should be fundamentally made.

1.1.1 Porter's Five Forces
Michael Porter, an expert on competitive strategy contends that a company is most worried about the power of rivalry inside its industry (Wheelen & Hunger, 2012). In precisely filtering its industry and undertaking an investigation thereof, a company must evaluate the significance to its accomplishment of each of the five forces. The Five Forces Model (as it is for the most part known) is a helpful apparatus that can be connected to survey the opposition in an industry and decide the relative appeal of that industry. In request to attempt an industry examination, a firm should dissect the five aggressive forces (Baltzan & Phillips, 2010). The more grounded each of these forces, the more restricted organizations are in their capacity to raise costs and acquire more noteworthy benefits. Albeit Porter specifies just five forces, a 6th different partners is added here to mirror the power that legislatures, neighborhood groups, and different gatherings from the errand condition use over industry exercises (Wheelen & Hunger, 2012).

Industry investigation alludes to a top to bottom examination of key factors inside an organization's errand condition. The common, societal, and undertaking conditions must be checked to recognize the vital variables that are likely to affect corporate achievement or failure (Bonanno & Lopez, 2009). Changes in the societal environment for the most part influence a business company first through its effect on the societal condition regarding asset accessibility and expenses and after that upon the assignment condition as far as the development or decrease of specific enterprises (Wheelen & Hunger, 2012). The Porter's Five Forces are: contention between firms, risk of contestants into an industry, substitute items, haggling energy of purchasers and dealing energy of merchants. Rivalry influences the gainfulness and engaging quality of an industry. Consequently, it shapes an industry's execution in the short and long run (Grundy 2003). The outlay of the forces are as presented in figure 1.1.below:
Figure 1.1: Porter’s Five Forces of Industry Competition (Porter; 2008. P27)

Porter (2008) argues that the threat of new entrant into an industry is dependent on the existing entry barriers together with the reaction from the existing competitors in the industry that the new entrant can expect to meet. If there exists high barriers and existing companies give a sharp retaliation, the threat of entry is low. High barriers diminish the competitive advantage the new entrants could pose (Indiasty, Mwangi, Mandere, Bichanga, & Gongera, 2014). The intensity of rivalry among existing players in an industry is the strongest of all the five forces proposed by Michael Porter in his works.

Increasing upper hand is basic for organizations (Xu & Quaddus, 2013). Phillips et al, (2010) characterized competitive advantage as 'an item or administration that an organization’s clients esteem more profoundly than comparable offerings from its rivals (at the end of the day, you have something valuable (that is, items, administrations, capacities) that your rivals do not possess) (Baltzan & Phillips, 2010). Upper hands are ordinarily transitory as contenders frequently look for approaches to copy the upper hand (Baltzan et al, 2010). To remain ahead of rivalry in any industry, associations need to constantly grow new upper hands.
The supportability of a company's upper hand depends on the substitutability and imitability of its basic resources. (Sun & Tse, 2009). At the point when a firm can accomplish something that an opponent firm cannot do, or possesses something that adversary firms want, that can speak to upper hand (Lumpkin, 2003). One of the key foundations of key administration is the improvement of upper hand yet the long haul survival of the association depends on how supportable the preferred standpoint is. Having upper hand is compared to having an edge over kindred rivals in the business settling on the association an essential decision for clients which expands piece of the overall industry and in the long run productivity levels (Teece, 2007).

Prior to an association starting a technique plan, it must output the outside condition to distinguish conceivable open doors and dangers and it’s inside condition for qualities and shortcomings (Wheelen & Hunger, 2012). Natural examining is the checking, assessment, and dispersal of data from the outer and inward situations to key individuals inside the company. A partnership utilizes this apparatus to keep away from key astonishment and to guarantee its long haul wellbeing. Research has set up a positive connection between natural filtering and benefits (Thomas et al, 1993). Approximately 70% of managers around the globe express that worldwide social, ecological, and business patterns are progressively critical to corporate technique, as per a 2008 study by McKinsey and Company (Stephenson & Pandit, 2008).

In embraced ecological examining, strategists should first know about the numerous factors inside an organization's regular, societal, and task situations (Wheelen & Hunger, 2012). The regular habitat incorporates physical assets, untamed life, and atmosphere that are an inborn piece of presence on Earth. These components shape a biological arrangement of interrelated life. The societal condition is humankind's social framework that incorporates general forces that don't specifically address the short-run exercises of the association that can, and frequently do, impact its long-run choices. These components influence various ventures and are as per the following: Economic forces that manage the trading of materials, cash, vitality, and data; Technological forces that create critical thinking innovations; Political—lawful forces that apportion control and give compelling and ensuring laws and directions; and Sociocultural forces that direct the qualities, mores, and traditions of society (Wheelen & Hunger, 2012).
### 1.1.4 The Steel Industry in Kenya

Steel making is the way toward expelling pollutants, for example, sulfur, phosphorus, and overabundance carbon from press and including alloying components, for example, manganese, nickel, chromium, and vanadium to create the correct steel required. Steel factories transform liquid steel into sprouts, ingots, chunks, and sheets through throwing, hot rolling, and frosty rolling. Liquid steel is thrown into huge squares called "sprouts". Amid the throwing procedure different strategies are utilized, for example, expansion of aluminum with the goal that polluting influences in the steel buoy to the surface where they can be removed the completed blossom. Heaters are utilized to deliver iron and steel. The heaters contain the material to be liquefied and give the vitality to soften it (Ecorys SCS Group, 2008).

Steel producers are generally divided into two categories, that is, primary and secondary producers. Primary producers manufacture steel from iron ore in integrated steel plants. Molten steel, also known as liquid steel, is cast into intermediate shapes such as slabs, blooms and billets and are commonly known as semis which are then rolled into hot rolled coils, plates, scalp, structural, rails and rounds, which are used as raw materials by secondary steel producers. Secondary steel producers such as Mabati Rolling Mills Limited, use semis to manufacture cold rolled coils, pipes, bars, rods, angles and channels (Mabati Rolling Mills Limited, 2008).

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Steel is extensively partitioned into two gatherings of items in particular level and long. While long items contain basic segments and incorporate rails and poles, level items involve plates and sheets. The local steel industry is vigorously subject to imported crude materials, as no nearby sources have been created to date. The nearby stores of iron metal
and coal, which are the crude materials for the generation of iron, that have been
distinguished in a few Locations in the nation have not pulled in business intrigue (Mabati
Rolling Mills Limited, 2008).

The global steel industry is characterised by exposures to economic cycles, low growth
rates, a relatively high degree of fragmentation and substantial government intervention.
Steel is generally more cyclical than other industries since demand depends not only on
the general economic climate, but also on the strength of other cyclical industries, such as
automobile, construction and durable goods. Steel has been the backbone of the economic
activities of many countries for many years. The per capita steel utilization is a globally
perceived marker of the level of improvement of any nation. Immediate and backhanded
utilization of steel in Kenya is anticipated to increment as the nation sets out on the
improvement exercises as imagined in the Vision 2030. The noteworthy Vision 2030 tasks
incorporate Lamu port advancement, railroad and streets ventures, lodging, Industrial
parks and the advancement of the extraordinary monetary zones all of which use steel
items. The Iron and Steel industry in Kenya shapes around 13 percent of the assembling
segment, which thus contributes fundamentally to the GDP (Mabati Rolling Mills
Limited, 2008).

As a strategy activity, the Government has set out on recognizing and tending to the
limitations in the division that impede full misuse of the accessible crude materials that
are important for the foundation of an Integrated Iron and Steel Industry equipped for
creating the high levels of steel as required in the development, Machine instrument and
Motor vehicle industry with a view to build up the steel business. This strategy activity is
outfitted towards business abuse of existing iron metal and coal stores and usage of
locally scrap metal to create amazing steel in Kenya. It is against this foundation that the
Government limited the fare of scrap metal. Besides it is evaluated that the nation spends
around 60 billion shillings (roughly 750 million US dollars for every annum on
importation of steel. This import bill can be decreased if top notch steel is delivered
locally. The advancement of the iron and steel segment has an overflow impact to
different parts of the economy and can possibly make business chances to Kenyans. A
solitary steel plant of an ability to deliver 350,000 metric huge amounts of steel every
year can produce around 10,000 employments also the occupations made through other
steel related exercises.
1.1.5 Mabati Rolling Mills Limited

Mabati Rolling Mills Limited (MRM) is the leading producer of flat-steel roofing products in East Africa. It was incorporated in 1961 and is the flagship of the Safal Group which has a presence in over 11 countries in Africa. MRM has since expanded its production capacity with the current production being over 140,000 metric tonnes of products per annum. The company currently has over 1000 employees. The acronym MRM encapsulates the rich history of metal roofing in Kenya and the East Africa region. The Kiswahili word for a metal roofing sheet is bati, its plural is mabati, hence Mabati Rolling Mills Limited. At incorporation, the company was called Mabati Limited. It was not until 1971 that Mabati Limited commissioned its first galvanizing line factory on Ol Kalou Road in Nairobi’s Industrial Area. Subsequently, MRM established and commissioned other production lines including the Cold Rolling Mill (CRM) in 1982, the Continuous Colour-Coating Line (CCL) in 1990, the Aluminium-Zinc coating technology in 2001, the Pickling Line in 2005; the 6-Hi Cold Rolling Mill (CRM) in 2009; and the new Colour-coating Line commissioned in 2016 in Mariakani, Kilifi County.

MRM has the main factory in Mariakani, Kilifi County and comprising of the Pickling Line, Cold Rolling Mill, Continuous Galvanizing Line, and the Continuous Colour-Coating Line. The other factory is located within Athi River, Machakos County mainly consisting of the Colour-Coating Line and profilers. The company has other outlets in form of Service Centres in Eldoret, Mombasa and Thika and show rooms in Kisumu and Kisii. The company also boasts of a wide distributor network, with over eighty (80) distributors spread across the country. MRM also exports its products to the East African and COMESA countries.

In the flat-steel industry which MRM has straddled like a colossus for a long time, different players have risen therefore giving MRM a run for its cash. In such a situation, an organization that desires to remain above water in this turbulent condition needs to investigate methodologies and instruments that enabled it to ward of rivalry and make super-benefits in its industry. In this examination, we tried to convey to fore how upper hand can be accomplished through the utilization of Porter's Five Forces in the level steel material industry. By expecting use of Porter's Five Forces as the autonomous factors and competitive advantage as the needy variable, this examination was intended to decide how the Porter's Five Forces impact upper hand in an organization.
1.2 Problem Statement

In the battle for a piece of the overall industry, rivalry is not showed just in alternate players in an industry (Pearce, 2007) neither is it established in its hidden financial matters, and aggressive forces that go well past the set up warriors in a specific industry. Further, they contend that clients, suppliers, potential entrants, and substitute items are largely contenders that might be pretty much noticeable or dynamic relying upon the business. Along these lines, determinants of the condition of rivalry in an industry relies upon the five fundamental forces as hypothesized by Porter. The learning of these forces which apply aggressive weight gives the basis to a vital motivation for activity as firms' try to increase upper hand. Porter contends that upper hand becomes a very basic level out of esteem a firm can make for its purchasers that surpasses the company's cost of making it. Ostensibly at that point, since the Porter's Five Forces are an industry investigation instrument utilized as a part of inspecting the forces that impact an association, it takes after that upper hand, either in type of cost initiative or separation, is an association's response to the result of the business examination.

Mistikoglu and Oral (2005) utilized Porter's model to dissect the block business in Turkey. Their outcomes demonstrated that opposition between the current organizations in Turkish block industry was savage with comparative estimated organizations and there was low entry and leave obstructions, expanding danger from the substitute items, and expanding haggling energy of purchasers. While Porter's Five Forces Model has been profoundly adulated for its proficiency and viability, a few authors have contended that the Five Forces Model cannot be connected to examine rivalry ideal from its initiation of the Five forces to date (Karagiannopoulos et al, 2005). Ostensibly, this may proclaim a somber future for the utilization of the model in industry examination. (Indiatsy et al., 2014), in their examination on utilization of Porter's Five Forces in the saving money industry, demonstrated that there is by all accounts an isolated supposition on the use of Porter's Five Forces model to rivalry. It is additionally uncertain to what degree the use of the Five Forces Model can be said to impact a company's competitive advantage. Seboru and Guyo (2014) found that Porter's Five Forces formed rivalry in the bond business in Kenya to various degrees and influenced the engaging quality of the business. Albeit different investigation have been done on the impact of Porter's Five Forces on the execution of different enterprises, we have not gone over an examination that spotlights
on the flat-steel industry. A learning hole thusly exists as every industry is special and the quality of the Five Forces differs from industry to industry and may change as the business develops. Also, it is not clear from the different investigations featured above to what degree each of the Five Forces influences rivalry.

Based on the knowledge gap identified above, the study shall examine how and to what extent each of these three selected forces affect competitive advantage in the steel industry in Kenya, especially the flat-steel segment where Mabati Rolling Mills Limited is a player.

1.3. General Objective

The purpose of this study was to establish the influence of selected Porter’s industry forces on sustainable competitive advantage in the steel industry.

