IMPACT OF INDUSTRY ENVIRONMENTAL FACTORS ON THE PERFORMANCE OF SECURITY FIRMS IN NAIROBI COUNTY

BY

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UNITED STATES INTERNATIONAL UNIVERSITY – AFRICA

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

UNITED STATES INTERNATIONAL UNIVERSITY – AFRICA

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STUDENT’S DECLARATION

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

Signed: __________________________  Date: __________________________

Gitonga Anne Wamuyu Thambu (ID: 644880)

This project has been presented for examination with my approval as the appointed supervisor.

Signed: __________________________  Date: __________________________

Dr. Joyce W. Ndegwa

Signed: __________________________  Date: __________________________

Dean, School of Business
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ABSTRACT

The general objective of this study was to establish the impact of the industry environmental factors on the performance of the private security firms. This study was conducted based on the following research objectives; to determine the impact of new entrants on performance of the private security firms, to determine the impact of buyers bargaining power on the performance of the private security firms and to determine the impact of rivalry among competitors on the performance of private security firms.

This study adopted a descriptive research design in integrating the component of the study. A population of 135 managers working in private security firms were targeted yielding a sample of 101 managers. Stratified random sampling technique was adopted. A structured questionnaire was used to collect the primary data. Data was analyzed using both inferential and descriptive statistics. Inferential statistics included correlation and regression while descriptive statistics included means and standard deviation. The findings were presented using figures and tables.

The first research objective sought to determine the impact of new entrants on performance of the private security firms. The study found that there exists a significant correlation between new entrants and performance. This study established that new entrants accounts for 75.8% in variability for performance and was statistically significant.

The second research objective sought to determine the impact of buyers bargaining power on performance of private security firms. The study revealed that there is a significant relationship between buyers bargaining power and performance. The study also revealed that buyers bargaining power accounts for 36% in variability for performance and was statistically significant.

The third research objective sought to determine the impact of rivalry among competitors on performance. The findings have revealed that there is a relationship between rivalry among competitors and performance. The study revealed that rivalry among competitors accounts for 19% in variability for performance and was statistically significant.
This study concludes that there is a significant relationship between new entrants and performance of the organization. New entrants influence organization performance in a sense that innovation and creativity in the company is enhanced to address the threats of new entrants. This study concludes that buyers bargaining power has a significant and positive relationship with performance. This study concludes that buyers bargaining power influences the quality of products and services offered by the organization in their endeavour to address the customer needs efficiently and effectively.

This study concludes that rivalry among competitors influences performance in the industry. This study concludes that rivalry among competitors is essential for increased productivity, it encourages firms to differentiate their products and services and embrace innovation and technology to be sustainable and keep ahead of competition.

This study recommends that private security firms should constantly keep track of new entrants into the market who may pose threats. The companies should improve their value preposition to customers, they should leverage their capacity to build economies of scale to keep new entrants at bay. This study recommends that private security firms should develop superior products and services with inbuilt switching costs to enhance customer retention. This study recommends that private security firms should keep up with dynamic customer needs as well as emerging trends in the market to effectively compete in a dynamic and complex business environment. This study recommends that private security firms should be innovative and adopt technology to achieve a sustainable competitive advantage. This study was limited to three industry variables that is threats of new entrants, buyer’s bargaining power and rivalry among competitors. Future studies should investigate the effect of other industry variables such as threats of substitutes and bargaining power of suppliers in relation to performances.
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DEDICATION

I dedicate this thesis to my husband Eustace Gitonga the rock from which I draw strength and inspiration, my daughters Ngima and Nyaruai my greatest fans and critiques. My late father Samuel Thambu and my mother Beatrice Thambu, my brothers and sisters and the extended family.
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

The modern theories of organization view businesses as open systems that interact with the environment (Kreitner, 2011). Business environment refers to those aspects of the surroundings of a firm, which affects or influence its operations and determine its effectiveness. The nature of the business environment is complex it consists of a number of factors, events, conditions arising from different sources which impact business thus making it complex. Environmental Factors that affect business such as political, economic, legal, competition and technological changes are interdependent. Business environment is dynamic keeps changing in terms of technological improvements, government regulations, economic conditions and competition to name a few. The environment is uncertain, it is not possible to predict the future occurrences (Kreitner, 2011).

In organization theory, the study of the relationship between the environment and organizations can be classified into two main categories: task environment and institutional environment perspectives. From the task environment perspective, the environment is considered either as an information source, which results in the problem of uncertainty about external conditions or as a stock of resources, which raises the issue of dependence on the environment for critical resources. Organizations are motivated by economic efficiency considerations. From the institutional perspective, the environment is constituted by taken-for-granted social and cultural meaning systems, or norms which act as unwritten rules of proper social conduct to which organizations must adhere. The organization’s performance is judged by how well it enacts and upholds environmental norms (Cao & Pederzoli, 2013).

Most firms face external environments that are highly turbulent, complex and global conditions that make interpreting those environments difficult. To thrive in the environment firms’, need to continuously scan the environment to identify the opportunities and threats emerging (Ireland, Hoskisson, & Hitt, 2013). The fast-paced external environmental changes are a source of huge challenge to businesses. These changes challenge strategic planning and the business model which are at the core of business survival. Business plan ahead, extrapolate, forecast to position themselves in
tomorrow’s business world. The challenge of the current times is the unpredictable discontinuities. Organizations operating in turbulent environments must continuously keep monitoring the changing environmental conditions and put in place strategies to match the turbulent environment. Increased environmental turbulence is caused by factors in any of the environmental tiers, for example heightened competition changes in customer preferences accelerated technological advancements fundamental changes in economic systems, changes in business–government relations and corporate–social relations. The key challenge to organizations in recent times is assuring competitiveness and profitability in the turbulent environment (Hajela, 2013).

Early conceptualizations of uncertainty go back to pioneering management scholars such as Knight (1921) and March and Simon (1958), they argued that the business environment of the firm is inherently unstable and this instability creates uncertainty for rationally bounded managers who are not able to fully collect, process, and comprehend information about changes and new events. More specifically, ‘environmental uncertainty’ arises when managers lack accurate information about organisations, activities, and events in their external environment; namely, when they are not confident that they can predict what the major changes are or will be. Studies have identified three types of uncertainty that act together to determine the overall uncertainty faced by strategic decision-makers. The first is ‘state’ uncertainty and refers to the inability to understand how the components of the environment might change for example in the case of the automotive industry, the driver of change is ecological concerns by public policy-makers in Europe, will new laws be enacted in the next ten years? If so, how strict will these be? (Hajela, 2013).

Hajela (2013) further adds that the second effect of environmental uncertainty is the managers’ inability to predict what the consequences of drivers of change will be on their organisations for example the managers cannot predict which customers will switch from a traditional product fuel-based car to an innovative hybrid car. Finally, ‘response’ uncertainty is associated with attempts to understand what response options are available to the organisation and what the value or utility of each option might be. Regarding the classification of the various components of the external environment that bring about uncertainty, scholars posit that there is a distinction between ‘general’ and ‘task’ environments. The latter one is made up of elements and sectors with which the firm has direct contact and that directly affect business strategy, day-to-day operations, and goal
attainment. According to the organisation theory, the task environment has been initially defined to include the sectors of competitors, suppliers, customers, and regulatory bodies. The strategic management theory expands the concept of task environment by defining the broader concept of business micro environment, which identifies the key forces that govern competition in an industry. These forces are competitors, customers, suppliers, potential incomers, substitute products, and providers of complementary products (Mintzberg, Ahlstrand, & Lampel, 2009).

Studies carried out in Brazil’s manufacturing industry to assess the organizational task environment construct validity, found that the external environment approach to the study of organizations has been gaining in importance since the late 1950s, when the ideas of systems theory introduced the environment concept. Since then, the environment is accepted as exercising an influence, with an interest in exploring the ways in which this influence functions within organizations (Bataglia, Silva, & Porto, 2013).

Ireland, Hoskisson and Hitt (2013) argues that all firms regardless of the industry they operate in the external environment presents opportunities and threats and thus influences the firm’s strategy as it seeks competitiveness and above average returns. The dimensions of the environment include munificence, complexity and dynamism. Environmental munificence is the scarcity or abundance of critical resources by one or more firms operating within the environment. Complexity of an environment is a result of numerous factors such as economic, political, competition that can impact the performance of the firm and dynamism refers to the rate of change in the environment which ranges from stable to rapid unpredictable. Firms have to continuously scan the environment for opportunities and threats (Ansoff & McDonnell 1990). The macro environment looks at forces surrounding a firm that have the potential to affect the way it operates (Davis and Powell, 2012). The Institute of Chartered Accountants (ICAN) opined that it can be viewed as a set of factors or conditions that are external to the firm but which can influence the operations of the firm.