1.4. Research Questions

The study addressed the following questions:

1.4.1 What is the effect of bargaining power of consumers on competitive advantage in the steel industry in Kenya?

1.4.2 What is the effect of intensity of rivalry on competitive advantage in the steel industry in Kenya?

1.4.3 What is the effect of threat of new entrants on competitive advantage in the steel industry in Kenya?

1.5 Significance of the Study

Once completed, this study was to be significant to the following persons/bodies of interest:

1.5.1 Management of Mabati Rolling Mills Limited

This study was to help the management understand the contribution of the application of selected Porter’s Five Forces Model to competitive advantage. This was to determine the extent to which MRM applied the selected Five Forces as an analysis tool and how the application contributed to the company’s competitive advantage.
1.5.2 Steel Industry in Kenya

This study was the first of its kind in the Kenyan steel industry on application of selected Porter’s Five Forces and how companies can derive competitive advantage and thus be a great contribution to knowledge. It is critical for every player in the flat-steel roofing industry to understand the steel industry structure and the competitive forces at play. Such an understanding was aided by the use of appropriate analysis tools like the Porter’s Five Forces. Companies operating in the flat-steel roofing industry in Kenya were helped to understand how they could apply the model to help them achieve competitive advantage which translated to superior performance.

1.5.3 Managers/Executives

In practice, the study provides a reference point for managers of other industries, potential entrants and established companies who were to benefit from the study as the study highlighted the determinants of an industry’s profitability and the competitive intensity which enhance competitive advantage.

1.5.4 Government and Policy Makers

Strategy insightful, this investigation was to help the Government of Kenya and policy makers, as it provided data that could be utilized to figure arrangements to oversee and direct the flat steel industry in Kenya. Likewise, the investigation provided data that could be utilized to protect stakeholders and consumers.

1.5.5 Academicians and Researchers

Hypothetically, analysts and academicians were to discover this examination important as it added to the collection of information on assessment of rivalry among players in the level steel material industry utilizing Michael Porter's five forces demonstrate. It likewise illuminated them on the role of Porter's Five Forces towards accomplishing upper hand for a firm. From this, they were to get a construct whereupon different investigations with respect to assessment of rivalry in different ventures utilizing Michael Porter's five forces model can be led.
1.6 Scope of the Study

This investigation on "Effect of Selected Porter's Five Forces on Competitive Advantage in the Steel Industry: A case of Flat-Steel Segment" was conducted between May and August 2017. The applied extent of this examination identified with assessing the chosen Porter's Five Forces and their impact on upper hand in a substantial organization in the level steel material industry. The topographical setting of the investigation was the Kenyan level steel material organizations in Nairobi. In particular, the investigation selected Mabati Rolling Mills Limited to complete the examination. The examination applied an enlightening plan approach in leading the investigation because of chosen Porter's Five Forces on upper hand in Mabati Rolling Mills Limited. Data was gathered through a questionnaire.

1.7 Definition of Terms

1.7.1 Competition
The demonstration or procedure of endeavouring to get or win something, (for example, a prize or a more elevated amount of accomplishment) that another person is additionally attempting to get or win (Round, 2006).

1.7.2 Competitive Advantage
A firm is said to have competitive advantage when it is executing an action plan which is not at the same time being actualized by any present or potential contenders (Barney, 1991).

1.7.3 Porter's Five Forces Model
It is a system that orders and investigates the most vital forces influencing the force of rivalry in an industry and its productivity level (Parker & Lehmann, 2011).

1.7.4 Threat of new Entrants
The risk new contenders pose to existing rivals in an industry (Kulmia, 2014).

1.7.5 Power of Suppliers
The weight suppliers can apply on organizations by raising costs, bringing down quality, or diminishing accessibility of their products or services. (Wan & Beil, 2009).
1.7.6 Bargaining Power of Buyers
The weight buyers can apply on organizations to motivate them to give higher quality items, better client administration, and lower costs (Rabolt & Solomon, 2004).

1.7.7 Existing competitive rivalry between Suppliers
The degree to which firms inside an industry put weight on each other and farthest point each other's benefit potential (Smith, 2004).

1.7.8 Strategy
Defined as an arrangement of moves that managers make to expand their organization's execution in respect to rivals (Hill, Jones, & Schilling, 2014).

1.7.9 Strategic Management
Vital Management is the workmanship and study of detailing, actualizing and assessing cross-useful choices that empower an association to accomplish its targets (Teece, 2007).

1.7.10 Sustained Competitive Advantage
A firm possesses a sustained competitive advantage when it implements a value-creating strategy which is not being implemented by any other players in the relevant industry and which strategy is not easy to duplicate (Barney, 1991).

1.8 Chapter Summary
This Chapter provided a review of the examination issue by talking about the foundation and articulation of the issue. Additionally, it expressed the reason for directing the investigation to determining the examination questions it means to reply; it likewise plainly characterized the extent of the investigation. This examination is arranged in five chapters. Chapter one presents the exploration point and gives an exhaustive foundation applicable to the subject. The section hypothesizes the announcement of the problem and further introduces the general and particular targets of the examination together. The Chapter gives a support on the examination and those to profit by the aftereffects of this study. The extent of the examination was additionally secured.
Chapter two talks about the theoretical, conceptual and empirical literature pertinent to the variables of the investigation delineated in the theoretical structure. The Chapter exhibits a survey of the important literature covering the significant territories of the examination. The exploration has drawn materials from a few sources which are firmly identified with the topic and the goals of the study.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter provides a review of available literature on selected Porter’s industry competitive forces and their effect on the competitive advantage of a firm. Section 2.1 provides an introduction. Section 2.2 reviews literature on Porter’s Five Forces Framework of Competitive Analysis. Section 2.3 provides a review of literature on bargaining power of consumers/buyers. Section 2.4 reviews literature on intensity of rivalry among competitors. 2.5 provides a discussion on threats of new market entrants. Section 2.7 provides a chapter summary.

2.2 Porter’s Five Forces Framework of Competitive Analysis

Various theories and analysis tools have been created for examining an industry’s competitive environment. These incorporates the Five forces analysis, Game Plan forces examination, Value Chain model, Pestel model and the Strategic group analysis (Porter, 1998). However, in this examination, the researcher picked the Five forces model because of the role played the model in the Kenyan business condition, particularly the flat-steel segment of the steel industry (Indiasty, et al., 2014). Porter’s Five forces model of aggressive investigation is an able delineation of how the Five focused forces can be utilized to clarify low benefit and reasonable entry to an industry. These Five forces are the threat of new entrants, bargaining power of buyers, bargaining power of suppliers, threat of substitutes, and rivalry among effectively settled firms. It has been contended that the power of these forces exceptionally decides the normal expected level of benefit in an industry and their careful understanding, both separately and in blend, is advantageous in choosing what enterprises to enter, and in surveying how a firm can enhance its focused position (McGanan, 1997). The quality of each of the five forces is contrarily corresponding to the cost and benefits with the end goal that a feeble aggressive force may fill in as an open door, while a solid one, may fill in as a risk (Hills & Jones, 2007).
Porter developed the Five Forces model in 1979, to enable organizations analyze their competitors’ activities in a specific industry of operation (Porter, 2004). Several researchers have attributed the development of the five forces to the intention of filling the gap between SWOT (Strengths, Weaknesses, Opportunities and Threats) and PESTEL analysis that did not include the intensity of competition of firms in specific industry analysis. Competition affects the profitability and attractiveness of an industry hence determines an industry’s performance in the short and long run which are key in strategy (Grundy, 2003; Lopez-Clarkos et al., 2008; and Porter, 2013).

The intensity of rivalry among existing players in an industry is hailed as the strongest of all the five forces proposed by Michael Porter. It is determined by an industry’s Concentration Ratio (CR) which measures the market share of large industries in a particular sector. The higher the concentration ratio, the higher the market share is controlled by few firms hence less competition and a movement to monopoly in an industry, while the lower the concentration ratio, the higher the market share is controlled by many firms hence competition in an industry(Porter et al, 2004).

In circumstances where the concentration ratio is high, there is apparent monopoly contrasted with low focus enterprises where numerous ventures contend to convey item to a similar market (FME, 2013) (Porter, 2004). Serious competition in an industry is the aftermath of various cooperating auxiliary elements. Porter has recognized these variables as various or similarly adjusted rivals in the business, moderate industry development, high settled or capacity costs, absence of separation or exchanging costs, limit expanded in huge additions, assorted contenders, high key stakes and high exit barriers (Porter,2013). Substitute items or administrations have the impact of restricting the potential profits for an industry by putting a roof on the costs firms in an industry can charge serenely above breakeven or can charge beneficially. The more appealing the value execution elective offered by substitute items or administrations, the firmer the top on industry benefits (Magretta, 2013). Also, substitutes represent a solid risk to an association when the exchanging costs for clients (assuming any) are low.
The conduct of buyers can drive costs in an industry down; their energy to can foresee higher quality or more administrations, and their capacity to play contenders against each other can influence productivity levels in an industry (Kuol, 2015). Adequately, purchasers' energy practiced through the activities above lessens gainfulness in an industry in this manner influencing purchasers to rival their industry. As indicated by Porter (2004), a purchaser gather is effective in the event that they buy substantial volumes with respect to venders' business, items buys from the business speak to a critical part of the purchaser's expenses or buys, items buys from the business are standard or undifferentiated, faces few exchanging costs, and acquires low benefits. Besides, purchasers represent a tenable danger of in reverse coordination if the business' item is insignificant to the nature of the purchaser's items or administrations, and when the purchaser has full data (Kuol, 2015).

A supplier group is intense if the accompanying conditions apply: overwhelms a couple of organizations and more thought than the business it pitches to, not obliged to battle with other substitute items available to be purchased to the business, the industry is not an imperative client of the provider gathering, the provider's item is an essential contribution to the purchaser's business, the provider gathering's items are separated or it has developed exchanging costs, and the provider aggregate represents a believable risk of forward integration (Porter, 2013). In this examination, we should look at the chosen Porter's five forces thus.

2.3 Bargaining Power of Consumers/purchasers

The power of buyers is additionally expressed as the yields showcase: the limit of purchasers to put the business under weight, which likewise impacts the purchaser's affectability to changes in costs. Organizations can take activities to diminish the energy of the purchaser, for example executing a steadfastness program for its clients. The degree to which purchasers are in a position to impact advertise powers is affected by the how expansive their buys are on the premise of the provider's wage (Solomon & Rabolt, 2004). Influential customers can on occasion catch more an incentive on items or administrations by compelling their costs downwards, demanding improved nature of administrations, and playing the business partakers against each other, all to the detriment of the business profitability (Smith, 2004). Buyers are compelling on the off chance that they have the bartering power with respect to the business members, especially on the off
chance that they are delicate to value, making utilization of their energy basically to force diminish in costs. With respect to providers, diverse gatherings of customers may absolutely contrast in their arranging influence (Solomon & Rabolt, 2004).

A client group has dealing power if, there are couple of shoppers, or every one purchases in enormous volumes that are similar to the measure of one merchant (Wan & Beil, 2009). Buyers of extensive volumes are for the most part huge in organizations with high settled expenses, for example the seaward penetrating, media communications device, and mass chemicals. Low negligible expenses and high settled expenses heighten the weight on contenders to manage their ability filled through diminishing costs (West, 2009).

At the point when the purchaser has all the more bartering control over the vender, the merchant has more effect on the dealer. This impact can be utilized to decide the benefits of the vender. This is on account of the purchaser manages the costs that the vendor can charge for the items. This is encouraged by centralization of customers in light of the fact that the vender was relying upon the market for their income (Rabolt & Solomon, Consumer behavior in fashion, 2004). The measure of items that the clients buy likewise determines the haggling power. In the event that the client purchases in extensive amounts and has a major money related influence, the dealer helped out the purchaser to guarantee that they keep the client (Rhim & Cooper, 2005). This is on the grounds that such a purchaser may choose to coordinate in reverse making the dealer to be of little use to them.

Taking everything into account, there are a few factors that can raise the purchasers haggling power. As a rule, a market is profoundly appealing when the clients have decreased energy to set up the terms and conditions for their acquiring. Profoundly intense clients put weight on business benefits (Bateman & Snell, 2004). Clients are generally effective in different situations in the market. One, when the client assemble is exceedingly thought than the merchant, or purchases in colossal volumes in connection to the offers of the vender. Two, when the products or administrations being provided to the market are exceedingly undifferentiated. In such a case, the haggling energy of the purchaser is particularly expanded. As a rule, the dealing energy of the purchaser is, all things considered, expanded when influencing utilization of the Internet to get to
merchandise and ventures and furthermore to analyze their diverse costs. This is generally the case for institutionalized merchandise. Three, when purchasers speak to an extensive extent of the buyer's expenses, in which situation these costs wind up being presented to awesome examination. In a few cases for example, purchasers do look at and consult on the costs of vehicles, perhaps because of their enormous cost inside the purchasers’ yearly buys (Smith, 2004).

Four, when the exchanging costs are few and low for example, overhaul of the client's products or administration, remuneration of outline or change costs. In such a case, the clients can subsequently without trouble change to a substitute provider. Five, when the client has the ability to assume control over the dealer i.e. in reverse coordination. Six, when the client's products or administrations are not significantly affected by the nature of the provider's merchandise. In such a case, the client would just proceed a purchase on the premise of the expenses. For example, a firm that produces vitality from biofuel has no enthusiasm for what the biomass is purchase their high intrigue is on how modest it is. Seven, when the clients acquire little benefits. In such a situation the clients were to put weight on the costs of providers to bring down them in this way planning to raise their edges. For example, a practical store which delivers a little net revenue would attempt endeavors to put weight on its dealers with the goal that they bring down expenses henceforth they increment benefits. At last, when the client has full information about the cost structure of the provider or his focused circumstance, he turns out to be intense. In such a case, the client can make utilization of this learning to pressurize the supplier (Solomon & Rabolt, 2004).

2.3.1 Switching Costs

The items in the business are institutionalized or undifferentiated. At the point when purchasers trust that they can a large portion of the circumstances get an equivalent item, they tend to play one merchant against the other. Purchasers confront few changing expenses during evolving sellers (Wan & Beil, 2009). What is more, purchasers can adequately undermine to incorporate in reverse and make these items themselves if the merchants are making excessively benefit. Sodas and brew makers have for quite a while controlled the energy of bundling makers by debilitating to create, and now and again bundling materials themselves (Smith, 2004).
The purchasers' items or administrations quality is less influenced by the results of the business (Sacconaghi, Garfunkel, & Colledge, 2005). Where quality is very influenced by the results of the business, purchasers are the greater part of the circumstances less delicate to cost. When leasing or buying generation quality cameras for instance, producers of significant films go for exceedingly solid gear that consolidate the most recent highlights. They are not confined by cost. The item in the business has little impact on alternate expenses of the purchaser. Here, purchasers are restricted by cost (Round, 2006). Purchasers were keener on the nature of an item as opposed to its cost particularly when an industry's administration or item can meets its costs many circumstances over by upgrading execution or lessening material, work or different expenses. On a similar note, purchasers are exceptionally touchy to the cost of administrations, for example, venture particularly where poor execution can be exorbitant and humiliating ((Rhim & Cooper, 2005).

Shoppers who are not last clients, for example, merchants can be considered and investigated as different purchasers except for one expansion (Karagiannopoulos, N., & K., 2005). The expansion is that the clients had additionally bartering power on the off chance that they can impact the client’s choices downstream with respect to buying. Illustrations incorporate horticultural gear merchants, hardware retailers and adornments retailers (Seboru & Guyo, 2015). In a lot of cases, makers endeavor to lessen channel clout by courses of action that are selective by promoting straightforwardly to end clients or with particular retailers of wholesalers. Segment makers endeavor to develop control over the constructing agents by presenting certain inclinations for their segment parts with downstream clients (Porter & Kramer, 2011). Various retail chains have focused on the bartering energy of their clients to upgrade their aggressiveness (Parker & Lehmann, 2011).

2.3.2 Customer Retention
For example, the celebrated steadfastness card of Tesco is the best client maintenance methodology that extensively expands the Tesco's productivity. In addressing the requirements of their clients, they have altered their administration; have guaranteed better decisions, low costs and in-store advancements consistent stream (Kulmia A. M., 2014). In later past an imperative change in nourishment retailing industry has occurred because of a substantial request of buyers doing the dominant part of their shopping in
general stores that depicts a more noteworthy requirement for grocery stores to offer non-
sustenance things. This has likewise furnished general stores with another vital wander
into new markets of keeping money, drug stores, and so on. Also, clients have turned out
to be more aware of the issues encompassing more attractive exchange and also the
impact of western buyers on the desires and desires of Third World makers. Further,
morally solid creation of shopper deliver like espresso, cocoa and tea is feasible, and such
items are currently widely accessible at the greater part of huge chains (Neven,
Weatherspoon, Thiru, Chege, & Kibiriti, 2008).

Markets have developed from pitching specific lines of items to basically everything that
they regard essential for the conventional customers. Some have even gone past the
standard to offer of autos and different resources that are require long strategies for
procurement (Kulmia A. M., 2014). This has been a methodology to set up dependence
and client unwaveringness in these grocery stores with the goal that they can consider no
place else to do shopping.

2.4 Intensity of Rivalry among Competitors

The level of contention among rivals in an area alludes to how much organizations inside
a segment put weight on each other and confine each other's benefit imminent. On the off
chance that the contention is serious, contenders are making endeavours to take the profits
and the offer of the market from each other ((Porter.M.E., 1998). This thusly brings down
benefit forthcoming for all organizations inside the area. In agreement to the Porter's
system, the greatness of contention among organizations is one of the significant powers
that outline the focused association of a division. Watchman's level of contention in an
area greatly affects the aggressive environment and influences the limit of existing
organizations to acknowledge productivity (Pearce, Robinson, & Mital, 2007). High level
of contention infers that contenders are brutally focusing on the business sectors of each
other and savagely valuing merchandise and ventures. This speaks to conceivable
expenses to every last contender inside the business part. High level of focused contention
thusly makes a part very aggressive and lower benefit planned for the current
organizations. Therefore, low level of focused contention can make a part less aggressive
and raises benefit forthcoming for the current organizations (Sacconaghi et al, 2005).
Various components decide the level of aggressive contention in a business segment. The principal component influencing the level of contention is the quantity of rivals in a business division (Ogutu & Mathooko, 2015). On the off chance that the part comprises of an enormous number of contenders, the contention was to be very exceptional in the market. The second component that impacts contention force in the market is the contenders being of equivalent offer of the market or size. On the off chance that the contenders are of the same regarding piece of the overall industry and additionally the size, the level of contention was too rise (Schwab, 2007). The third component impacting the contention degree in a business segment is the rate of development for the area. In the event that an industry rate of development is moderate, the level of competition enormously increments. The fourth component is the settled expenses whereby on the off chance that the expenses in a given industry are high, the aggressive contention was also to be serious. The fifth component is items separation.

On the off chance that the division's merchandise and ventures are undifferentiated, the competition degree was extraordinary. The 6th components are the brand faithfulness and purchasers exchanging costs. In the event that clients' dedication towards the brand is of no result and exchanging expenses of the purchaser are insignificant, the division's competition was to strengthen (Magretta, 2013). The seventh component is the contenders' decent variety. In the event that contenders are strategically various in that they position themselves uniquely in contrast to whatever remains of the contenders, the competition of the area was exceptional. The eighth component is creation limit. In the event that a business division has surplus creation limit, there was high contention among contenders. The last component is leave hindrances. On the off chance that the misfortunes and costs that come if a business stops operations are high, there was a high level of competition among industry organizations.

Likewise, if the inverse occurs for every one of the components, the level of industry contention among contenders was to lessen. For example, few organizations in the segment, a reasonable market pioneer, high rate of area development, decreased settled costs, significantly separated merchandise and ventures, far reaching brand loyalties, colossal purchaser exchanging costs, absence of surplus generation limit, nonappearance of contenders vital assorted variety, and lessened leave obstructions all suggests that the level of competition among existing organizations is low (Davis et al., 2006).
Resistance among contenders takes different basic structures that incorporate cost marking down, imaginative item presentations, notices, and general administration changes. High resistance confines the benefit of a business (Bridwell & Chun-Jui, 2005). The degree to which competition and resistance powers down the capability of an offered business to acknowledge benefits incredibly relies upon the quality with which organizations contend and furthermore on the premise on which they contend. The quality of rivalry and resistance is most extreme when the contenders numerous or are roughly equivalent in size and impact. In such conditions, contenders dependably think that it’s dubious to abstain from poaching business (Smith, 2004).

2.4.1 Price Rivalry

Round (2006) demonstrated competition is especially unhelpful to efficiency on the off chance that it solely inclines toward cost, since value contention moves benefits transparently from a business to its customers. Value cuts are regularly basic for adversaries to see and match, this is probably going to make the continuous rounds to be of striking back in nature. Consistent value contention also, trains customers to be less centered around item includes and the administrations advertised. There is a probability of value wars, if items or administrations of the contenders are practically comparative and there are few exchanging costs for the purchasers (Rhim & Cooper, 2005). This empowers the adversaries to chop down their costs in order to expedite board new clients. Minimal expenses are low while settled expenses are high. This creates extremely serious weight at adversaries to decrease costs far beneath their normal expenses. Numerous fundamental assets organizations like paper and aluminum experience this issue, especially if request isn’t on the ascent (Renko et al, 2011).

The capacity must be drawn out in substantial augmentations to be capable. The requirement for expansive limit development irritate the business’ supply request adjust and this often prompts an extensive and repeating scene of overcapacity and value decrease. Kulmia (2014) contend that the item might be perishable. Perishability creates an exceptional allurement to diminish costs and offer an item while it is as yet significant. Numerous a greater number of administrations and items are perishable than what is regularly thought. Much the same as foods grown from the ground do spoil, copies of PCs are perishable, since at some point or another they end up plainly outdated. Data might be viewed as perishable in the event that it is spread all finished or winds up plainly
antiquated, in this manner losing its value. Administrations can likewise be perishable. For instance lodging facilities might be viewed as perishable as in empty limits can in no way, shape or form be recuperated (Parker & Lehmann, 2011).

2.4.2 Profitability

Other than the measurement of value, rivalry is more averse to pound down benefit for the reason that it progresses client esteem and can keep up the higher costs. Additionally, rivalry that has been centered around such measurements for the most part upgrades their value in connection to different options or raises the hindrances to confront the new contestants ((Rivard, Raymond, & Verreault, 2006)). While non-value rivalries may now and again uplift to level that face the business benefit, this once in a while occurs when contrasted with that of value rivalry. As noteworthy as the measurements of rivalry is whether contenders take an interest on comparable measurements. At the point when a few adversaries focus to achieve comparable needs or take an interest on similar qualities, frequently the result is zero-entirety contention. It is here that one association's benefit is another association's misfortune, henceforth driving down productivity (Neven, Weatherspoon, Thiru, Chege, & Kibiriti, 2008).

While value contention faces an exceptional risk than non-value competition of getting to be plainly zero-whole, this may not happen if organizations somehow managed to take great care to sub-isolate their business sectors, pointing their low value offerings to different customers (Bendoly et al, 2011). Rivalry can be sure entirety, or basically improve the normal benefit of a business, when every last adversary focuses to meet the needs of different customer fragments, with different mixes of value, highlights, items, administrations, or brand personalities (Meredith, 2011). Such competition can tolerate an unrivaled standard benefit, as well as extend the business, as the necessities of more customer bunches are better met. The shot for positive-whole rivalry increments in organizations that are occupied with serving different client gatherings. With a conceivable comprehension of the auxiliary establishments of rivalry, strategists can on occasion start a change on the idea of competition in a more useful way.

2.5 Threat of New Market Entrants

Much of the time, new participants to a business by and large join a desire and new ability to pick up piece of the overall industry which applies more weight on costs, costs and the
rate of venture expected to contend (Marques, Lisboa, Zimmerer, & Yasin, 2000). Particularly when the new contestants stretch out from different markets, they can impact the ebb and flow limits and money streams consequently astounding the competition, this is similarly as Pepsi did when it came into the filtered water business. Microsoft additionally did likewise when it really began offering web programs. Apple is additionally an ideal case as it likewise joined the music circulation industry (Marques et al., 2000).

Another case of the dangers of new contestants was the UK basic supply showcase. This basic need advertise was primarily commanded by few opponents, which incorporated their real brands of Tesco, Asda, Sainsbury's and Safeway. Ritz (2005) states that 30% of the staple market was changed into general store overwhelmed organizations. The greater part of the gigantic chains made their power because of working skill. Subsequently, it drove them to have a more grounded boundary for new organizations which long to get into the staple market. It turned out to be hard for newcomers to get enough capital due to enormous settled expenses and to a great degree built up supply chains. Different hindrances included economies of scale and disconnection that was accomplished by Tesco and Asda. This was seen in their rough operational system in item improvement, publicizing action and upgraded dissemination.

Entry obstructions are the favorable circumstances that the officeholders have over new participants. There are seven boss wellsprings of these entry obstructions, which incorporates the request side advantages of scale, client exchanging costs, supply-side of scale, capital necessities, uneven accomplishment to allotment channels, foreseen countering, constraining government strategy, and incumbency benefits regardless of size (Lal & Rao, 2009). Recognizing new contestants is essential since they can debilitate the piece of the overall industry of existing contenders.

(Thompson (Jr.) & Strickland (111), 1989) contended that new contestants to a market bring new generation limit, the want to build up a safe place in the market, and here and there considerable assets with which to contend. They additionally called attention to that the aggressive risk of entry into a specific market relies upon two classes of components: obstructions to section and the normal response of firms to new section. A boundary to section exists at whatever point it is hard for a newcomer to break into the market and if the economies of the business put a potential participant at a cost/cost hindrance with
respect to contenders. Regardless of the possibility that a potential participant handled the issues of section obstructions, it might be prevented by its assumptions about how existing firms was to respond to new entry.

Pearce and Robinson (1991), proposed six noteworthy wellsprings of hindrances to entry as take after: economies of scale, item separation, capital necessities, cost disservices autonomous of size, access to appropriation channels, and government policy. According to Porter (1980), a few types of rivalry, strikingly value rivalry, are exceptionally shaky and very liable to leave the whole business more awful off from the angle of productivity. Value cuts are rapidly and effortlessly coordinated by rivals, and once coordinated they bring down incomes at all organizations unless industry cost flexibility of interest is high. Watchman additionally included that publicizing fights may well extend request or improve the level of item separation in the business for the advantage of all organizations.

Thomson, Strickland and Gamble (2007) were of the view that entry dangers are more grounded when the pool of section competitors is huge and a portion of the hopefuls have assets that make them considerable market contenders, section boundaries are low or can be promptly leaped by the conceivable entry applicants, while existing industry individuals are hoping to extend their market reach by entering fragments or geographic zones where they as of now do not have a nearness, newcomers can hope to acquire appealing benefits, purchaser request is developing quickly, and industry individuals can't/or unwilling to emphatically challenge the section of newcomers. They proposed the accompanying normal "weapons" for engaging opponents and pulling in purchasers: bring down costs, progressively or diverse highlights, better item execution, higher quality, more grounded mark picture and claim, more extensive determination of models and styles, greater/better merchant arrange, low loan cost financing, abnormal amounts of publicizing, more grounded item development capacities, better client benefit abilities, and more grounded capacities to furnish purchasers with client made items.