According to Pearce and Robinson (2013) the business environment is categorized into two. The internal environment which refers to factors within the firm’s control and the external environment these are factors outside the control of the firm. The external environment is divided into two categories the industry and the remote environment. The industry environmental factors include entry barriers, supplier power, buyer power,
substitutes availability and competitive rivalry. The remote environment is composed of Economic, Social, political, technological, legal and government regulation and ecological factors. The external business environment is classified as being stable when it does not show any changes, unstable when it shows relative changes and dynamic when it shows changes continuously. Studies have indicated changes in the value of financial assets to be responsive to macroeconomic factors (Sadiq & Bala, 2015).

Pearce and Robinson (2013) posit that the economic factors are concerned with the nature and the direction of the economy in which the firm operates in. A growing economy is conducive for doing business although sectors within the economy grow at different levels but generally a growing economy means firms will thrive while a contracting economy results in businesses struggling to remain afloat. The businesses must consider the availability of credit, level of disposable incomes and the propensity of people to spend.

Pearce and Robinson (2013) describes technological environmental factors as technological change. For a firm to succeed in the modern times must keep abreast with the ever-changing technology. Creative technological adaptations can open a world of possibilities from new products, new services to superior service delivery. Social factors that impact the firm include the beliefs, values, attitudes, opinions and lifestyles of the persons in the firm’s external environment as developed from the cultural, ecological, demographic, religious, educational and ethnic backgrounds. As social attitudes change so does the demand of various products and services. Like other forces in the remote environment, social forces are dynamic with constant change resulting in changing tastes and preferences of consumers (Pearce & Robinson 2013).

According to Pearce and Robinson (2013) ecological factors are the most prominent in the remote environment. There exists a reciprocal relationship between the business and the ecology. The authors explain that ecology refers to the relationships among human beings and other living things and the air, soil and water that supports them. The firm is required to look after their surroundings not to pollute the air, soil or the water for sustainability. The future is eco-efficiency firms that produce goods efficiently, reduce pollution and conserve the environment they will gain a competitive advantage over those that are not eco-efficient.
Pearce and Robinson (2013) posit that the industry environment is composed of general conditions for competition that influence all businesses that provide similar products and services. Also known as the task environment it was propelled to prominence by Michael Porter in his work that explains the five forces which enables strategic managers to analyse and understand the effects of the industry environment on the firm’s performance. Porter’s framework value is rooted on the forces of competition bathed in the traditional dynamics of economics. Acceptance of Porter’s five forces framework is prevalent in the sphere of profit-making organizations.

The state of competition in an industry depends on the five forces. The collective strengths of the forces determine the profitability potential of an industry. The challenge for the firm is to identify a position within the industry where it can favourably influence the five factors or where it can mitigate their influence. The greater the firm’s capacity to mitigate its industry environment the more the likelihood the firm can gain a competitive advantage (Ireland, Hoskisson & Hitt 2013).

Barriers to entry are the conditions a firm must satisfy to enter an industry. Threat of new entrants’ compounds competition in an industry. New entrants in an industry brings new capacity, the desire to gain market share and substantial resources. Companies entering the market from other markets through mergers and acquisition often leverage their resources to cause a shakeup. Studies have shown that industries with high entry barriers are preferable because companies in these industries enjoy higher profit margins than those in industries where the entry barriers are low (Chen, Luo & Li 2014).

Powerful suppliers can exert bargaining power on industry players by raising prices or reducing quality. Powerful suppliers can reduce the profit margins in an industry. The suppliers are powerful if they are few or few dominant ones (Ireland, Hoskisson & Hitt 2013). Buyers in an industry want to buy products at the lowest price possible on the other hand firms seek to maximize returns on their invested capital. Consumers have greater information available to them. The power of the internet aiding in shopping and distribution have increased the bargaining power in many industries (Ireland, Hoskisson, & Hitt, 2013). Threat of substitute products is omnipresent in all businesses. Substitutes are goods or services from a given industry that perform similar or the same functions as a product that the industry produces (Ireland, Hoskisson & Hitt, 2013).
For most industries the intensity of competitive rivalry is the major determinant of the
competitiveness of the industry. Firms within an industry are often heterogeneous in
terms of capacity and resources. Having an understanding of industry rivals is key to
successfully marketing a product. Positioning pertains to how the public perceives a
product or brand and differentiate it from competitors. Some of the dimensions on which
rivalry is based include price, service and innovation (Ireland, Hoskisson & Hitt, 2013).

Studies on external environment and business survival in Nigeria found that even though
the external environmental changes where not as rapid as in the developed countries
especially in technological changes the external environment within which a firm
operates exerts a lot of influence on the organizational goals. The external environment is
forever changing for example the political environment was deemed to be very unstable
in Nigeria thus making planning difficulty, there was continuous change in government
policies with each new regime. This instability was found not conducive to attracting new
businesses and does not promote creativity and innovation. Firms’ need to understand the
environment is paramount if they are to make the right choices for them to survive. It is
by analysing the environment they can identify the opportunities and threats. The
organizations strategy must be geared towards exploiting the opportunities and mitigating
the threats. The study found that majority of the business believed that the external
environment can affect the businesses both positively and negatively, for businesses to
survive they must continuously scan the environment and adapt to the changes in the
environment (Sadiq & Bala, 2015).

Njoroge, Ongeti, Kinuu and Kasomi, (2016) opined that organizations face turbulent and
rapid changing environments that are translated into complex, multifaceted and
interlinked streams of initiatives. This turbulence affects work, organizational designs and
resource allocation thus leading to variations in performance. Delays in availability of
resources, political interference and variations on the economic situations have been
attributed to poor organizational performance even with a perfectly formulated strategy.

Abu-Jarad, Yusof, and Nikbin (2010) studies found that different companies in different
countries tend to emphasize on different objectives, the literature suggests financial
profitability and growth to be the most common measures of organizational performance.
Nash (1993) claimed that profitability is the best indicator to identify whether an
organization is doing things right or not and hence profitability can be used as the primary
measure of organizational success. Furthermore, some scholars pointed profitability as the
most common measure of performance in western companies. Profit margin, return on assets return on equity, and return on sales are considered to be the common measures of financial profitability. However, defining, conceptualizing, and measuring performance has not been an easy task. Researchers among themselves have different opinions and definitions of performance, which remains to be a contentious issue among organizational researchers. The central issue concerns the appropriateness of various approaches to the concept utilization and measurement of organizational performance (Abu-Jarad, Yusof, & Nikbin, 2010).

Abu-Jarad, Yusof, and Nikbin (2010) found that many researchers have different views of performance. For example, according to Javier (2002), performance is equivalent to the famous 3Es (economy, efficiency, and effectiveness) of a certain program or activity. However, according to Daft (2000), organizational performance is the organization’s ability to attain its goals by using resources in an efficient and effective manner. Quite similar to Daft (2000), Richardo (2001) defined organizational performance as the ability of the organization to achieve its goals and objectives. Organizational performance has suffered from not only a definition problem, but also from a conceptual problem. This is what Hefferman and Flood (2000) stated that as a concept in modern management, organizational performance suffered from problems of conceptual clarity in a number of areas. The first was the area of definition while the second was that of measurement.

The term performance was sometimes confused with productivity. According to Ricardo (2001), there was a difference between performance and productivity. Productivity was a ratio depicting the volume of work completed in a given amount of time. Performance was a broader indicator that could include productivity as well as quality, consistency and other factors. In result-oriented evaluation, productivity measures were typically considered (Abu-Jarad, Yusof, & Nikbin, 2010).

Historically the concepts of self-help and self-protection are considered foundational to the concept of law and the assurance of social order. Principles derived under the English law define what is socially justifiably acceptable in terms of private and communal protection of life and property that English law first recognized the right to self-help. To protect property and life a person was entitled to use even deadly force. Self-help and self-protection are historically legal traditions that can be traced to the earliest civilization. An unwritten tenet of democracy places enforcement of the law within the
In the domain of ordinary citizens under the principle of common law any man still possesses wide authority to protect himself, his family and some extent the general peace of the land. The historical foundation of private security can be traced back to the chaos of the medieval times. This led to the establishment of private, self-policing forces. Small villages provided their own citizen police (Nemeth, 2010).

Due to the rising crime rate and the inability of the poorly organized English system of the law enforcement to effectively combat it, private individuals and businesses developed their own means of protection serving as watchmen themselves, later assigning their apprentices and thereafter hiring special guards. In these practices are the visible roots of modern-day private security. Major factors which served as the impetus for the growth of the private security industry included the growth of the commercial sector the strained administrations of public law enforcement agencies and the great westward expansion of America in the 1840s and 1850s. The transportation industry as instrumental in developing the private security industry. Henry Wells and William G. Fargo had established the American Express Company and Wells Fargo in the 1850s as protective service of the commercial transportation of the nineteenth century, railroads were susceptible to criminal activity. Wells Fargo security measures included the use of armed guards, ironclad stage coaches and an expert investigative service (Nemeth, 2010).