Johnson and Scholes (1999), demonstrate that hindrances to entry vary by industry and by item/showcase, so it is difficult to make speculations regarding which are more vital than others. Kotler (2003) contends that the most alluring fragment is one in which entry obstructions circular segment high and leave hindrances are low. Scarcely any organizations can enter the business, and poor-performing firms can without much of a stretch exit. At the point when both entry and leave boundaries are high, benefit potential
is high, yet firms confront more hazard on the grounds that poorer-performing firms remain in and battle it out. At the point when both section and leave boundaries are low, firms effortlessly enter and leave the business and the profits are steady and low. The most pessimistic scenario is when entry obstructions are low and leave hindrances are high: here firms enter amid great circumstances yet think that it’s difficult to leave amid awful circumstances. The outcome is unending overcapacity and discouraged income for all.

New participants to an industry regularly convey to it new limit, a want to pick up piece of the pie, and significant assets (Wheelen & Hunger, 2012). They are, along these lines, dangers to a built up company. The risk of entry relies upon the nearness of section hindrances and the response that can be normal from existing contenders. A section hindrance is an obstacle that makes it troublesome for an organization to enter an industry. For instance, no new household vehicle organizations have been effectively settled in the United States since the 1930s due to the high capital necessities to manufacture creation offices and to build up a merchant dispersion arrange. A portion of the conceivable hindrances to entry are: Economies of scale: Scale economies in the generation and offer of microchips, for instance, gave Intel a huge cost advantage over any new opponent; Product separation: Corporations, for example, Procter and Gamble and General Mills, which fabricate items, for example, Tide and Cheerios, make high section obstructions through their abnormal amounts of publicizing and advancement; Capital prerequisites: The need to put colossal monetary assets in assembling offices with a specific end goal to deliver extensive business planes makes a huge boundary to section to any contender for Boeing and Airbus; Switching costs:

2.5.1 Supply-Side Economies of Scale
These economies of the money related framework happen when the organizations that create more volumes have the advantage of diminished expenses per unit since they can broaden the settled expenses more than a few different units, make utilization of more capable innovation, or request enhanced terms from providers . Supply-side financial aspects hamper passage driving the confident contestant to either come into the business on an expansive scale or to consent to a cost inconvenience. Economies of scale can be basically found in all exercises in the esteem chain, the criticalness differs by the business.
2.5.2 Demand-Side Benefits of Scale
These advantages, additionally alluded to as system impacts, come up in associations where a shopper's availability and eagerness to pay for a business item open up with the quantity of different buyers who likewise shop as often as possible at the business. Shoppers may trust more in greater organizations for an imperative products or administrations. A shopper may likewise think of it as qualified to be in a 'system' with an extensive number of kindred customers (Brown, Fee, & Thomas, 2009). For instance, online closeout associates might be interested by an eBay in light of the fact that it concedes exceptionally forthcoming exchanging accomplices. Request side advantages of scale deject entrance by limiting the ability of customers to buy from a newcomer and by bringing down the value the newcomer is equipped for having an order until the point when it makes wide base of customers (Chidmi & Lopez, 2007).

2.5.3 Customer Switching Costs
These are settled costs that shoppers pay for when they change the providers. Such expenses emerge as a rule in light of the fact that a purchaser who changes providers should likewise switch the particulars of the item (Davis et al., 2006). The higher the exchanging costs, the harder it was to be for another contestant to pick up clients. A decent case of an item with a moderately higher exchanging cost is the Enterprise Resource Planning (ERP) programming. If a business introduces SAP's ERP framework, the cost of changing to another merchant is over the top in view of settled in information, by the way that the interior procedures have been adjusted to SAP, real retraining necessities, and the mission-basic character of the entries (Elms et al., 2010).

2.5.4 Capital Requirements
The need to put in tremendous money related assets in order to contend frequently disheartens new participants. Capital might be critical for settled conveniences, as well as to make inventories, spread customer credit and back start-up misfortunes (Harvey, 2000). The boundary is definitely tremendous if the capital is required for unrecoverable, therefore harder-to-back costs, for example, improvement and examine or in advance exposure. While the real organizations have money related assets to compel their way into any industry, the huge capital essentials in particular fields confines the presumable gathering of contestants (Kukar-Kinney, Xia, & Monroe, 2007). On the opposite, in ranges like that of expense arrangement administrations or short-pull trucking capital
requirements are less and yearning participants are in bounty. It is exceptionally essential not to misrepresent the degree to which capital requirements alone demoralize any passage (Lal & Rao, 2009); (Harvey, 2000). In the event that business returns are striking and are foreseen to be the same for long, and if capital markets are clever, agents was to give the contestants with the assets they require. For instance air bearers, financing is influenced accessible to them so to as to purchase extravagant planes on account of their high closeout worth, this is one noteworthy reason with reference to why there is expanded buy of flying machines crosswise over limits (Renko, Sustic & Butigan, 2011).

2.5.5 Incumbency Advantages Independent of Size
Despite the size, occupants do have cost and esteem benefits that are not realistic to their potential rivals. Such advantages radiate from restrictive innovation, pre-emption of the most promising geographic areas, unique access to the magnificent wellsprings of crude material, expanding information that enables the officeholders to contemplate on the best way to deliver all the more capably or surely understood brand characters (Magi, 2003).

These advantages can be from sources, for example, exclusive innovation, unique access to the magnificent wellsprings of crude material, pre-emption of the most promising geographic areas, surely understood brand personalities, or expanding information that enables the officeholders to consider on the most proficient method to deliver all the more capably (Magi, 2003). Participants endeavor to dodge such advantages. For example Upstart discounters like the Target and Wal-Mart, have situated their stores in self-supporting destinations as opposed to provincial strip malls where perceived retail establishments were well entrenched (Matsa, 2011).

2.5.6 Unequal Access to Distribution Channels
The new contestant ought to ensure allotment of its item or administration. For example, for another nourishment thing to supplant others from the racks of a grocery store, it must use value breaks, and ads (Matsa, 2011). The more directed the retail and discount shops are for another passageway, and furthermore the more the adversaries there are tying them up then the harder it was to be for section into such an industry. Now and again openness to portion is high, making it to be an extreme boundary for new contestants making them keep away from dissemination channels or rather they make their own.
Thus, upstart diminished cost airplanes have evaded conveyance channels through the travel delegates henceforth they have convinced travellers to book flight on the web.

2.5.7 Restrictive Government Policy
As demonstrated by Meredith (2011), the prohibitive government strategy can keep down or help have new direct passage, and in addition increment (or diminish) the other section boundaries. The administration additionally has expert to confine or even close ahead of time section into the businesses by means of authorizing necessities and impediments on remote financing. Managed organizations like that of taxi administrations, alcohol offering and carriers are illustrations that are apparent that these administration approaches can make other passage obstructions through such courses as open selective decides or rights that monitor exclusive innovation from being repeated. It is additionally genuine that administration approaches can likewise assuage section for newcomers, either through direct money related help, or in a roundabout way by financing fundamental research and making it reachable to all organizations whether old or new (Neven et al., 2008).

Assessment of section boundaries should happen in accordance with the limit of the trying participants. These potential participants can be new businesses, outside firms, or organizations in associated ventures. Running with the above expressed delineations, strategists should be mindful to the creative ways newcomers may find to avoid obvious obstructions (Parker & Lehmann, 2011).

2.5.8 Expected Retaliation
How the occupants respond may generally impact the choices of potential contestants, or make them to totally keep away from an industry (Renko et al, 2011). On the off chance that response is dynamic and delayed adequately, at that point the potential advantage of partaking in the business can drop far beneath the capital cost. Officeholders much of the time use open presentations a (Wheelen & Hunger, 2012) reactions to a solitary contestant to convey to other potential participants about their undertakings to shield the piece of the overall industry (Porter, 2008).
Newcomers are more than liable to envision exact retribution if; once in the past the officeholders reacted powerfully to new contestants; occupants possess noteworthy assets to strike back, including additional cash and unexploited acquiring power, realistic profitable capacities, or clout with conveyance channels and customers (Rhim & Cooper, 2005). Officeholders may hold down costs since they are focused on holding their piece of the overall industry at all costs or for the reason that the business has high settled costs, which create an extreme motivation to drop costs in order to top off the surplus limit. Development of ventures is somewhat moderate; subsequently newcomers can build volume by removing it from officeholders (Sacconaghi et al, 2005). An investigation of troubles to passage and expected revenge is obviously basic for any business considering passageway into another industry. The test is to acquire approaches to overcome the section boundaries without invalidating, through significant venture, the efficiency of participating in the business (Solomon & Rabolt, 2004); Rhim & Cooper, 2005).

In her proposition titled "Porter’s Five Forces Influence on Competitive Advantage in the Kenyan Beverage Industry: An instance of Large Multinationals", Njambi reasoned that the risk of new contestants applies to the MNC's in the Kenyan Beverage Industry because of the nearness of different contending associations performing comparative parts and offering such items and administrations at bring down rates.

2.6 Chapter Summary

This Chapter presented a literature review in relation to the objectives of the study. The Chapter begun with an overview of competitive advantage, then an evaluation of Porter’s Five Forces framework as a competitive analysis tool, a structural analysis of industries and finally, a review of literature on bargaining power of consumers/buyers, intensity of rivalry among competitors and, threats of new market entrants. Chapter three highlighted the research methodology adopted in the study.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
This chapter describes and explains the methodology adopted in this study and the research methods that informed the research methods deployed in the study. It presents the methodology and research design adopted in conducting the research study and the data collection procedures. The chapter defines the research design, the target population used for this study, as well as the sampling procedure. The chapter also provides a discussion on the data collection procedures and data analysis techniques used in analysing the results of the study. This study employed qualitative research to examine the influence of selected Porter’s five forces on competitive advantage in the flat-steel industry with a specific case study on Mabati Rolling Mills Limited.

3.2 Research Design
A research design might be characterized as a guide or an arrangement of research to be utilized to answer the exploration destinations and speculations (Kothari, 2004). It is the structure or system to tackle a particular issue. Research design is the arrangement and structure of examination so considered as to get answers to look into questions. The arrangement is the general plan or program of the examination. Research design answers inquiries, for example: What procedures were utilized to accumulate information? What sort of inspecting is utilized? A research design communicates both the structure of the examination issue and the arrangement of examination used to acquire experimental proof on the relations of the issue (Cooper & Schindler, 2006). It provides guidance and requests the exploration. The procedure the researcher took from the commencement to the completion of the examination (Cooper and Schindler, 2006). This study adopted a survey research design as it was deemed the most appropriate. This is the process of gathering data from a specimen which has been chosen to speak to a characterized target population.
3.3 Population and Sampling Design

3.3.1 Population

In statistics, population is the particular gathering of things about which data is wanted. A population is a very much characterized or set of individuals, administrations, components, occasions, gathering of things or families that are being examined (Kothari, 2004). A population outline is an exhaustive separated rundown of all subjects, which include the examination population, from which a specimen was taken (Denscombe, 2003). This definition guarantees that population of intrigue is homogeneous. Target population is that population to which a specialist needs to sum up the aftereffects of an examination (Mugenda & Mugenda, 2003). The target population in an exploration consist of every one of those potential members that could make up an investigation gathering (Kothari, 2004). With the end goal of this examination, the objective population involved staff in Senior and Middle level in Mabati Rolling Mills Limited. Table 3.1 is an illustration of the population distribution.

Table 3.1 Population Distribution

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Managers</td>
<td>46</td>
</tr>
<tr>
<td>Middle level managers</td>
<td>66</td>
</tr>
<tr>
<td>Total</td>
<td>112</td>
</tr>
</tbody>
</table>

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

Saunders, Lewis, & Thornhill (2007) characterize examining outline as the entire rundown of all cases in the population from which a likelihood test was drawn. A testing outline is a far reaching rundown of all inspecting units, from which a specimen can be chosen (Mugenda & Mugenda, 2009). The testing outline for this examination comprised of Senior and Middle-level managers working at Mabati Rolling Mills Limited. The information was obtained from the Human Resources Manager.
3.3.2.2 Sampling Technique

The study adopted probability sampling techniques so as to ensure that every potential respondent in a population has an equal chance of being selected and that the sample is representative of the whole population. Stratified sampling technique was adopted in this study involving the division of the target population into relevant strata from which a simple random sample was then drawn from each strata (Saunders et al, 2003).

A stratified sample has been described as one in which each individual from the population has an equivalent shot of being chosen in connection to their extent inside the aggregate population. In this investigation, MRM staff were stratified according to their employment cadre which was either senior or middle-level manager (Denscombe, 2003). Within every stratum, a random sample was picked by means of systematic sampling techniques. An arbitrary specimen was to be chosen through efficient examining systems. Methodical arbitrary testing is a sampling technique for sampling where each Kth part in the aggregate population is picked for inclusion in the sample after the primary individual from the sample is chosen indiscriminately from among the K individuals in the population (Cooper & Schindler, 2006).

3.3.2.3 Sample Size

Research scholars contend that an adequate sample size must be picked with the end goal that it is speaks to the whole population. Be that as it may, as Denscombe (2003) states, the sufficiency of test estimate relies upon various components associated with the examination which should be borne as a main priority and weighed upon by analyst during the time spent achieving a choice about the vital example. In this way, indisputably the size will rely upon the many-sided quality of the population and research questions being explored. The examination embraced the general guideline for deciding the sample measure. Since the aggregate target population is between 100 and 500,a specimen size of atleast half is adequate for the examination (Mugenda & Mugenda 2009).
3.4 Data Collection Methods

The questionnaire was the main instrument used to collect data in this study. As per Saunders, Lewis and Thornhill (2009), a questionnaire alludes to the general term including all information accumulation systems in which every individual is requested to answer a similar set from inquiries in a foreordained request. Consequently, the questionnaire for this study is composed of close-ended questions derived from the research questions, where the respondents were required to tick or circle the most appropriate answers. Moreover, the questionnaire was based on measurement variables including nominal, ordinal, interval and ration scales which, according to Kothari (2004), are most widely used classification of measurement variables. The questionnaire consisted of three distinct parts: First part sought for general information about the respondents, the second part sought to establish the level of each of the selected Porter’s Five Forces in the industry while part three was to examine how each of the Forces affected or influenced competitive advantage. Each part of the questionnaire consisted of a list of statements to which respondents were expected to respond to on a scale of strongly agree to strongly disagree.

3.5 Research Procedures

In order to ensure successful data collection for the research, a series of procedures were to be keenly followed. Denscombe (2003) observe that organizational researchers have to first obtain authorization from the management of the organization they intend to engage with requests to participate in their studies. To this end, the researcher first sought for necessary authorization to conduct the study from MRM through the facilitation of a cover letter. Subsequently, the questionnaire was pilot tested to ensure that the tool was suitable for the purpose intended. Arguably, the need for pre-testing an instrument of research is to ensure that items in the instruments had been stated clearly and that they

<table>
<thead>
<tr>
<th>Category</th>
<th>Population</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Managers</td>
<td>46</td>
<td>38</td>
</tr>
<tr>
<td>Middle level managers</td>
<td>66</td>
<td>54</td>
</tr>
<tr>
<td>Total</td>
<td>112</td>
<td>92</td>
</tr>
</tbody>
</table>
had same meaning to all respondents (Mugenda & Mugenda, 2003). This provided the researcher with the opportunity to fine tune the questionnaire for objectivity and efficiency of the process. Thereafter, the researcher administered the questionnaire individually to all the target respondents and maintained a register to ensure that most (if not all) of the questionnaires issued to the respondents were received. In this study, both primary and secondary data were collected. Primary data was obtained through the questionnaires while secondary data was obtained from published material and information from other sources including annual reports, company, USIU-A Library, and the internet.

3.6 Data Analysis Methods

Before processing the responses received through questionnaires from the respondents, the completed questionnaires were reviewed for completeness and consistency. Subsequently, quantitative data collected was analysed through descriptive statistics and presented through frequency percentages, means and standard deviations. The information derived was displayed in form of bar charts, graphs and pie charts and in prose. This was achieved through tallying up responses, computing percentages of variations in response as well as describing and interpreting the resultant data in line with the objectives and assumptions of the study.

3.7 Chapter Summary

This chapter presented and discussed the research methodology used in this study including the relevant population, the sampling design and size, data collection and analysis methods. In the data analysis and presentation, quantitative and qualitative methods of analysis were applied. The population consisted of staff in senior and middle level management. A structured questionnaire designed by the researcher was used to collect data from the respondents which was then analysed. The next chapter presented an analysis of the findings of the study and interpretation thereof.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology techniques discussed in Chapter Three. The findings of the study are presented on the Effects of Selected Porter’s Five Forces on Competitive Advantage in the Steel Industry: A Case of Flat-Steel segment. The chapter is structured in line with the research questions and the objectives of the study which were: i) to determine the effect of bargaining power of buyers in the flat-steel industry; ii) to determine the effect of competitive rivalry and how it impacts generally on competition; and iii) to determine the effect of threat of new entrants on competition within the steel industry in Kenya.

4.2 Response Rate

Response rate is normally obtained by computing the rate at which questionnaires have been returned by the respondents after issuance. From the population, a sample of 92 respondents was selected from the target population in collecting data with regard to the Effects of Selected Porter’s Five Forces on Competitive Advantage in the Steel Industry: A Case of Flat-Steel Segment. The results of the rate of return of the questionnaire are shown in Figure 4.1

![Response Rate Pie Chart]

Figure 4.1: Response Rate
As per A 50% response rate is adequate for analysis in a descriptive study (Mugenda & Mugenda, 2003). In this study, we were able to achieve a response rate of 88% which Bailey (2000) asserts that is a very good response.

4.3 Background Information

This section presents general information about MRM, which concerns the legal status, business category, years of operation and annual revenue.

4.3.1 Legal Status of Mabati Rolling Mills Limited

With regard to the legal status of the Company, results illustrated in the above Figure show that 3.7% of the respondent indicated that the Mabati Rolling Mills Limited is a public Limited Company, 1.2% of the respondents indicated that MRM is in the public sector while 92.6% of the respondents indicated that MRM is indeed a private limited company. Therefore, from the Table above, it is evident that MRM is a private limited company. This may be interpreted to mean that the company shares are held by entities in the private sector, the public have not been invited to subscribe for shares in the company and that decisions made are not influenced by the public or government.

![Figure 4.2: Company Status](image-url)
4.3.2 Business Category

Regarding the business category, the results of the study as captured in Figure 4.3 above show that 98.8% of the respondents indicated that MRM is a manufacturing company operating in the flat-steel industry in Kenya. Since MRM is a manufacturing company, the demand for products manufactured solely depends on innovation, product quality and competitive advantage in the industry.

![Figure 4.3: Business Category](image)

4.3.3 Background Information

95.1% of the respondents indicated that MRM has been operation in the flat-steel industry for over 10 years. This means that the company has adequate experience as a case study to be able to provide relevant information in this study concerning the Effects of selected Porter’s Five Forces on competitive advantage in the steel industry. Since MRM has over 10 years in the industry, this is an indication adequate experience and knowledge of information about competitors and customer behaviour, hence resulting to competitive advantage.
Figure 4.4 Years that the company has been in operation in Kenya in the flat steel industry.

4.3.4 Annual Revenue

100% of the respondents indicated that MRM is indeed a market leader in the flat Steel Industry in Kenya. From Figure 4.5, 53.1% of the respondents indicated that MRM has an annual revenue of 10 B and above 14.8% said that the annual revenue is between 1 billion and 9 billion Shillings, 7.4% indicated that the annual revenue is below 1 billion, 17.3% did not know the annual revenue and 7.4% never responded the question.

It is quite evident that MRM has been operating in the Kenyan flat-steel industry as a market leader for a long time and is therefore a good target for this study concerning the Effects of selected Porter’s Five Forces on Competitive advantage in the flat-steel industry. Further, the results depicted in Figure 4.2.3 imply that the findings in the study are representative of the real effects of Porter’s Five forces on competition in the steel industry and how they enhance a company’s competitive advantage leading to superior performance.
4.4 Management Work Experience and Education level

This section presents the demographics of the respondent’s management position, gender, age, highest level of education, period worked in MRM, and years worked in the current role and work experience.

4.4.1 Management Position

To obtain information on the effects of selected Porter’s five forces on competitive advantage in the flat-steel industry within Kenya, the background information of the respondents was investigated in Part B of the questionnaire. The target of the study was to collect data from staff comprising of senior and middle level managers of MRM. To this end, the study targeted heads of departments, their deputies and those in acting capacities as well as middle level management. This was important to enable an assessment on the distribution of the respondents across the management cadres.

From Figure 4.4.1 above, 66.7% of the respondents comprised of middle level managers while 14.8% of the respondents were senior managers working in MRM. 15% of the respondents did not respond to the question.
4.4.2 Respondents age

The study sought to investigate the respondents’ composition based on their age brackets in order to examine their familiarity with the effects of Porter’s five forces on competitive advantage in the flat-steel industry in Kenya. As indicated in Table 4.3.1 above, while 4.9% of the respondents declined to indicate their age, 7.4% of the respondents indicated they were aged under the age of 25, 39.5% of the respondents were aged between 26 and 35 years, 42% of the respondents were aged between 36 and 45 years and 6.2% of the respondents were aged 46 years and above. From these results, it is apparent that the respondents were well distributed age-wise and that they were well versed with technological advancements hence could contribute meaningfully in this study.
4.4.3 Gender of the Respondents

At the onset of this study, the respondents sampled were expected to comprise both male and female. To this end, the respondents were required to indicate their gender by ticking on the spaces provided in the questionnaire. Accordingly, 49.4% of the respondents were female while 48.1% were male. 2.5% of the respondents did not indicate their gender. The findings are an indication that gender equity in MRM is high hence the study represents the views of both genders. This means that there are roughly equal significant number of male and female in the organization, and that there is no gender inequality. The management of MRM is largely composed of Kenyans, meaning that the company is run by the local people.
4.4.4 Highest Level of Education

As indicated in Figure 4.8 above, 2.5% of the respondents did not indicate their education level. 1.2% of the respondents had acquired secondary education as highest level of education, 11.2% of the respondents indicated they had attained college education as their highest level of education, 55.6% had attained university education while 29.6% of the respondents had post graduate degrees as their highest level of education. The findings therefore mean that majority of the respondents (about 85%) had the capacity to understand the information sought in this study.

![Chart showing highest education levels of respondents]

**Figure 4.9: Highest education level of the respondents**

4.4.5 Length of Service with the Company

The length of continuous service in an organization is a good indicator of an employee’s awareness of the issues being interrogated in a study of this nature. Figure 4.10 below demonstrates that 16% of the respondents had worked in MRM for less than 5 years, 27.2% of them had been working with the company for 6 to 10 years, 24.7% had worked in the company for 11 to 15 years while 29.6% had been with the company for over 16 years. 2% of the respondents did not indicate their length of service with the company. Considering that at least 80% of the respondents had worked continuously with the company.
company for over 6 years, we can conclude that the majority had sufficient experience on competition in the flat-steel industry. Therefore MRM workers have more knowledge and skills in flat steel industry, increasing competitive advantage.

Figure 4.10: Length of Service with the Company

4.4.6 Years Worked in the Current Role

When it comes to the number of years worked in the current role (Figure 4.11), 77.8% of the managers have worked for less than 5 years, 16% for 6 to 10 years, 4.9% for 11 to 15 years and 1.2% worked in the current role for over 16 years. This means that majority of the respondents have the requisite experience on the Effects of selected five forces on the organization’s competitive advantage.

Figure 4.11: Years worked in the current role
4.5 Effect of Bargaining Power of Consumers on Competitive Advantage

The first objective of the study was to examine the effect of bargaining power of consumers on competitive advantage in the steel industry.

4.5.1 Descriptive Statistics of Bargaining Power of Consumers on Competitive Advantage

From Figure 4.1, 11.1% of the respondents did not answer the question. 75.3% indicated that bargaining power of consumers affects the competitiveness of the organization and finally 13.6% indicated that the bargaining power of consumers/buyers does not affect the competitiveness of the firm.

![Pie Chart](image)

**Figure: 4.12 Bargaining Power of Consumers affect the Competitiveness of your Organization.**

On a five-point Likert-scale, respondents indicated the extent to which they agreed or disagreed with various aspects of bargaining power in relation to competitive advantage. The rating on the five Point Likert-type scales ranged from 1, which was “Strongly Disagree” to 5, which was “Strongly Agree”. The data was analysed on the basis of mean and standard deviation. Standard deviations was used to show the range of dispersions of the responses. The findings were then presented in Table 4.1 below.
Table: 4.1 Bargaining Power Responses

<table>
<thead>
<tr>
<th>Description</th>
<th>n</th>
<th>mean</th>
<th>Sd</th>
</tr>
</thead>
<tbody>
<tr>
<td>Favorable/attractive product prices create value to the customers.</td>
<td>81</td>
<td>16.20</td>
<td>4.40</td>
</tr>
<tr>
<td>The profits earned by buyers of your organization's brands pose a risk on their business development and continuity.</td>
<td>81</td>
<td>16.20</td>
<td>4.60</td>
</tr>
<tr>
<td>The bargaining power of your buyers influence consumers' purchasing decisions</td>
<td>81</td>
<td>16.20</td>
<td>4.40</td>
</tr>
<tr>
<td>Innovation through technological development impacts the quality of products and has a positive impact on return on assets.</td>
<td>81</td>
<td>20.25</td>
<td>4.09</td>
</tr>
<tr>
<td>The organization's world class products attract and retain customers</td>
<td>81</td>
<td>20.25</td>
<td>4.09</td>
</tr>
<tr>
<td>When the buyer is fully informed about demand, supplier strategic plans, actual market potential and trends, this gives the buyer greater bargaining leverage.</td>
<td>81</td>
<td>20.25</td>
<td>4.02</td>
</tr>
</tbody>
</table>

From Table 4.1, the significance of the questions answered, all the responses were significant at 5% significance level, and therefore they are statistically reliable for analysis and derive meaningful conclusions.

Clearly, attractive product prices create value to the customer, hence customers become persistent buyers since prices are favourable. The response also has a mean of 16.2 and a standard deviation of 4.4, meaning that the sample mean is actually not close to the actual population mean, since the standard deviation seems to be large. The response was significant at 5% significance level, and therefore favourable attractive product prices create value to customers hence increasing the organization’s competitive advantage.
It is also plausible that, profits earned by buyers of MRM products do not pose a risk in their business development and continuity, and therefore through innovation and technological advancement, MRM can increase quality of products which has a positive impact on return on assets and increasing competitive advantage in the long run. Increased quality of products eventually attract customers since buyers are fully informed about quality of products, demand and supplier strategic plans, the consumer’s bargaining power leverage increased in the long run.

4.5.2 Regression Analysis of the Effect of Bargaining Power of Consumers on Competitive Advantage

One of the objectives of this study was to determine the effect of bargaining power of consumers on competitive advantage. Regression analysis was applied to determine the relationship between the bargaining power of consumers and competitive advantage, where Competitive advantage is the dependent variable and bargaining power being the independent variable.