The developing complexity of the world market place, the technological evolution of goods and services and the transference of money and other negotiable instruments, served as a catalyst to private security growth. The security guard, the “cop” in the “rent-a-cop” equation, is the object of habitual contempt due to inevitable comparison with the better-screened, trained, and remunerated police officer. Private security guards currently participate in virtually all aspects of policing, but perhaps the most visible move into the public police’s domain are uniformed patrols in residential areas. In Britain, by the mid-1990s, - 2000s such patrols were known to be operating there were at least fourty seven, although the residential market was still reasonably small-scale and locally based. While no reliable numbers are available, residential patrols have been active in the U.S. from at least the early 1990s as well. In Canada, private security has only recently adopted this role (Ojiako, Marshall, & Chipulu, 2016).
In Europe and most of the developed countries police officers outnumber the private security guards. However, the growth of the private security guards is much higher than the police force begging the question if they will outnumber the police in the developed world like they have done in the developing world. The importance of the role of the private security guards is not in question. They are the eyes and ears of crime and are on the frontline in crime prevention. Their role is evolving too as they take up more and more responsibilities that were predominantly performed by the public police force. They are in constant contact with members of the public. They man entry and exit points of commercial properties, they patrol neighbourhoods in marked cars, wear uniform and they are often the first responders to name a few (Nalla, 2015).

In Portugal the crime rate is low. The growth of the private security firms has been slow but steady. After 2011 terrorist attack the growth spiked to 13% from less than 5%. Corporations having what they call in house security guards grew by 60% while guard training institutions grew by 140%. The government passed legislation to regulate the sector in 2013. The state has made it compulsory to use security guards in certain situations such as bars and nightclubs, financial institutions, sporting venues, and commercial establishments with a gross area of over 20,000 square meters. The rapid growth of private security, with its implications for democratic governance, has blurred the distinctions between public and private spaces and conceptions of public and private interests (Nalla, 2015).

Russia is a very unique country that has transformed its economy from state control to a market economy. The country has recorded massive growth in all sectors of its economy. The private security companies have experienced accelerated growth while the police force has experienced reduced funding and downsizing. There is record transformation of the real estate sector and the emergence of gated communities, mega shopping malls and corporate owned amusement parks. These mass private properties are manned by security guards and surveillance equipment. The global threat of terrorism and growing crime rates has increased the demand for private security guards (Nalla, Gurinskya & Rafailovac 2017).

In South Korea, the private security industry has substantially expanded during last few decades to such an extent that there are now more private security officers than police officers as is the case in England and Wales. Similar to other countries, a diversity of
factors was found to have accelerated this expansion. Nevertheless, there have been few studies on private security regulation, occupational culture and legal power (Lee & Kim, 2012). The proliferation of private security firms in Africa is attributed to the inability of the state to provide adequate security to its citizens. This weakness of African states has meant that the state is unable to retain its core security functions. As long as the government security services and the state governments within the country are unable to provide physical security, people will seek out private solutions (Portada, Riley, & Gambone, 2014).

Ojiako, Marshall and Chipulu (2016) posits that technological innovation in the private security industries is two pronged. First it can be driven by the sophistication of criminal gangs or secondly by entrepreneurship. Entrepreneurs innovate and create new technology to meet and exceed consumer expectations. As entrepreneurial posturing also suggests a bias towards technology-driven leadership. Technology is inherently pervasive in nature and the extent of opportunities for innovation it can generate for the enterprise are immense. In addition, providers of security services can nurture their reputation and business cultures through visible speed of movement and passion for embracing and deploying the newest technologies.

Kenya’s private security industry is a vast and powerful force. In its foundation is police power, with origins older than public policing. It is a central player in the protection of the citizenry, business and property. The scope and extent of private security going into the future looks endless. The industry has about a thousand or more operating entities offering diverse services. It directly employs more than 500,000 people, with an estimated annual turnover of more than Sh300 billion. It is omnipresent and provides, in many cases, the first line of policing for industry, business and individuals (Nkaari, 2018).

Almanza, who is the Group Chief Executive Officer, G4S plc in their Annual Report quoted independent studies which indicated that global demand for security was expected to grow at a compound average rate of 7% per annum between 2013 and 2023, reaching $260 billion in annual revenues by 2023. The main drivers of industry growth are diverse and include: the economic environment and GDP growth, infrastructure investment, levels of conflict and crime, customer attitudes to risk and focus on security, customer efficiency and outsourcing objectives, regulation and the regulatory environment;
technological change and innovation, interest rates and the role and policies of central banks influence the cash handling industry (Almanza, 2014).

According to a report by the Swedish business in Kenya team the government has made a substantive push towards strengthening the security sector due to increased security concerns following the recent terror attacks in the country. In their estimate there are between 2000-4000 private security firms operating in Kenya. However, this number is contentious since most of the small companies are not registered. The two rival industry associations Kenya Security Industry Association (KSIA) and Protective Services Industry Association (PSIA) between them have registered only a fraction of the estimated number of security companies in operation. A strengthened public-private partnership is a priority of the vision 2030 to enable the country enhance security in public places (Business Sweden in Kenya, 2017).

The sector is dominated by a few large multinational companies such as G4S and KK security services Kenya which controls 5% and 3% market share respectively. The more established companies are affiliated to KSIA which claims that their members to operate within the law. They adhere to the minimum wage guidelines, train their employees and have a code of conduct. The smaller companies formed the PSIA group, they rejected the minimum wage guideline claiming it was unaffordable and will push them out of business. Another challenge is the proliferation of brief case private security companies which are contributing to saturation in the industry (Abrahamsen & Williams, 2005). The government has not enforced the regulations contained in the Private Security Regulation Act, 2016. This has resulted in high cost of doing business for some firms and disharmony in the sector.

1.2 Problem Statement

Organization theory proponents emphasize that organizations must adapt to their environment if they are to survive (Machuki & Aosa, 2011). According to Bagire and Namada (2013) organizational outcomes are partially predicted by the environmental manifestations. Changes in the external environment may be favorable or unfavorable to organizational outcomes. The security industry is a force to reckon with in any country not just for the social benefits but also for its economic contribution. It is a source of employment for millions of people worldwide. A report by (Eurostat, 2017) shows that the security industry has outperformed other service sectors in the EU. The annual
industry turnover grew by 13.3% between 2005 and 2010 reaching a total of Euro 34.572bn (Krahmann, 2018). Kenya’s private security industry is a vast and powerful economic force. The industry has about a thousand or more operating entities offering diverse services. It directly employs more than 500,000 people, with an estimated annual turnover of more than Sh300 billion. Yet, for such a permeating and powerful force, has hardly had any centrally organized regulation, up until 2016 (Nkaari, 2018).

Kaguru and Ombui (2014) undertook a study on the factors affecting performance of private security firms in Nairobi using a case study of G4S Security Services Limited. Their findings showed that lack of a regulatory framework affected the performance of private security companies to a great extent. A cursory glance at the industry in Kenya projects optimism and some misgivings on some perceived threats in the environment. G4S’ strategy and plan address a positive, long term demand outlook for our core services and seek to deliver sustainable, profitable growth. They are making good progress with the implementation of their strategic plan and this was reflected in the group’s commercial, operational and financial performance in 2014. The group’s performance and prospects are also reflected in the directors’ recommendation to increase the final dividend by 5% (Almanza, 2014).

The Securex group was founded in 1970 has grown their clientele base and employs 6000 employees. They anticipate to increase their performance by delivering value to their customers, partners, providing safe and conducive work environment and being responsible corporate members of the society (Securex, 2019). Scholars posits that one of the important questions in business has been why some organizations succeeded while others failed. Organization performance is the most important issue for every organization be it profit or non-profit one. It is very important for managers to know which key environmental factors influence an organization’s performance in order for them to take appropriate steps to mitigate them (Abu-Jarad, Yusof, & Nikbin, 2010).

One of the threats voiced by members of the industry in Kenya is a saturated industry. New companies looking to enter the industry should expect fierce competition. At the moment the market in the security industry is saturated. The industry players believe that new entrants will have to make massive investment to break into the market (Mulupi, 2019). As a source of uncertainty and constraints, the external environment creates problems for organizations. While some organizations are affected by a large number of
environmental factors, others are directly affected by only a few. Organizations that have to relate with a large number of environmental influences, over which they have little or no control. The external environment remains a crucial aspect in the strategic management. Thus, it can be postulated that the external environment has an influence on organizational performance. Private security industry as an open system that interacts and relies on the environment to meet their performance objectives (Vecchiato, 2015).

Each firm or industry faces turbulent environment under different country context. All Porters five forces jointly determine the intensity of the industry competition and profitability. Different forces take prominence in each market. For the security industry to meet their objectives and performance goals it is absolutely paramount that they understand their industry environment and the dominant forces (Porter, 1980). This study seeks to establish the impact of the industry environment on the performance of the private security industry in Kenya to add to the existing body of knowledge.

1.3 General Objective

To establish the impact of industry environmental factors on the performance of private security firms in Kenya.

1.4 Specific Objectives

1.4.1 To determine the impact of new entrants on the performance of the private security firms.

1.4.2 To determine the impact of buyers bargaining power on the performance of the private security firms.

1.4.3 To determine the impact of rivalry among competitors on the performance of private security firms.

1.5 Justification of the Study

1.5.1 Government

The industry is one of the biggest single employers with an estimated 500,000 employees and estimated over 2000 corporates. This industry is a major source of income for the government through taxation of employees and corporate tax. The industry compliments governments efforts to provide security for the citizens. The private security guards
outnumber police 3:1 and are usually the first line of defense. The study will benefit the government when planning. The government can encourage growth of the industry by reducing tax on imports of security equipment and regulating the registration of new companies to maintain profitability.