Table 4.2 Model Summary of Bargaining Power of Consumers against Competitive Advantage

<table>
<thead>
<tr>
<th>Model</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Standard Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.3406</td>
<td>0.3305</td>
<td>1.800256</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Competitive advantage  
b. Predictors:(Constant), Bargaining power

The $R^2$ of the model was 0.3406 which means that 34.06% of the variations in the Competitive advantage is explained by the variations in the bargaining power of consumers, while 65.94% of the variations on the dependent variable are explained by other factors outside the model and error term absorbs all the random effects and other factors not captured by the model.
Table 4.3: ANOVA of Bargaining Power of Consumers against Competitive Advantage

<table>
<thead>
<tr>
<th>Model</th>
<th>SS</th>
<th>DF</th>
<th>MS</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>32.65</td>
<td>3</td>
<td>30.49</td>
<td>33.75</td>
<td>0.00</td>
</tr>
<tr>
<td>Residual</td>
<td>72.34</td>
<td>81</td>
<td>0.404</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>104.99</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Competitive advantage  
b. Predictors: (Constant), Bargaining power

The ANOVA was used to determine whether there was a statistically significant relationship between the dependent variable (competitive advantage) and the independent variable (bargaining power of consumers). From table 4.3, the P-value = 0.000, which means that the null hypothesis was accepted, and therefore, there is a significant relationship between competitive advantage and bargaining power. Concerning the overall significance of the model, the F statistics of 33.75 is less than the critical value of 35.64, therefore the model is significant at 5% level, hence appropriate for estimating effects of bargaining power of consumer on competitive advantage.

Table 4.4: Coefficients of Bargaining Power of Consumers and Competitive Advantage

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std Error</td>
<td>Beta</td>
<td>B</td>
</tr>
<tr>
<td>Bargaining Power</td>
<td>14.20133</td>
<td>1.800256</td>
<td>14.20133</td>
<td>7.89</td>
</tr>
<tr>
<td>constant</td>
<td>391.45</td>
<td>169.7752</td>
<td>-2.31</td>
<td>0.022</td>
</tr>
</tbody>
</table>

48
The study further estimated the relationship between Competitive advantage and bargaining power of consumers. The competitive advantage of MRM and Bargaining power of Consumers have a linear relationship which can be summarized in a regression equation as follows: \( Y = \alpha + \beta_1 X_1 + \varepsilon \) Where \( Y \) = Competitive advantage, \( \alpha \) = constant, \( \beta_1 \) = coefficient of bargaining power of consumers and \( X_1 \) is the bargaining power of the consumers.

\[ Y = 391.45 + \beta_1\cdot14.20133 + \varepsilon \]

The regression equation above shows that, when all other factors are kept constant, competitive advantage always remain to be 391.45. If bargaining power of consumers is increased by one unit, competitive advantage of MRM increases by 14.20133%.

4.5.3 Analysis of Open Ended Question

The respondents were asked if the bargaining power of consumers affects the competitiveness of MRM. The analysis of the responses showed that majority of the respondents agreed with the statement, and therefore the conclusion that bargaining power of consumers affects competitiveness of firms in flat steel industry.

4.6 Effect of Intensity of Rivalry on Competitive Rivalry

The second objective of the study was to determine the effect of intensity of rivalry on competitive advantage in the steel industry in Kenya. From the findings of the study, MRM is facing competition from at least seven (7) firms which include Royal Mabati Limited, Maisha Mabati Mills Limited, Kenya General Industries Limited, Corrugated Group of Companies, Rafiki Roofing, Jenga Mabati and Space and Style Limited. For this reason therefore, rivalry is inevitable. Various strategies must be employed to shelter MRM against low profits or market exit due to lack of adequate sales. The following tables represents relevant responses from the management staff of MRM.

4.6.1 The Effect of Intensity of Rivalry on Competitive Advantage

Respondents indicated extend which they agreed or disagree to various aspects of competitive rivalry. A five point Likert-Type scale ranging from 1, which was “Strongly Disagree” to 5, which was “Strongly Agree” was used. The significance of the variables was ranked by mean and standard deviation. All the responses where Significant at 5% significance level and therefore, majority of the respondents were in agreement with the
statement asked as presented in Table 4.5.1. From the findings, it is evident that product differentiation is used as a strategy by MRM to create value and therefore attract customers or consumers.

Being a market leader, MRM possesses more competitive advantage and therefore, plays a coordinative role performing price leadership. The respondents also confirmed that price competition among rival firms is quite unstable, hence affecting the industry profitability. Notwithstanding high competitive rivalry, there exists higher exit barriers in the industry such that economic, strategic and emotional factors keep companies competing in business even if there is low profit earning. In the flat steel industry, high intensity of rivalry leads to stiff competition and therefore businesses sacrifice immediate profitability due to high strategic stakes in an expansionary vision and willingness to gain success within the industry.

**Table 4.5 Intensity and Rivalry Responses**

<table>
<thead>
<tr>
<th>Statement</th>
<th>N</th>
<th>mean</th>
<th>Sd</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product differentiation creates value to customers and consumers</td>
<td>81</td>
<td>16.200</td>
<td>6.600</td>
</tr>
<tr>
<td>Being a market leader empowers the organization to play a leading coordinative role in industry of price leadership</td>
<td>81</td>
<td>13.500</td>
<td>5.330</td>
</tr>
<tr>
<td>Price competition among rival firms is quite unstable and impacts the industry negatively from profitability perspective</td>
<td>81</td>
<td>13.500</td>
<td>5.230</td>
</tr>
<tr>
<td>High exit barriers are factors that keep companies competing in business even though they may be earning low or even negative returns on investment</td>
<td>81</td>
<td>13.500</td>
<td>4.900</td>
</tr>
<tr>
<td>Your organization sacrifices immediate profitability due to high strategic stakes in expansionary vision and willingness to gain success within the industry</td>
<td>81</td>
<td>13.500</td>
<td>4.900</td>
</tr>
<tr>
<td>Your organization is driven by a competitive position that cuts across the flat steel industry and one that cannot be replicated by competitors</td>
<td>81</td>
<td>13.500</td>
<td>4.900</td>
</tr>
</tbody>
</table>
4.6.2 The Regression analysis Effect of Intensity of Rivalry on Competitive Advantage.

Regression analysis was done, where the relationship between Intensity of Rivalry and competitive advantage was determined. The results are presented in the tables below.

Table 4.6: Model Summary of regression between Intensity of Rivalry and Competitive Advantage.

<table>
<thead>
<tr>
<th>Model</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Standard Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.36</td>
<td>0.35</td>
<td>1.800256</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Competitive advantage  
b. Predictors:(Constant), Intensity of Rivalry

The R² of the model was 0.36, meaning that the model is able to explain 36% of the variation on the dependent variable, while 64% of the variations on the dependent variable are explained outside the model. When degrees of freedom are taken care of, the model explains 35% of the variations of the dependent variable.

Table 4.7: ANOVA of Intensity of Competitive Rivalry against Competitive Advantage.

<table>
<thead>
<tr>
<th>Model</th>
<th>SS</th>
<th>DF</th>
<th>MS</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>34.67</td>
<td>3</td>
<td>33.49</td>
<td>33.75</td>
<td>0.00</td>
</tr>
<tr>
<td>Residual</td>
<td>65.34</td>
<td>81</td>
<td>0.404</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100.01</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Competitive advantage  
b. Predictors:(Constant), Intensity of Rivalry

From the ANOVA Table, the general significance of the model as indicated by F-test indicates that the model is significant at 5% significance level since F(3,81) =33.75 which is less than the asymptotic table value. Sine p-value of 0.00 < 0.05, means that the model is significant at 5% level, meaning that there is a significant relationship between
competitive advantage and competitive rivalry. The study further used linear regression model to test the relationship between Competitive advantage and Intensity of competitive Rivalry. The results are presented in Table 4.8.

**Table 4.8 Model Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std Error</td>
<td>Beta</td>
<td>B</td>
</tr>
<tr>
<td>Competitive Rivalry</td>
<td>20.20133</td>
<td>1.700256</td>
<td>20.20133</td>
<td>7.89</td>
</tr>
<tr>
<td>constant</td>
<td>-201.25</td>
<td>2</td>
<td>-2.31</td>
<td>0.021</td>
</tr>
</tbody>
</table>

The study carried out a linear regression between Competitive advantage and Intensity of competitive rivalry where $Y = \alpha + \beta_2 X_2 + \epsilon$. Where $Y$ = Competitive advantage, $\alpha$ = constant, $\beta_2$ = coefficient of Intensity of competitive Rivalry and $X_1$ is the Intensity of competitive Rivalry.

$Y = -201.25 + 20.201 X_2 + \epsilon$

The results show that, when competitive rivalry is kept constant, or does not change, competitive advantage reduces by 201.25, and if Intensity of competitive rivalry increases by one unit, competitive rivalry increases by 20.201.

### 4.7 Effect of Threat of New Entrants to Competitive Advantage

The third and final objective of the study was to examine the effect of threat of new entrants on competitive advantage in the steel industry. In a free market, various firms employ various strategies to enable them survive. From qualitative responses, improved technology, price wars, improvement of distribution channels, advertising, free delivery services, offering discounts, product diversification, training artisans, sale of low quality
product at cheap prices and sale of goods on credit terms were the most listed by respondents as the strategies which the firm is using to tame competition and to increase sales and profits.

4.7.1 Descriptive on Effect of Threat of New Entrants on Competitive Advantage

Table 4.9: Threat of new Entrants Responses

<table>
<thead>
<tr>
<th>Statement</th>
<th>N</th>
<th>Mean</th>
<th>Sd</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entry of new players has affected your organization's pricing strategy for its brands</td>
<td>81</td>
<td>13.500</td>
<td>5.500</td>
</tr>
<tr>
<td>Your organization is putting enough investment behind its products vis-a-vis the new entrants to foster customer loyalty and fight competition</td>
<td>81</td>
<td>13.500</td>
<td>5.800</td>
</tr>
<tr>
<td>The flat steel industry is attractive for long-term profitability to lure new entrants</td>
<td>81</td>
<td>13.500</td>
<td>5.300</td>
</tr>
<tr>
<td>The return on investment and indeed profitability are affected by new entrants into the flat steel roofing industry.</td>
<td>81</td>
<td>13.500</td>
<td>4.600</td>
</tr>
<tr>
<td>The company's assets are optimally utilized to generate earnings within the competitive industry thus posing a huge challenge to new entrants</td>
<td>81</td>
<td>13.500</td>
<td>4.640</td>
</tr>
<tr>
<td>The company's share value exceeds that of its rivals in the same segment and thus attractive to new entrants</td>
<td>81</td>
<td>13.500</td>
<td>5.300</td>
</tr>
</tbody>
</table>

From the response table, it is evident that entry of new players affects the industry pricing strategy for its brands which causes organizations to increase investment on products to foster the customer loyalty and fight competition. Since the flat steel return to investment is high, profitability lures new entrants into the flat steel industry. To increase competitiveness, the company assets are optimally utilized to generate earnings within the competitive industry. All the responses were significant at 5% significance level and therefore they are reliable for further analysis.
4.7.2 Regression Analysis on Effect of Threat of New Entrants on Competitive Advantage

The study used regression analysis to evaluate the effect of threat of new entrants to competitive advantage.

**Table 4.10 Model Summary of the relationship between Threat of New Entrants and Competitive Advantage.**

<table>
<thead>
<tr>
<th>Model</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Standard Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.400</td>
<td>0.390</td>
<td>1.6002</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Competitive advantage  
b. Predictors:(Constant), Threat of new Entrants

The findings represented in table 4.10 shows that the model explains 40% of the dependent variable and 60% of the dependent variable are explained outside the model. When degree of freedom is taken care of, the model explains 39% of the dependent variable.

The ANOVA findings in Table 4.11 shows that model is significant at 5% significance as evident from p value which is less than 0.05 and F(3,81) which is less than critical value. Therefore, it is evident that threat of new entrants significantly affects competitive advantage.

**Table 4.11: ANOVA of Threats of New Entrants against Competitive Advantage.**

<table>
<thead>
<tr>
<th>Model</th>
<th>SS</th>
<th>DF</th>
<th>MS</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>34.62</td>
<td>3</td>
<td>32.46</td>
<td>32.74</td>
<td>0.00</td>
</tr>
<tr>
<td>1</td>
<td>Residual</td>
<td>63.34</td>
<td>81</td>
<td>0.520</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Total</td>
<td>97.96</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Competitive advantage  
b. Predictors :( Constant), Threat from new Entrants.
Table 4.12: Regression coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>SE</td>
<td>Beta</td>
<td>B</td>
</tr>
<tr>
<td>Threat from new</td>
<td>30.20133</td>
<td>1.63400</td>
<td>30.20133</td>
<td>7.77</td>
</tr>
<tr>
<td>Entrainers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>constant</td>
<td>401.25</td>
<td>152.7752</td>
<td></td>
<td>-2.21</td>
</tr>
</tbody>
</table>

Linear regression was carried out, and the relationship between Competitive advantage and Threat of new entrants is presented in the equation below:

\[ Y = \alpha + \beta_3 X_3 + \varepsilon \]

Where \( Y \) = Competitive advantage, \( \alpha = \text{constant} \), \( \beta_3 = \text{coefficient of the threat of new entrants} \) and \( X_3 \) is the Threat of new Entrants and \( \varepsilon \) the error term.

\[ Y = 401.25 + 30.20133 X_3 + \varepsilon \]

The equation above shows that when threat from new entrants is zero, competitive advantage increased by 401.25 and when threat of new entrants increases by one unit, competitive advantage increases by 30.20133, ceteris paribus.