1.5.2 Private Security Industry

The industry players apart from providing security they are entrepreneurs and are in it for profit. The study will provide a thorough analysis of the major forces in the industry environment which impacts their performance. The study will assist them in identify opportunities they can capitalize on and threats they can mitigate.

1.5.3 Academic and Researchers

The research adds to the body of knowledge that already exists and shed light on how new entrants, buyers bargaining and suppliers bargaining power has impacted the Kenyan security services firms.

1.6 Scope of the Study

The study covered registered private security companies based in Nairobi County. It was carried out within a period of three months. The study covered private security firms that offer security services to commercial corporations, residential houses, institutions and foreign missions. The firms covered are members of the two registered industry associations. The study was limited to the effects of the industry environment on the performance of private security companies. The research was guided by the Porter’s five forces model for the industry environment analysis however, the researcher could not incorporate all the factors due to time limit. The researcher used three factors i.e. threat of new entrants, buyer bargaining power and rivalry which were deemed to be most relevant for the industry. The study targeted a population of 135 managers working in private security firms in Nairobi. The study was also limited to private security firms based in Nairobi.
1.7 Definition of Terms

1.7.1 Private Security Service Provider

Means a person or body of persons, other than a state agency, registered under this Act to provide private security services to any person (Government of Kenya, 2016).

1.7.2 Private Security Firms

Means a body corporate, including a partnership, which provides private security services (Government of Kenya, 2016).

1.7.3 Private Security Services

Means any of the following services whether performed by an individual or firm, installation of burglar alarms and other protective equipment, private investigations and consultancy, car tracking or surveillance, close-circuit television, provision of guard dog services, security for cash in transit, access control installation, locksmiths, or any other private security service as may be determined from time to time by the Board by a notice in the Gazette (Government of Kenya, 2016).

1.7.4 Private Security Services Industry

Means the people and activities involved in the provision of private security services (Government of Kenya, 2016).

1.7.5 The industry Environment

Industry environment is composed of general conditions for competition that influence all businesses that provide similar products and services. Also known as the task environment Factors include entry barriers, supplier power, buyer power, substitutes availability and competitive rivalry to (Pearce & Robinson 2013).

1.7.6 Industry

Industry is defined as a group of firms producing products that are close substitutes for each other (Porter, 1980).
1.7.7 Performance

Armstrong and Baron (2006) defines performance as the outcome of work because they provide the strongest linkage to the strategic goals of the organization such as customer satisfaction, economic contribution.

1.8 Chapter Summary

This chapter covered the conceptual and contextual background of the study. The problem has been identified as the industry factors affecting the performance of the private security industry. The scope of the study covers private security firms based in Nairobi. Chapter two has covered the literature review guided by the specific objectives. It has covered various authors in different geographical locations and industries. Chapter three has covered the research methodology on how the primary data was collected and analyzed.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

The chapter covers literature review on the research objectives which are impact of new entrants, buyer power and competitive rivalry on the performance of an industry. The chapter covers how the above industry factors have impacted the performance of several firms in different sectors of the economy throughout the world.

2.2 Impact of New Entrants on the Performance of the Private Security Firms

Threat of new entrants into an industry is related to entry barriers that exist within the industry and geographic boundaries. Porter advanced the notion that the threat of new entrants is driven by the degree to which the industry is attractive to new entrants. Factors that contribute to the attractiveness of an industry include high profitability and potential growth. Entry barriers encourage or discourage new entrants. The barriers include brand loyalty, government regulations, large startup capital, access to suppliers and distribution channels, and access to finance. Profitability and growth attract new entrants while barriers to entry deter them (Schilling, 2017). New entrants or potential competitors can be young businesses or companies intending to start their activities in a short term or a multinational entering a new market. New competitors are attracted to markets representing the possibility of profitability superior to businesses already established in these markets. In an industry where there are no entry barriers, new competitors will continue to be attracted until the diluted earnings among all participants in this market are equalized, or until the new competitors cannot obtain some competitive advantage against their competitors (Mintzberg, Ahlstrand, & Lampel, 2009).

New entrants to an industry bring in new capacity, substantial resources and they encroach on the market share of the incumbents as they seek to grow their market share. New entrants can enter the market through acquisition or as new entities. Depending on their resource capability they may cause a shakeout in the industry. They may also compete in price in order to attract customers consequently bring down the market prices and thus affecting the productivity of the incumbents. On the bright side they may introduce new processes and technology that the industry players can copy and be more efficient thereby reducing the cost of doing business which would increase the margins
and profitability (Porter, 1980). Studies of the American telecommunication industry that investigated if the presence of new competitors influenced the behavior of incumbent local exchange carriers with respect to their pricing, advertising and the extent of diversification engaged in. Their results indicated that the threat provided by market entrants had notably influenced strategic behavior, and that the incumbent local operators, particularly the larger firms, aggressively protected their profit streams from traditional business. New entrants bring competition which can force the incumbents to invest in modern technologies be more efficient to bring down costs, reinvent themselves, build their brand which can be beneficial to customers, they get lower prices, better offering and more suppliers to choose from which can also spur demand (Majumdar, 2010).

Barriers to entry are factor that hinders a firm from entering an industry. Weak barriers may permit oligopoly, a market structure dominate by few firms on the other hand it may permit entry of many firms which can lead to a monopolistic competition. The implication of these scenarios is that in case of an oligopoly market the incumbents have the upper hand. In Russia Access to distribution channels is a major barrier in some industries like the oil industry. The gas pipeline is owned by Gazprom which holds a monopoly of the gas industry. New entrants to the industry have to lease the pipeline from the major competitor which restricts their service delivery and hence impeding their performance (Henderson, 2015).

2.2.1 Economies of Scale

Porter, (1980) identified economies of scale as a source of entry barrier, this refers to the reduction of the cost of production as the volumes increase. This is attributed to efficiencies gained as a result of the learning curve and by spreading the fixed costs over many units of production. The size of the firm has been found to affect the operational efficiencies which contribute to the economies of scale. The larger firms benefit more from the economies of scale than the smaller ones. Studies carried out in the US on fresh produce found that as a firm increased its capacity the fixed costs increased but the marginal costs decreased. For a firm to be competitive in an industry and improve their performance, the firm has to reach an optimum production level where the marginal cost is lower than the competition and thus leap the benefits of the economies of scale. The incumbents in a market over time are able to build economies of scale which may create a barrier to entry of new firms (Houtian, Canning, Goetz, & Perez, 2018).
Scale economies are among the strongest forces shaping the landscape of business. High volume decreases unit costs through learning, bargaining power, spread of fixed costs and overhead, capacity utilization, technology access, container utilization, and more. Having a larger market share means improved productivity and lower average cost. It has been emphasized, this relationship drives the concentration of industries and the size of organizations. Organizations that operate below the minimum efficient scale are driven out of the market or are acquired and therefore economies of scale can serve as barriers to entry for new firms (Ner & Siemsen, 2017).

Studies done on telecommunications market identified economies of scale as critical barriers to entry. New entrants in this market are required to lay infrastructure such as poles and conduits. Economies of scale exists because of the high capital expenditure that requires at least a minimum scale, and would be an additional barrier to entry because the fixed costs are sunk costs once the infrastructure is laid. The other component that contributes to economies of scale is the back office fixed costs of setting up operational support systems such as billing systems. The last source of economies that was identified in this industry is in customer acquisition which are commensurate with the number of customers acquired these are expenses such as advertising, sales staff development and marketing campaigns. If economies of scale permit incumbents to limit the market available to new entrants, then they are a source of entry barriers (Park, 2010)

2.2.2 Capital Requirements

Capital is a crucial requirement for any business. New business may require startup capital to cater for expenditure in procuring equipment, inventory, human resource, setting up of distribution channels. Each industry has its own capital requirements for example airline, banking and telecommunications industries are capital intensive. Capital requirement becomes a barrier when it deters new entrants from entering the market because they are unable to raise the necessary capital to do business in the industry. However major corporations with huge capital resources can enter any market and therefore capital requirement is not a barrier to entry, unlike small firms who are not able to raise the required capital hence cannot enter such markets, for them capital requirement is a barrier to entry. This limits the number of players in an industry which may create an oligopoly which translates to the few firms in the market being very profitable (Porter, 2008)
The banking sector all over the world is subject to capital requirements. Traditionally too open a bank an organization must meet a minimum capital requirement before being licensed to carry out banking business. Capital requirements are a fundamental regulation designed to promote financial stability. In the banking sector it is intended to provide a minimum level of security for depositors in case of a negative economic shock A study carried out in California to determine if minimum capital requirement was a barrier to entry found that although capital requirement had been a barrier to entry favouring national banks that had large capital reserve to meet any increases of capital requirements in the state of California where the capital requirements were more lenient than the national minimum requirements the composition of state and national banks did not change as would have been expected (Gou, 2016)

Capital requirement is the single most barrier in capital intensive industries such as automotive, aviation and telecom. Capital requirements that are high discourage new entrants who cannot raise a lot of financial resources for their startups this leaves the playing field for the incumbents. Industries with high entry barriers keep away new entrants and hence innovation is limited. Studies carried out in Oman after the liberalization of the telecom market which had previously been dominated by a government oligopoly. The study found that capital requirement was the greatest barrier to entry in this market. The market was opened up to foreign investors and domestic ones. The fixed costs of this industry are very high and the new entrants required large capital resources. When financing opportunities were not readily available this slows down the pace of entry on the other hand when financing is available the threat of new entrants increases. In additional to the large initial capital requirement the industry players had to contend with financial challenges of keeping up with a dynamic technological environment where the cycle of obsolescence is very short. The telecom market in Oman was found to be dominated by big players however there still exist threat of new entrants of multinationals and other domestic companies who can overcome the capital requirement barrier (Rajasekar & Al Raee, 2013).

The automotive industry for a long time has been dominated by few manufactures such as General Motors, Ford, Toyota, Nissan, Volkswagen to name a few. Among the barriers to entry in this industry is huge capital outlays, establishing suppliers, global distribution channels. Tesla manufacturers of electric cars has demonstrated that even when a product is a winner i.e. clean energy backed by an investor with very deep pockets the barriers to
entry can delay the introduction of a new product. The new entrants developed their own support networks for example charging stations, introduced new technology and built production capacity to the levels that the incumbents had built for decades. These high entry barriers have kept new entrants in the automotive industry away for decades but disruptors like Tesla have overcome them through identifying an opportunity in the market of an unmet need and used innovation to fulfill it. They started with a minimum viable product, partnered with other firms, recycled capital, and subsidized aspects of the electric vehicle network i.e. charging stations, Tesla altered the landscape of the auto industry. Ford Executive Chairman Bill Ford was impressed by this feat he is quoted as having said ”it’s really hard to start a company, particularly in the auto business, and be successful my hat’s off to them” (Stringham, Miller, & Clark, 2015).

2.2.3 Switching Costs

Porter (2008) describes switching costs as fixed costs that buyers face when they change suppliers. A customer of a security firm who has a lease of five years would incur switching costs if they change suppliers before the end of lease or contract. Incompatibility of equipment from previous supplier with new ones may also create switching costs. Such cost that a buyer incurs may influence their decision to switch or not to switch. An industry where switching costs are high discourages buyers to change suppliers thus creating entry barriers for new entrants since it makes it difficult to attract customers in the market. On the other hand an industry with low switching costs may attract new entrants since it is easier to attract customers from the incumbents thereby impacting their business performance negatively (Porter, 2008).

A study carried out on companies in the service sector such as telecommunications, TV which had breakup clauses set to find out under what conditions breakup fees used by an incumbent provider could be a barrier to entry for new entrants. They study found that when the breakup fees were high acted as a deterrent for new entrants since they could not poach existing customers even when their offering was more superior plus the new had to compete for the unsigned clients with the incumbent. This was found to confer benefits only on the incumbents since they benefited from retaining the customer till the end of a contract or the customer paid breakup fees to get out of the contract. The customer could not take advantage of say lower prices or superior service offered by the new entrant and were under obligation to pay the supplier the breakup if they wanted out.
High switching costs were found to be acting as a barrier to entry which was beneficial to the incumbents business performance (Defolie & Biglaiser, 2017). Switching costs have been found to be a critical barrier to entry in case of the airlines distribution channel which has been dominated by three major global distribution systems (GDSs). These oligopolies are owned by the airlines. Airline distribution has for many years been synonymous to central reservation systems (CRSs), later termed global distribution systems (GDSs). GDSs have served as the node of electronic commerce in travel for decades, providing virtual real-time connectivity between thousands of suppliers of travel inventory which include airlines, hotels, car rental, tour operators, cruise lines, etc. and hundreds of thousands of retail sellers of travel products. The GDS sector oligopoly was further strengthened by the fact that impressive upfront investment in technology infrastructure was required to run a GDS, effectively raising important entry barriers to new entrants (Sismanidou, Palacios, & Tafur, 2009).

The study found that although the world has been transformed by internet connectivity the prediction that GDSs would lose their dominance has not come to pass. The new entrants claimed they possessed superior technology that had been developed with the customer in mind that would revolutionize the way passengers booked their air travel and they would lower the platform charges by 75%. The incumbents have over the years-built capacity, they have had incremental innovation which has led to better service delivery and have reduced their costs significantly.

As a result, the new entrants unable to dislodge them, they still account for less than 1% of the market share in the US. It is predicted that as airlines continue to encourage consumers to book directly using their websites and if the shift to the new generation is radical enough, incumbents will be hampered by their existing capabilities. i.e. they will be unable to adapt quickly. GDS new entrants could become relevant players in the travel distribution scene if they shifted their focus to building capabilities in technical and marketing and capture areas where traditional GDSs are weak: i.e. internet technology for direct airline channels or platforms with access to many GDSs simultaneously. There is still a window of opportunity for the new entrants to succeed despite their initial failure, GNEs could be here to stay (Sismanidou, Palacios, & Tafur, 2009).
2.2.4 Government Regulation

Another major source of entry barrier according to Porter is government policy. Governments have the leeway to put measure like licensing fees to limit the number of players in an industry. The government can limit access to raw materials, can put high standards for pollution and safety which increases the cost of doing business. If government regulations are too stringent, they may act as barriers to entry (Porter, 2008).

A study carried in Italy found that after the government started regulating the retail sector by giving local authorities mandate to regulate the retail sector in their jurisdiction impacted the sector both positively and negatively. This introduced variations of regulations in the same country. The minimum space varied from 150sq meters to 250sq meters in different counties. Some locations were allowed to open at night while others did not allow. The study concluded that the government regulations acted as barriers to entry. Entry barriers do exert a strong influence on industry performance, decreasing profit margins and increasing prices, reducing productivity, ICT adoption, and employment and increasing labour costs (Schivardi & Viviano, 2010).

Apartheid South Africa had laws that forbid black South Africans from participating in some industries. An example is downstream petroleum industry which was in the hands of Whites and Multinational Oil Companies. Black south Africans were excluded from the mainstream industry through, among other instruments, laws passed by the government such as the Petroleum Products Act 120 of 1977. This Act, prohibited the publication, announcement, disclosure, or conveyance of information or making comments regarding the source, manufacture, transport, storage, consumption, quantity or stock level, of any petroleum product acquired or manufactured in the country. The Act therefore made it difficult for those who were not in the industry or Government, particularly Blacks, to acquire information in order to enter the mainstream industry (Mokoena & Lloyd, 2017).

Mokoena and Lloyd (2017) identified three barriers to entry as far as the downstream petroleum industry in South Africa was concerned. The first one they christened ‘a socially undesirable limitation to access resources, which was due to protection of resource owners already in the market by the government. This was as a result of the act that discriminated against the black South Africans. The second was the economic barrier, this manifested itself in form of large capital outlays for new entrants to enter the
industry, availability of financing from the banks and other credit institution, requirement of collateral. This deterred new entrants who more often than not black Africans who could not access financing.

The literature available suggests Kenyan private security industry has very low barriers of entry. This has been attributed to the lack of regulation of the sector which leaves it open for anyone to open a security firm unconfirmed reports predict there are between 1000 and 4000 security firms in operation. Some firms in the industry are understood to pay the employees below the minimum wages. The bottom tier of the industry uses little or no technology even though they compete with the big firms for the same clients especially the guard services which is said to be the bread and butter of the private security service industry. This has led to what some sector players believe is saturation of the industry (Mulupi, 2019).

2.3 Impact of Buyers Bargaining Power on the Performance of Private Security Firms

Buyers bargaining power refers to the pressure customers can exert on businesses to influence them to provide better services, higher quality goods, lower prices and playing competitors against each other all at the expense of industry profitability. If buyer power is high this means they can demand high quality goods and services which increases costs to the seller and reduces the profitability margins. On the other hand, if the buyer power is low the products offered could be of low quality and the buyer is a price taker. Therefore, low buyer bargaining power makes an industry attractive and profitable while higher bargaining power makes the industry unattractive due to reduced profit margins and increases the competition among the firms (Madau, Furesi, & Pulina, 2012).

Buyers seek from an industry the products with the highest quality and lowest prices possible. During negotiations, it is common to use the auction technique, which is played between competitors in order to obtain advantages. The power of the buyers of each industry depends on the relative importance of the buyer to the industry, and the situation of the industry itself facing the market. A buyer is considered powerful when the volume of purchases is relevant to the industry (Mintzberg, Ahlstrand & Lampel, 2009).

Concerning the food sector, many policy makers and commentators have paid attention to retailer behaviour and to price transmission along the food supply chain. The claims regard the possibility that, in many countries, large retailers and/or food companies are
depressing farm prices because of their buyer power. This has also occurred because, in
the food sector, retail buying is becoming increasingly concentrated. This has resulted
from the tendency of retailers to become very large sellers, often combining their buying
activities and creating great concentration on the buyer side (Madau, Furesi & Pulina,
2012).