### 4.8 Chapter Summary

This chapter presented the results and findings of the study based on the data collected and analysed in line with the methodology discussed in Chapter Three. From the findings, it was evident that bargaining power of buyers/consumers, intensity of rivalry and threats of new entrants affect the competitiveness of the organization. When the buyers are well informed, they have more bargaining power in return. There exists intense rivalry in the Kenyan flat steel industry hence MRM has to strategize to win in this highly competitive industry. The return on investment and profits are affected by new entrants, and therefore the company assets are optimally utilized to generate earnings within the competitive industry thus posing a huge challenge to new entrants. Chapter five comprises of discussions on the findings, conclusion and recommendations.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary, a discussion on the findings, conclusions of the study, makes recommendations and suggestions for improvement as well as proposals on areas for further research. The conclusion is based on the research objectives of the study while the recommendations were derived from the conclusions and discussion of the findings.

5.2 Summary

The main objective of the study was to establish the Effects of selected Porter’s Five Forces on competitive advantage in the steel industry. Specifically, the study was aimed at establishing the effect of 1) bargaining power of buyers/consumers; 2) competitive rivalry; and 3) threat of new entrants on competitive advantage in the steel industry in Kenya. A review of relevant literature was done to elaborate the theories relating to competition, particularly the Five Porter’s Forces in the flat steel industry. The theories help to show direction on how the research was to be carried out. A review on competitive advantage, structural analysis of industries, the Porter’s five forces framework of competitive analysis, bargaining power of consumers and threat of new market entrants were covered in detail. Subsequently, a cross sectional survey was carried out with the target population of interest being the management employees of MRM. A sample of 81 out of 91 managers responded by answering questionnaires and their responses were collated, with resultant data being analysed using descriptive statistics.

On the first objective, the findings revealed that the bargaining power of buyers/consumers affects the competitiveness of an organization and that favourable and attractive product prices create value to the customers who purchase an organization’s products thus helping an organization deliver consistent profits. The positive relationship between bargaining power of buyers/consumers and competitive advantage was affirmed with a beta value of . The study also found out that the profits earned by buyers of the organization’s brands pose a risk on the organization’s business development and continuity and that the buyers might not be an organization’s long-term business partners in business after all. It was further established that the bargaining power of MRM’s buyers influences consumers purchasing decisions thus affecting return on investment.
positively or negatively. The study found out that when buyer bargaining leverage is obtained when the buyer is fully informed about demand, supplier strategic plans, actual market potential and trends in the Kenyan flat-steel industry.

On intensity of rivalry, it emerged that the intensity of rivalry amongst the players in the steel industry in Kenya affects the competitive advantage of companies within the industry. In addition, product differentiation creates value to customers and consumers thus making an organization a winner in this highly competitive industry. According to the study, being a market leader empowers an organization to play a co-ordinative price-leadership role in the industry. It was also a finding of the study that competition in terms of pricing among rival firms tends to be unstable and impacts negatively on profitability as firms charge rock-bottom prices in an endeavour to out-do competition.

Finally, the findings revealed that the entry of new players in the steel industry has affected MRM’s pricing strategy for its brands. Respondents were in consensus that MRM is continuously investing in its products in order to foster customer loyalty and fight off competition. It emerged that MRM has commissioned a new colour-coating line (CCL) with a view to enhance quality of its products and differentiate them from competition. Furthermore, inspite of the stiff competition in the flat-steel industry in Kenya, it is still very attractive for long-term profitability hence the entry of new players.

It was established that due to the entry of new players in the industry, the return on investment and indeed profitability have been affected. However, MRM’s assets are optimally utilized in order to generate earnings within the competitive industry thus posing a huge challenge to the new entrants. Being a market leader and having been in the industry for over fifty (50) years, MRM’s share value and profitability exceed that of other industry players in the same segment thus making the industry attractive to new entrants.

In a free market, firms do employ various strategies (beyond the generic ones) to enable them survive. Adoption of improved technology, price wars, distribution channel improvement, sales promotions, free delivery services, product diversification, discounts, training of artisans, and credit sales terms are amongst the strategies proposed by the respondents for taming competition, increasing sales volumes and profitability.
5.3 Discussion

5.3.1 Bargaining Power of Buyers and Competitive Advantage

The findings showed that innovation through technological development has an impact on the quality of products sold to buyers and a positive impact on return on assets, favorable/attractive product prices create value to the customers who purchase the organizations products delivering persistent profits and that when the buyer is fully informed about demand, supplier strategic plans, and actual market potential and trends, this would lead to the buyer greater bargaining leverage. While correlation analysis showed a positive relationship between bargaining power of buyers and competitive advantage, regression results showed that increased bargaining power reduces competitive advantage of the firm. These findings are in tandem with Pearce and Robinson (1993), whose works indicate that buyer power is particularly high where they purchase in large volumes, are not fragmented, encounter low switching costs and face highly fragmented suppliers. The bargaining power of buyers is evident where the buyers of goods and services team up to drive down the industry prices, call for higher quality and play off the competing suppliers against each other (Porter, 1980). Such an act drives down the industry’s profitability, hence confirming the regression results.

The study established that bargaining power of buyers affects competitive advantage of firms in the flat-steel segment of the industry. The study found that innovation through technological development impacts the quality of products sold through buyers and has a positive impact on return on assets, favorable/attractive product prices create value to the customers who purchase the organizations products delivering persistent profits and that when the buyer is fully informed about demand, supplier strategic plans, and actual market potential and trends, this would lead to the buyer greater bargaining leverage. Bargaining power of consumers and competitive advantage of the company were found to have a positive correlation.

Prior studies have also established findings which are concurrent with those of this study. (Dobson, Clarke, Davies, & Waterson, 2000) investigated the buyer power and its impact on competition in the food retail distribution sector of the European Union. While most European countries have experienced considerable changes in the food retail sector, there are substantial differences in the structure across different countries resulting into
different policy issues. Countries like the UK have a handful of integrated store groups which control most of the market and as a consequence both the buying and selling side of the market tends to be concentrated. However, in other countries, buyer groups representing independent retailers (as are prevalent with the consequence that at the national level the buyer-side of the market is more concentrated than the seller-side.

Porter (1980) argued that purchasers of commodities and services from an industry are powerful if they are more concentrated than the players in the industry and are consequently able to force down prices and erode the industry’s margin. They have capacity to purchase goods in large volumes thus forcing down prices in an industry, or lead to increased costs through demand for higher quality products and services. Buyers can pose a threat of backward integration since large group of buyers can acquire the supply source. Buyers acquire the incentive to be powerful when purchases from the industry represent a significant proportion of their total costs. In the flat-steel industry in Kenya, most buyers (distributors) tend to be powerful since their purchases form a significant proportion of a company’s output. Consequently, when buyers are not able to pass on cost increases or absorb them due to low profit margins, they will earn low margins and are price sensitive. The prevalence of low profit margins will tend to raise the buyer group’s price-sensitivity where buyer groups become more concentrated. While the bargaining power of buyers varies significantly within the industry, depending upon a target buyer group, this factor may become acute in a situation of oversupply or where buyers of goods are concentrated (Hill & Jones, 2007).

Kohler and Rammer (2012) similarly carried out a study on the buyer power and suppliers’ incentives to innovate. To this end, they established that given that contracting between the supplier and the buyer leads to joint profit, the split of the profit then depends on the bargaining position of each contracting party. The strength of the bargaining position and hence bargaining power of a party is determined by the profits to be realized when the contract is made with an alternative supplier or buyer. The higher such outside-option payoffs are in relation to the counterpart’s outside-option payoffs, the stronger the bargaining position of the respective contractor. According to this approach, buyer power results from the fact that more valuable outside options are at the disposal of the buyer thereby allowing the buyer to extract a larger share of joint profits from the partnership.
From the study, it emerged that the organizations’ world class products attract and retain customers resulting in a high return on equity and market share growth over the years. Powerful customers like distributors can force down prices, demand higher quality or more service (thereby driving up costs), and play competitors off against each other—all at the expense of industry profits. As with suppliers, groups of customers may differ in their bargaining power vis-a-vis manufacturers. The consumer power is low when the switching costs from one product to another are minimal (Tharnujan & Seneviratne, 2009). Apparently, an increase in competition comes with a correlative increase in the bargaining power of the buyers. Buyers are therefore empowered to the extent that they can threaten an industry by forcing down prices, bargaining for higher quality or more services, and playing competitors against each other which has the ultimate effect of reducing profitability. Generally, when buyer power is strong, the relationship of such a buyer with the producing industry is akin to what economists term a monopsony - a market in which there are many suppliers and one buyer. Under such market conditions, it is the buyer who sets the price. According to Pearce and Robinson (1993), buyer power is particularly high where they purchase in large volumes, are not fragmented, encounter low switching costs and face highly fragmented suppliers. The bargaining power of buyers is seen where the buyers of goods and services team up to drive down the industry prices, call for higher quality and play off the competing suppliers against each other (Porter, 1980). Such an act has the effect of driving down the industry’s profitability.

5.3.2 Intensity of Rivalry and Competitive Advantage

According to findings of this study, organizations sacrifice immediate profitability due to high strategic stakes in an expansionary vision and willingness to gain success within the industry, price competition among rivalry firms is unstable and impacts the industry negatively from the perspective of profitability, organizations being driven by a competitive position that cuts across the steel industry and one that cannot be replicated by competitors and a particular competitive advantage over rivals in one aspect of competition may help the firm better serve the customer in that particular aspect. It cannot be gainsaid that to achieve superior performance, especially persistent superior performance, a firm often needs multiple competitive advantages. The study confirmed that there exists a positive relationship between rivalry among established firms and competitive advantage.
There exists a similarity between the findings of this study and those of Shin (2001) in their study to determine the attractiveness of tea industry (producers/gardeners) in Bangladesh based on the well-known Porter’s Five Forces Model of Industry Analysis. From our study, there is immense rivalry between the existing firms in the flat-steel industry due to the number of competitors. There is intense rivalry between firms in the case of substitute products with like Pepsi cola and Coca-Cola, and by fact that the exit barriers are high. From the study, being a market leader empowers organizations to play a coordinative role in the industry of price leadership, organizations sacrifice immediate profitability due to high strategic stakes in an expansionary vision and willingness to gain success within the industry, price competition among rivalry firms is unstable and impacts the industry negatively from the perspective of profitability. According to Bateman and Snell (2004) the intensity of rivalry among firms varies across industries. If rivalry among firms in a specific industry is low, that industry is considered to be disciplined with its discipline resulting from the industry's history of competition, the role of a leading firm, or informal compliance with a generally understood code of conduct. These findings are in line with those of Zhe and Sun (2011) who have explained that the competitive rivalry is varied because of the diversification of the origins, objectives, costs and strategies. Arguably, that intensity of rivalry is dependent on number and size of direct competitors as equally balanced competitors may lead to intense competition since business growth sought is greater than rate of growth of the specific industry.

Incidentally, when product differentiation and switching costs are low, the rivalry for market share tends to get intense. Mostly, exit barriers are attributable to economic, strategic and economic factors which have capacity to retain competitors in an industry. Companies and industries may have different goals, strategies and an overlap in target customers despite low or negative profitability and diversity. As indicated by the findings of this study, organizations give up quick gainfulness because of high key stakes in an expansionary vision and eagerness to pick up progress inside the business, value rivalry among contention firms is shaky and impacts the business adversely from the point of view of benefit, associations being driven by a focused position that cuts over the refreshment business and one that cannot be recreated by contenders and a specific upper hand over adversaries in a single part of rivalry may help the firm better serve the client in that specific perspective. To accomplish unrivaled execution, particularly industrious predominant execution, a firm regularly needs multiple competitive advantages.
From the study, being a market pioneer enables associations to assume a coordinative part in the business of value initiative, associations relinquish prompt benefit because of high vital stakes in an expansionary vision and eagerness to pick up progress inside the business, value rivalry among contention firms is unsteady and effects the business contrarily from the point of view of gainfulness. The force of contention among firms changes crosswise over enterprises, and key experts are occupied with these distinctions (Bateman & Snell, 2004). In the event that contention among firms in an industry is low, the industry is thought to be disciplined because of the business' history of rivalry, the part of a main firm, or casual consistence with a generally-understood set of principles. Regression results demonstrate that, expanded rivalry in the steel industry increases competitive advantage. The competition for piece of the overall industry winds up noticeably extraordinary when product differentiation and switching costs are low in an industry. Exit barriers occur because of monetary, vital and financial variables which hold rivals in an industry. Regardless of low or negative productivity and assorted variety, organizations and businesses may have diverse sources, objectives and techniques and an overlap in target clients. Intensity of Rivalry in flat steel industry is somehow beneficial, such that if competitive rivalry in flat steel industry increases, it increases competitive advantage since a firm would always lay down strategies to curb competition. Since Competitive rivalry depends on technology and knowledge, development of rivalry depends on time and the number of competitors in flat steel industry.

5.3.3 Threat of New Entrants and Competitive Advantage

From the regression results of the study, it is evident that there exists a positive relationship between threat from new entrants and competitive advantage, since increase in the number of new entrants increases competitive advantage due to institutional strategies to reduce competition. Since there is a positive effect of threat of new entrants to competitive advantage, competitive advantage increases due to an increase in intensity of rivalry attributed to threat from new entrants into flat steel industry. New entrants venture into an industry due to a high return to investment, and therefore, an existing firm should have a higher competitive advantage to withstand the power of such new entrants. With time, new entrants venture into new market and come up with new techniques, knowledge and skills which increases competitiveness in flat steel industry. An existing firm with research and development department always has a competitive advantage over
new entrants as this helps them keep stay ahead of competition with new or improved products. This study was able to establish that when threat of new entrants increases, competitive advantage increases.

The likelihood that new firms may enter an industry influences rivalry. As indicated by the discoveries of the study, firms in the steel industry have utilized cost and item differential in this way prompting expanded rivalry. There exists a connection between hindrances of entry and competitive advantage of firms in the Kenyan steel industry. The discoveries of this study are in line with those of Zhe & Sun who proposed that if the newcomers need to enter into an industry, they require a monetary venture to contend with the set up firms. New participants to an industry convey new limit and a want to pick up piece of the pie thus putting weight on costs and the rate of speculation important to contend. There are different types of restrictions including however not constrained to national norms, permit necessities, security controls, and impediment on access to crude material.