In many large organizations, such relationships are often well developed and long-
standing. However, is this true for small businesses as well? It can be counter argued that
buyer–supplier relationships may not be as developed as large organizations simply
because they are small and lack specialized organizational resources. For example, lack of
purchasing power or ability to influence suppliers due to relatively small purchasing
volumes, and scarcity of internal resources such as executive time that can be devoted to
developing supplier relationships. Though there has been significant research on buyer–
supplier relationships in large firms and on businesses in general, not much has been
directed at small businesses (Adams, Khoja, & Kauffman, 2012).

Customers of the private security firms are the buyers. There are individual buyers who
traditionally consume guard services and limited technology such as CCTV cameras and
the institutional buyers whose needs are more sophisticated. The buyers power increases
when the services offered are standardized which is the case for each segment of the
customers, the services are similar this allows for easier comparison of the offering in
terms of quality, price and breadth of offering and the buyer making a more informed
choice and hence lowering the switching cost. The more the options the buyer has to
choose from the more the power they have (Mathooko & Ogutu, 2015).

2.3.1 Concentrated Buyers

A buyer group is powerful if the buyers are concentrated or purchases in large volumes
relative to the seller’s sales volume. When a buyer such as an institution procures a
significant amount or in the case of private security industry procures integrated services,
they are likely to bargain for a better price, if on the other hand the seller values the
business, they are likely to comprise to meet the needs of an important client. This affects
their financial performance but keeps the customer satisfied. Another aspect of the
purchase is if it represents a substantial percentage of the buyers cost then the buyer is
very sensitive to price and would be willing to look around for a cheaper supplier (Porter,
2008). A study of the tuna industry in Croatia found that when the buyers are
concentrated they exerted pressure on the prices, dictated quality standards which impacted the performance of the Croatian tuna industry negatively (Jusup, Hruska, & Promorac, 2013).

The Italian milk industry is characterised by many small-scale producers and few large retailers who buy the milk from them. This created a concentrated buyers’ market who dictated the price of raw milk. The study defined buyers bargaining power as the situation where buyers can force the seller to reduce their prices to suit the buyers’ needs which may be detrimental to the seller. The study found that buyer concentration conferred the retailers strong bargaining power which led to them dictating prices to the producers without taking into account the costs they incurred and not caring if they would make losses. The buyers strength impacted negatively to the performance of the milk producers and most of them could not sustain production. A study carried out in Italy on the milk supply chain found out that the retailers who sold the milk to the consumers had bargaining power over the farmers. The retailers were concentrated and therefore were driving down the prices of raw milk to the farmers detriment. The profit margins for the farmers were so low such that many were rendered bankrupt. This state of affairs was not sustainable since the farmers were going bankrupt it took the intervention of the government to save the situation. However, the study was inconclusive. They found the presence of buyer power but conceded that other factors such as the market characteristics i.e. oligopsony and oligopoly, and the specific behaviours that drive price transmission dynamics could have impacted the performance of the milk farmers (Madau, Furesi, & Pulina, 2012).

The number of buyers relative to suppliers influences the buyer bargaining power. The Kenyan security market is made up commercial clients, ranging from industries, banks, government agencies and commercial farms to embassies, international organizations, NGOs, and refugee camps. The residential market is relatively small, comprising, according to one study, only 10.7 percent of total business. Residential security is highly segmented, and only a minority of private residences can afford the services of the leading companies (Abrahamsen & Williams, 2005).

A market with many sellers gives the buyer more options to choose from thus increasing the buyer power. The private security industry in Kenya has many sellers although it is difficult to confirm the numbers. Depending on the source of information it ranges from
1000 to 4000. With availability of information the buyer can compare the services offered and the price this empowers the buyers to choose the most suitable provider that meets their needs at an affordable price. When buyer power is strong there is a likelihood of driving the prices down which reduces the profit margins and the financial performance of the industry (Hua, 2011).

2.3.2 Buyer Information

The Japanese car manufacturing industry have organized collaboration buyer-supplier relationship. The Japanese buyer supplier relationships is characterized by information sharing and long-term relationships. The buyers’ vet the suppliers’ businesses on their financial strengths, operations management, personnel management sale and procurement and research and development. Through these assessments the buyers are able to provide technical advice. This collaboration led to the suppliers contributing to the buyers’ competitive advantage and thus increasing their performance. These long-term relationships resulted into barriers as the buyers are not motivated to enter into contracts with new suppliers. The collaborative nature of these relationships mitigates the power between the two groups for their mutual benefits (Kawai, Sakaguchi, & Shimizu, 2013).

Another lesson learnt from the Japanese buyer seller relationship is that full information available to the buyer maybe an advantage to both parties. The buyers were able to offer technical and financial support to the sellers. They both worked on the quality of the components and delivery times. The buyers were able to get quality parts in time which increased their efficiency and effectiveness. Having full information improved the performance of both the buyer and the seller (Kawai, Sakaguchi, & Shimizu, 2013).

Firms seek to gain positions, can choose peaceful coexistence and even alliances, or through a fierce competition that can lead to a highly competitive industry with relatively balanced forces (Mintzberg, Ahlstrand and Lampel 2009). As more and more firms seek to digitize their business processes and develop new digital capabilities, the enterprise systems software (ESS) has emerged as a significant industry. The ESS firms’ operations are unique they operate in a market where buyers lack adequate knowledge of their products and therefore rely on third parties i.e. consultants to analyse and recommend the most appropriate products for their needs. Buyers tend to coalesce towards crowded markets which they interpret as a signal of legitimacy, viability and attractiveness of the products.
2.3.4 Buyer Volume

Buyer volume is achieved when a buyer procures a significant large quantity of the seller’s production. A bilateral oligopoly market structure is characterized by strong domestic buyers which are normally governments or government agencies who negotiate bilateral contracts with strong foreign sellers. The European market for natural gas is one example of such a bilateral oligopoly. The supply side is dominated by three major foreign sellers: Russian Gazprom, Algerian Sonatrach, and Norwegian Statoil with an equally strong buying side that is dominated by ‘national champions’ within the European Union (E.U.), like Gaz de France, German E.O.N, and Italian Eni, who act as gatekeepers to final consumers. As a result, sellers face stiff negotiations over prices with the buyers. Strong buyers have the upper hand when negotiating prices with the sellers and this may negatively impact the performance of the sellers (Ikonnikova & Zwart, 2014). The Kenyan security sector is characterized by large buyers i.e. institutional buyers such as institutions of higher learning, Embassies, Hospitals, banks, commercial buildings, and Malls to name but a few who make up 90% of the buyers while the rest of the market is made up of individuals residences, gated communities and small organizations. The larger buyers who buy in volume are in a position to negotiate for better prices which may impact the performance of the security firms.

2.4 Impact of Intensity of Rivalry among Competitors on the Performance of Private Security Firms

Rivalry among existing competitors according to Porter (2008) is businesses jockeying for position using tactics such as price wars, aggressive advertising, product introduction and increased customer service. In the market, as in the war, the occupation of the territories is very important. Most companies in the market seek market share, the maintenance of current customers and continuous growth. However, when a competitor advances on enemy "territory" it is common to expect any kind of retaliation. The Private Security Services industry has many firms, and jostling for customers and fierce competition is expected as each firm strives to gain market share. High rivalry limits profitability in an industry the players can engage in prolonged price wars that is detrimental to the industry, price wars remove the money from the industry to the customers (Porter, 1986).
Competition can improve the standard of performance offered in a particular market, making all competitors more competitive. Disputed advertising campaigns can increase the demand and differentiation of certain products, which would bring benefits to all stakeholders. However, rivalry can also reduce the margins of the whole industry, which will consequently reflect the results and profitability of the sector. A study of the Japanese aviation industry after liberalization demonstrates how industry rivalry can drive competitors out of business by cutting prices. The incumbent airlines in retaliation brought down their fares to match the new low-cost entrants. The low-cost airline strategy of creating demand in a new niche in the over-served customers segment was thwarted by the incumbents. The low-cost airlines performance was impacted negatively, they made losses and were forced to seek protection from the government (Murakami, 2011).

Porter (1980; 1986), argues rivalry is the consequence of a number of factors: slow industry growth; large or well-balanced competitors; high fixed or storage costs; increased capacity in large increments; absence of differentiation or costs of change; brand identity; competitors; major strategic interests; high output barriers. The higher the industry rivalry, the tougher the industry competition which leads to lowering the firm’s performance. With increased rivalry the opportunities for increasing profits through price rises or increasing market share would be reduced, as firms would struggle without differentiating their offerings relative to their competitors.