From the findings of the study, it is apparent that the hierarchical resources, when ideally used to create income inside the focused business, represent a colossal test to new contestants and that the arrival on venture and without a doubt gainfulness are influenced by new participants into the flat-steel industry. As per Wheelen and Hunger (2006) the aggregate quality of the powers decides a definitive benefit potential in the business where benefit potential is measured as far as long-run return on contributed capital. From the discoveries of the study, MRM's share value surpasses that of other industry players in a similar fragment along these lines making the industry appealing to new participants. If entry barriers are high or the new-comer anticipates a sharp retaliation from established competitors, threat of entry becomes low. The organizational assets when optimally utilized to generate earnings within the competitive industry pose a huge challenge to new entrants in the steel industry which remains attractive for long-term profitability to lure new entrants and the return on investment and indeed profitability. Further, according to Wheelen and Hunger (2006) the collective strength of the forces determines the ultimate profit potential in the industry where profit potential is measured in terms of long-run return on invested capital.
It was also a finding of the study that the organization’s share value exceeds that of other industry players in the same segment and thus making it attractive to new entrants, organization putting enough investment behind its products vis a vis the new entrants to foster, customer loyalty and new entrants affect the pricing strategy of the organizations’ brands. In theory, any firm should be able to enter and exit a market, and if free entry and exit exists, then profits always should be nominal. In reality, however, industries possess characteristics that protect the high profit levels of firms in the market and inhibit additional rivals from entering the market. From a strategic perspective, barriers can be created or exploited to enhance a firm's competitive advantage.

5.4 Conclusions of the Study

As per the findings of the study, bargaining power of customers, intensity of competitive rivalry and threat of new entrants do influence the competitive advantage of firms in the steel industry in Kenya. Moreover, the competitive forces determine the intensity of competition and hence the profitability and attractiveness of the industry. Therefore, information derived from an analysis of the selected Porter’s Five Forces helps management decide how to influence or exploit particular characteristics of their industry.

5.4.1 Bargaining Power of Buyers and Competitive Advantage

This study concludes that the bargaining power of buyers in the steel industry affects MRM’s competitiveness. This is because buyers have the capacity to threaten an industry by forcing down prices, bargaining for higher quality or more services, and playing competitors against each other. According to the findings of the study, innovation through technological development impacts the quality of products sold and return on assets, favorable/attractive product prices create value to the customers who purchase the organization’s products thus delivering persistent profits. Moreover, profits earned by buyers of the organization’s brands pose a risk on their business development and continuity whether the buyers’ are long-term partners in business. Competitive advantage of a firm may be reduced by increasing bargaining power of consumers.

5.4.2 Intensity of Rivalry and Competitive Advantage

The study concludes that to strategize and win in this highly competitive industry, MRM is driven by a competitive position that cuts across the flat-steel roofing industry and one that cannot be replicated by competitors. The company also uses product differentiation
to create value to its customers while also exploiting its position as a market leader to enable it play a co-ordinative role in price leadership in the industry. Since increase in rivalry increases competitive advantage, Rivalry in flat steel industry may be increased to in order for Competitive advantage to increase in the industry.

5.4.3 Threat of New Entrants and Competitive Advantage

The study concludes that the threat of new entrants is also applicable to firms in the steel industry in Kenya largely due to the presence of various competing firms. Further, optimal utilization of organizational assets towards generation of earnings within the competitive industry and the flat-steel industry is attractive for long-term profitability to lure new entrants. In this study, the fact that MRM’s share value exceeds that of other industry players in the same segment makes the industry attractive to new entrants. Consequently, the return on investment and indeed profitability are affected by new entrants into the Kenyan flat-steel industry. In order to increase competitive advantage of MRM, number new entrants into flat steel industry may be increased through government policy and incentives.

5.5 Recommendations

5.5.1 Bargaining Power of Buyers and Competitive Advantage

While appreciating the role played by buyers in moving products in the value chain, this study recommends that firms in the steel industry in Kenya ought to create competitive advantage through innovation as a result of technological development which impacts on the quality of products sold and has a positive impact on return on assets, favorable/attractive product prices create value to the customers who purchase the organizations products delivering persistent profits. Competitive advantage can be increased by engaging in strategies that have the effect of reducing bargaining power of consumers.

5.5.2 Intensity of Rivalry and Competitive Advantage

This study recommends that firms in the steel industry in Kenya ought to differentiate their products so much so that they cannot be easily replicated by competitors. Firms also have to keep up with new technology in order to keep improving the products offered at
competitive prices. Firms should encourage and allow rivalry in the steel industry in order to increase competitive advantage.

5.5.3 Threat of New Entrants and Competitive Advantage

Due to the ever-increasing number of competitors in the flat-steel industry, the study recommends that firms should diversify their products more and customize their products in a way that suits and retains the already existing customers as well as increase quality, efficiency and effectiveness in product delivery. Threats from new entrants should increase in order for competitive advantage in the steel industry to increase.

5.6 Recommendations for policy and practice

The study recommends that MRM should consider using various strategies to curb competition and rivalry since MRM is a market leader, competition is inevitable and that increased competition increases competitive advantage of MRM. Since new entrants into steel industry are attracted by high return to investment, strategies like pricing, marketing and innovation should be strengthened in order for MRM to remain a market leader and remain competitive in flat steel industry since increased rivalry increases competitive advantage.

5.7 Suggestions for Further Research

The objective of the study was to investigate the Effects of selected Porter’s Five Forces on Competitive Advantage in the steel Industry where the focus was on MRM. We recommend that a study be conducted to establish whether findings from this study are applicable to other industries. Additionally, the study suggests that detailed research could be done to ascertain the effect of all the Five Forces as opposed to selected Porter’s Five Forces in a package, as were the case in this study. Further, a study could also be conducted on individual players within each force such as the effect of threat of new entrants, bargaining power of suppliers, bargaining power of buyers, intensity of rivalry, threat of substitutes and government policies on performance of companies within and outside the industry.
REFERENCES


APPENDICES

Appendix I: Questionnaire

I am a graduate student in United States International University Pursuing a Master of Business Administration. As part of the requirement for graduation, I am undertaking a research Study on "Effects of Selected Porter’s Five Forces on Competitive Advantage in the Flat-Steel Industry: A Case of Mabati Rolling Mills Limited". To this end, I am kindly requesting for your support in terms of time, and by responding to the attached questionnaire. I will appreciate your accuracy and candid response to ensure objective research.

Kindly answer all the questions either by ticking in the boxes or writing in the spaces provided.

PART I (A): COMPANY INFORMATION (Please tick as applicable)

1. Status of the Company
   - Public Limited Company
   - Private Limited Company
   - Public Sector
   - Private Venture or Sole Proprietorship

2. Business Category
   - Manufacturing Company
   - Fast Moving Consumer Goods
   - Importer

3. How many years has the Company been in Operation in the Kenyan Flat Steel Industry?
   - 0 – 5 Years
   - 6 – 10 years
   - 10 years and over

4. What is the organization’s market position in the Flat Steel Industry in Kenya?
   - Market Leader
   - Market Follower
   - Market challenger
   - A Niche
5. What is your annual Revenue?

- 10B KES and above
- 1B KES to 9B KES
- Below 1B KES
- I do not know

PART I (B): RESPONDENT'S PROFILE

1. What is your current position in the organization?

- Senior Manager
- Middle Level Manager

2. Age

- Under 25 years
- 26 – 35 years
- 36 – 45 years
- Over 46 years

3. Gender

- Female
- Male

4. Nationality (Please Indicate)

- Local (Kenyan)
- Regional (African)
- International

5. What is your highest educational level?

- Secondary School
- College
- University
- Post Graduate

6. How many years of work experience do you have?

- Under 5 years
- 6 – 10 years
- 11 – 15 years
- Over 16 years
7. How long have you worked in this organization?
   - Under 5 years
   - 6 – 10 years
   - 11 – 15 years
   - Over 16 years

8. Are there many competitors in the flat steel roofing industry?
   Yes ☐ No ☐
   If yes name them

________________________________________________________________________
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9. How long have you worked in your current role?
   - Under 5 years
   - 6 – 10 years
   - 11 – 15 years
   - Over 16 years

PART II: BARGAINING POWER OF BUYERS

Please tick the box corresponding to your personal opinion for each statement. Use the following guide to respond to the questions below:

**Strongly agree – 5; Agree – 4; Neutral – 3; Disagree – 2; Strongly Disagree – 1**

11. In your view does the bargaining power of consumers affect the competitiveness of your organization?

   Yes ☐ No ☐

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<tr>
<td>i) Favourable/attractive product prices create value to the customers who purchase the organizations product’s delivering persistent profits.</td>
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<td>ii) The profits earned by buyers of your organization’s brands pose a risk on their business development and continuity.</td>
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<td>iii) Buyers of your organization’s brands are long-term</td>
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<td>iv) The bargaining power of your buyers influence consumers’ purchasing decisions.</td>
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<td>v) The bargaining power of buyers affect your organization’s return on investment positively or negatively.</td>
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<td>vi) Innovation through technological development impacts the quality of products sold through buyers.</td>
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<td>vii) Innovation has a positive impact on the return on assets of your organization.</td>
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<td>viii) The organization’s world class products attract and retain customers and have resulted in a high return on equity and market share growth over the last 3 years.</td>
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<td>ix) When the buyer is fully informed about demand, supplier strategic plans, actual market potential and trends, this gives the buyer greater bargaining leverage.</td>
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**Additional Comments:**

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**PART III: INTENSITY OF RIVALRY**

Please tick the box corresponding to your personal opinion for each statement. Use the following guide to respond to the questions below:

**Strongly agree – 5; Agree – 4; Neutral – 3; Disagree – 2; Strongly Disagree – 1**

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<tr>
<td>i) To strategize and win in this highly competitive industry, your organization uses product differentiation to create value to your customers and consumers.</td>
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<td>ii) Being a market leader empowers your organization to play a coordinative role in the industry of price leadership.</td>
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### PART IV: THREAT OF NEW ENTRANTS

Please tick the box corresponding to your personal opinion for each statement. Use the following guide to respond to the questions below:

**Strongly agree – 5; Agree – 4; Neutral – 3; Disagree – 2; Strongly Disagree - 1**

12. Which strategies used by flat steel roofing industry have increased competition in the industry?

<table>
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<tr>
<th>iii) Price competition among rival firms is unstable and impacts the industry negatively from the perspective of profitability.</th>
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<tbody>
<tr>
<td>iv) High exit barriers are economic, strategic and emotional factors that keep companies competing in businesses even though they may be earning low or even negative returns on investment.</td>
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<tr>
<td>v) Intensity of rivalry in your organization’s industry leads to stiff competition.</td>
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<td>vi) Your organization sacrifices immediate profitability due to high strategic stakes in an expansionary vision and willingness to gain success within the industry.</td>
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<td>vii) Your organization’s competitive position cannot be replicated by competitors.</td>
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<tr>
<td>viii) Your organization is driven by a competitive position that cuts across the flat steel roofing industry and one that cannot be replicated by competitors.</td>
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**Additional Comments:**

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13. To what extent do you agree with the following statements in relation to the level of competitive rivalry in the flat steel roofing industry?

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<tr>
<td>i) Entry of new players has affected your organization’s pricing strategy for its brands.</td>
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<td>ii) Your organization is putting enough investment behind its products vis a vis the new entrants to foster, customer loyalty and fight competition.</td>
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<td>iii) The flat sheet industry is attractive for long-term profitability to lure new entrants.</td>
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<td>iv) The return on investment and indeed profitability are affected by new entrants into the flat steel roofing industry.</td>
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<td>v) New entrants have clipped your organization’s market share</td>
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<td>vi) The company has right strategies in place to ward off competition posed by new entrants.</td>
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<td>vii) The company’s assets are optimally utilized to generate earnings within the competitive industry thus posing a huge challenge to new entrants.</td>
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<td>viii) The company’s share value exceeds that of other industry players in the same segment and thus attractive to new entrants.</td>
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Additional Comments:

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PART V: COMPETITIVE ADVANTAGE

Please tick the box corresponding to your personal opinion for each statement. Use the following guide to respond to the questions below:

Strongly agree – 5; Agree – 4; Neutral – 3; Disagree – 2; Strongly Disagree - 1

14. What are the major factors that contribute to competitive advantage to your organization?

13. What are the major factors that hinder competitive advantage in your organization?

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<tr>
<td>i) There is a relationship between organization resources strength and competitive advantage.</td>
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<td>ii) There exist competent people at all levels of the organization.</td>
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<td>iii) Strategic implementation of resources and capabilities will give the firm competitive advantage.</td>
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<td>iv) Resources in your organization exhibit rareness, are imitable and non-substitutable.</td>
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<td>v) The organizational capabilities dictate the strength execution process in your organization.</td>
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<td>vi) Your organization has maintained the flexibility to adapt goals based on environmental change.</td>
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<td>vii) Product sense of quality in your company has offered the company a competitive advantage.</td>
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<td>viii) Your organization uses continuous improvement and innovation as a tool of gaining competitive advantage.</td>
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<td>ix) There is a relationship between organizational capabilities and competitive advantage.</td>
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<td>x) Building resource strength and organizational capabilities are key to achieving competitive advantage.</td>
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<td>xi) Competitive advantage has led your organization to acquire large market share.</td>
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<td>xii) Your organization has become more profitable as a result of competitive advantage.</td>
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Additional Comments:

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Thank You

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