2.4.1 Product Differences

An industry with undifferentiated products empowers a buyer. The buyer has flexibility because they can purchase the product from any supplier at the right price. The only consideration is price they can play competitors against each other as they bargain to get the lowest price. The more that the products of rival firms differ, the more strongly any given consumer will prefer one firm’s product over another’s and so the less effective price cutting will be at gaining market share, which in turn restraints price rivalry and thereby raises the whole industry’s profits. On the other hand, a firm with a differentiation advantage creates more economic value than its rivals, enabling it to boost its own profit at their expense. Product differentiation may dampen customer bargaining power, preventing customers from playing rivals off against each other, and may foster customer loyalty, which also restraints rivalry from entrants or substitutes. Firms result to differentiation to attain market share. The goal of product differentiation is capture
buyers’ preferences. Differentiation is exhibited in various forms as seen in the airline business for example Ryan Air no frills product for their low-cost strategy versus Emirates high end differentiation (Kotler & Keller, 2016).

Researchers have recognized two distinct approaches toward competition to increase profit. One approach firms’ use is to restrain their rivalry with each other to soften price competition. The other approach is to exploit a competitive advantage to create more economic value than rivals, where ‘economic value’ is the gap between customers’ willingness to pay for a product and the firm’s cost to provide the product. Economists have classified differentiation into two rivalry restraint: the more that the products of rival firms differ, the more strongly any given consumer will prefer one firm’s product over another’s and so the less effective price cutting will be at gaining market share, which in turn restrains price rivalry and thereby raises the whole industry’s profits. On the other hand, a firm with a differentiation advantage creates more economic value than its rivals enabling it to boost its own profit at their expense. The study found that if firms cooperate in their positioning, they internalize positive externalities from rivalry-restraining differentiation and negative externalities from creating a differentiation advantage. Therefore, firms adopt more distinctive positions and earn higher profits when they cooperate like this than when they do not (Makadok & Ross, 2013).

Rivalry manifests where products and services are undifferentiated and competitors can raid the customer base of each other. The private security market in Kenya is highly differentiated and highly competitive. While the leading PSCs offer a package of advanced, integrated security solutions at a higher cost. The medium sized companies offer integrated solutions too but on a smaller scale while the third tier offers guarding services and use some technology and the bottom tier offers manned guarding at lower prices. Nevertheless, guarding remains to a significant extent the bread and butter for most companies, resulting in intense competition as companies from all three tiers may bid for the same contracts (Abrahamsen & Williams, 2005).

2.4.2 Brand Identity

Brand is one means firms use to differentiate their products or themselves in the market place. Private security firms are more of the brand themselves than the products and the services that they sell to their customers. Marketer’s endeavor to win brand loyalty to
their brand. Brand loyalty results in long term customer relationships customers using their services without switching and acting as advocates for the firm and recommending the firm to their friends and associates. Studies in the US found that customers that are loyal to a brand are price insensitive and will purchase the same brand regardless of the price and quality of competing brands. Other factors that influence customer attitude to a product include demographics, incomes and lifestyle. Firms with strong brands tend to have bigger market share and hence out performs the competition. In the Kenyan private security industry multinational firms command strong brands these are companies such as G4S, KK, BM Morgan, Securex, Radar this reduces the buyer bargaining power (Abrahamsen & Williams, 2005).

Companies need to maintain good brands in market if they are to sustain market share and seek expansion and to deter customers from switching to other more attractive brands. The strongest influence behind brand switching has been found to be the market leader effect (a brand with wider market share) in the security industry in Kenya G4S is regarded as the market leader, followed by the unique product features that distinguish a brand from a competitor. Studies on different aspects of brand switching found that various variables influenced switching in the auto repair garages included push effects (low quality, low satisfaction, low value, low trust, low commitment and high price perceptions); mooring effects (unfavorable attitude toward switching, unfavorable subjective norms, high switching costs, infrequent prior switching behavior and low variety seeking); and pull effect (alternative attractiveness). An important result of this study was that the push effects, which include some of the most important switching predictors that dominate extant switching models, appear to be the weakest of these three categories, whereas the mooring effects are the strongest drivers of brand switching behavior, especially when the switching cost is low (R. Goldsmith, Flynn, E. Goldsmith & Stacey 2010).

The pull factor was characterized by a single variable, “alternative attractiveness”, which may not explain the whole case for this category. Adding more variables related to marketing strategy or product design itself might identify what factors make other products highly attractive. The study concluded that brand switching was a critical issue. If managed properly, switching can increase market share for a company, otherwise it erodes the company’s consumer base. Brand is a double edged sword it will work for the incumbent who has a strong brand will keep away new entrants and conversely will work
to the advantage of a new entrant with a strong brand thus raising rivalry levels in the industry (Al-Kwif & Ahmed, 2015)

2.4.3 Diversity of Competitor

The market is characterised by many sellers with a plethora of products competing in multiple markets but most of the sellers specialize in number of components since producing the whole spectrum of the industry requirements would be very expensive and the products very nature changes very quickly to keep with new innovations. The study of the American ESS vendors found that the crowded market was more advantageous since it gave the right signal to the customers such as compatibility of components purchased across several markets and the vendors were likely to be viewed as offering important components. The ESS firms were found to reap performance benefits in crowded markets and competing in multiple markets with the same rivals if they engaged in tacit collusion and mutual forbearance which lowered competitive intensity (Chellappa, Sambamurth, & Saraf, 2010).

The number of players, their size and power influence the intensity of the rivalry in an industry. Globalization has increased competition in all markets’ world over and the Kenyan market is no exception. In the private security industry, there is encroachment by global firms such as G4S and KK guards. Industry members have predicted saturation due to the proliferation of new entrants. According to one study, there are currently as many as 2000 private security companies (PSCs) in the country. Another source posits that there are 1000-4000 PSCs (Mulupi, 2014), but caution is advised the exact number is not known since there is no licensing authority for the industry and therefore firms are registered like any other firm by the registrar of companies. To compound the situation there are many more firms that are in the security business but are not registered at all. The more the competitors the more intense the rivalry (Abrahamsen & Williams, 2005). Diverse competitors in an industry may increase or decrease rivalry.

Competitors diversity can be seen from different aspects such as strategies employed, goals, origins, culture etc. Foreign competitors add more diversity to the industry. As the diverse firms in the industry pursue diverse goals these can impact other firms negatively or positively. For example, a firm whose goal is to grow its market share could reduce their prices hence forcing the other players to reduce their prices leading to lower margins and lower performance. The tendency in a market where the rivalry is intense is for
competitors to outdo each other either by copying or price cutting which in the end leave the sector in a worse off position than before. Price competition results in lower profit margins and consequently affecting the firm or overall industry performance. Competing on other dimensions than price is less likely to erode the profitability of a sector. In the US larger regional and national organizations are dealing with rivalry while growing market share by leveraging infrastructure, technology, economies of scale with more aggressive pricing and better service reliability. This approach appears to offer a more compelling value proposition from the client’s perspective, which seems evident by the higher client retention rates reported by the major security companies (Goldsborough, 2017).

Where firms have relatively the same size and have relatively equal resource strength, they are bound to fight each other for market share and since they can all sustain a vigorous retaliation which would prove costly in the end and this impact their performance negatively. Markets that are dominated by few big firms can have some sort of stability if the big firms instill discipline in the sector (Porter, 2008). The Kenyan private security market has few multinationals and few fairy large local companies such as Securex and BM Morgan which dominate the market. There is a second tier of medium firms such as Twenty Four Secure Security Services (24), third tier small companies and a fourth tier of unregistered companies there is intense competition within the tiers (Abrahamsen & Williams, 2005).

2.4.4 Industry Growth
Industries that have growth potential attract local players as well as international firms who are seeking profits. According to a report by Market Line the global performance of the private security market was forecasted to accelerate, with an anticipated compounded annual growth rate (CAGR) of 4.9% for the five-year period 2012- 2017, which was expected to drive the market value to $240 billion by the end of 2017. Middle class growth in maturing and developing markets has continued, and as disposable income and net worth rose there was more to protect and more customers that could afford to do so, which has fueled demand for security services (MarketLine, 2013). Back home security has been a major concern to the country as a result of terrorist attacks and rise in crime levels. The industry has grown exponentially for the last 10 years and the number of security firms have increased by over 20% and hence the rising number of private security services firms witnessed (Mulupi, 2014).
The Indian auto industry mid-size cars segment experienced a growth rate of about 100%. What is interesting to note is that just eight players are active in this segment, though the intense rivalry is limited to the top four or five players only. More and more international players like Volkswagen, Renault (without Mahindra and Mahindra (M&M)), Skoda and Fiat have introduced their products in this segment. This has caused a further increase in the intensity of the competition among the existing and the new players. To survive in such a highly competitive scenario, the existing players in the mid-size passenger cars segment were be forced to invest a considerable portion of their sales in research and development in order to produce new and better varieties. This has been greatly beneficial for the Indian consumers but the firms’ short term performances were depressed even though the long-term results are expected to improve as they reap the benefits of their investments. If an industry growth rate is low, competition is concentrated into the market share rivalry for businesses, which makes expansion very difficult and is detrimental to the firm’s performance (Gupta & Shekhar, 2010).

New entrants are attracted to a growing industry are looking to capture market share and make profits. There are generally two types of growth; one is related to actual growth in buyers willing to buy services provided by the industry and the other is the growth in potential buyers who were not able to acquire the product or service due to lack of information or lack of reach of the industry product or service provider. The telecommunications industry in Oman after liberalization was fast growing and presented opportunities such as internet access, laying of fiber optic cables. This attracted many players both domestic and international also other players outside the telecommunications industry joined to take advantage of the massive growth potential (Rajasekar & Al-Raee 2013). The industry life cycle can also determine the level of rivalry in a sector. As an industry matures its growth rate slows resulting in declining profits. As firms seek to increase their market share in a mature industry rivalry intensifies this can result into tactics such as aggressive advertising, price cuts which can impact performance negatively (Pearce & Robinson, 2013).
2.5 Chapter Summary

Chapter two has covered literature review on the research objectives from different authors and covering different geographical locations. The review has brought to light the impact of threat of new entrants, buyers bargaining power and the rivalry on the firms or industry performance. Chapter three covers the research methodology that the researcher used to collect and analyze data.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers the research methodology that the researcher used to collect data, for analysis and presentation. It will cover the research design, identify the population and sampling design. It will describe the sampling frame, identify the sample and sample size. Data collection methods will be defined and identified and will list the research procedures.

3.2 Research Design

Saunders, Lewis and Thornhill (2016), defines the research design as the general plan of how a researcher goes about answering the research questions. It contains clear objectives derived from the research questions, specifies the sources from which data will be collected, how data is collected and analyzed. Cooper and Schindler (2014) aver that there is no single definition of research design that contains the full range of the important aspect. They posit, a research design constitutes the blueprint for the collection, measurement, and analysis of data. Research design helps the researcher in allocation of scarce resources by posing crucial choices in methodology. Further they add that the research design expresses both the structure of the research problem, the framework, organization, or configuration of the relationships between variables of a study and the plan of investigation used to get the empirical evidence on those relationships.

The research adopted a descriptive design method according to Cooper and Schindler, (2014) it is a method of data collection by interviewing or administering questionnaires to a sample of individuals. Descriptive design is more formalized, structured with clearly stated research objectives. Malhotra (2013) argues that cross-sectional studies, time series studies, and case studies are categorized as designs for description. These descriptive designs provide a wealth of information that is easy to understand and interpret, and they may also identify problems and suggest solutions.

This method is most suited for collecting information from the managers and the executives of private security firms to determine the impact of new entrants, buyers bargaining power and rivalry in the industry on the firms’ performance. The method
facilitates the researcher to tailor make the questionnaire to collect the requisite data regarding the research objectives. Saunders et al (2016) emphasizes the importance of clearly defined research questions. According to them a descriptive design is the one that helps a researcher to gain an accurate profile of events, persons or situations but it does not answer questions about how, when or why the characteristics occurred, rather it addresses the ‘what’ question.

3.3 Population and Sampling Design

3.3.1 Population

Cooper and Schindler, (2011) defines population as a group of people or objects which are similar in one or more ways, and which form the subject of study in a particular survey. The population of interest are the private security companies. According to Saunders et al. (2016), target population is the actual focus, collection of elements about which the researcher wishes to make some inferences. It is the universe of people, place or things to be investigated. For this study the population is managers of private security companies. The target population is managers private security companies based in Nairobi.

Table 3.3.1 Target Population

<table>
<thead>
<tr>
<th>Population Category</th>
<th>Companies</th>
<th>Number of Managers</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members of Kenya Security Industry Association (KSIA)</td>
<td>61</td>
<td>63</td>
<td>46.6</td>
</tr>
<tr>
<td>Members of Protective Services Industry Association (PSIA)</td>
<td>70</td>
<td>72</td>
<td>53.4</td>
</tr>
<tr>
<td>Total</td>
<td>131</td>
<td>135</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Secretary General KSIA & Secretary General PSIA (2019)

3.3.2 Sampling Design

The basic idea of sampling is that of selecting some of the elements from a population so that to draw conclusions about the whole population (Cooper and Schindler, 2011). They further add that there are compelling reasons for sampling, it is lower in cost, provides greater accuracy in results, greater speed of data collection than targeting the population. According to Kombo and Tromp (2006) sampling design refers to that part of the research plan that indicates how cases will be selected for interviewing. Sampling designs are
divided into two broad categories probability sampling and non-probability sampling. Saunders et al. (2016), aver that probability sampling the chance of each element in the target population of being selected is equal. For the non-probability sampling the probability of each element being selected from the target population is not known. The study used both probability and non-probability sampling. The authors advance that many research projects involve both sampling techniques.

3.3.2.1 Sampling Frame

The sampling frame is the list of all elements from which the sample is actually drawn. Ideally it is a complete and correct list of population members only (Cooper and Schindler, 2011). (Malhotra, 2013) avers that a sampling frame is a representation of the elements of the target population. It consists of a list or set of directions for identifying the target population. The membership lists of the two registered associations (KSIA & PSIA) were obtained from the Secretary Generals of the associations.

3.3.2.2 Sampling Technique

Sampling Technique is the procedure concerned with the selection of a subset of individuals from within a statistical population to estimate characteristics of the whole population (Benedetta & Datta, 2011). The study used probability sampling, stratified random technique to select the companies from both available lists. Stratified random sampling is a modification of random sampling in which the population is divided into two or more relevant and significant strata based in a one or a number of attributes. In effect, the sampling frame is divided into two. A random sample of every third company in the list was picked for the study. Stratified sampling increases a samples efficiency to provide adequate data for analyzing the various strata (Cooper & Schindler, 2011).

3.3.2.3 Sample Size

There is no consensus on what is the appropriate sample size Saunders et al (2016) argues that generalizations about populations from data collected using any probability samples are based on statistical probability. The larger the sample’s size the lower the likelihood of error in generalizing to the population. Probability sampling is therefore a compromise between the accuracy of the findings and the amount of time and money invested in collecting, checking and analysing the data. Sample size refers to the number of elements to be included in a study. Determining a sample size is complex and involves several...
qualitative and quantitative considerations (Malhotra, 2013). According to Mugenda and Mugenda (2003), a sample of 10-30% is good enough if well-chosen and the elements in the sample are more than twenty.

This study used Yamane’s formula in determining the suitable sample size for this study, with assumption of 95% of confidence level.

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

Where, \( n \) = sample size

\( N \) = Study Population, 135 in this case

\( e \) = Alpha level of 0.05

Substituting these values in the above equation, the sample size was:

\[
n = \frac{135}{1 + 135(0.05^2)}
\]

\( n = 101 \)

With the use of Yamane’s formula the sample size of this study was determined to be 101 respondents from a population of 137 with a confidence level of 95%. Sample size distribution is presented in Table 3.2. The sample size for this study was 26 private security companies Chief Executive officers/ founders.

Table 3.2 Sample Size

<table>
<thead>
<tr>
<th>Association</th>
<th>Frequency</th>
<th>Employee distribution</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>KSIA Firms</td>
<td>61</td>
<td>63</td>
<td>47</td>
</tr>
<tr>
<td>PSIA Firms</td>
<td>70</td>
<td>72</td>
<td>54</td>
</tr>
<tr>
<td>Total</td>
<td>131</td>
<td>135</td>
<td>101</td>
</tr>
</tbody>
</table>

Source: Author (2019)

3.4 Data Collection Methods

According to Malhotra (2013) data collection methodology is the precise, systematic gathering of information relevant to the research objectives, using methods such as
questionnaires, interviews, participant observation, focus group discussions, narrative and case studies. The study used questionnaires to collect the data, the questionnaires were personally administered. The advantages of using a questionnaire according to Malhotra (2013), are simple to administer, data obtained is reliable because the responses are limited to the questions in the structured questionnaire which also reduces the variability in the results, and coding, analysis and interpretation of data is relatively simple. Cooper and Schindler (2014) avers that the choice of data collection method is dependent on the type of study being carried out. Gathering data through questionnaires’ is quick, inexpensive, efficient, accurate, and flexible. They further note that it can be problematic if poorly designed or data collection executed in an improper manner.

3.5 Research Procedures

After completion of the research proposal, approval was sought from the supervisor for data collection. Upon the supervisor’s approval a letter of introduction was drafted to private security firms involved in the study asking for permission to carry out the study in their premises. Upon acceptance of the letter, a pilot test was carried out to test the validity and reliability of the study instrument using 10% of the sample size of which did not participate in the final study. Any inconsistency that was found in the questionnaire was corrected before administering it for the final study. The researcher with the help of research assistant located the respondents and issued the questionnaires to the respondents. The researcher used a drop and pick method to ensure a higher response rate is achieved which gave the respondents enough time to respond to the questionnaires. All the questionnaires were then collected, checked for accuracy and then handled to the researcher for data analysis. Data analysis was done using Statistical Package for Social Sciences (SPSS) software version 24. The findings obtained were presented using tables and figures.

3.6 Data Analysis Methods

Data analysis refers to the examining what has been collected in the survey or experiment and making deductions and inferences. It involves uncovering underlying structures, extracting important variables, detecting any anomalies and testing underlying assumptions (Kombo and Tromp 2006). Cooper & Schindler (2011) avers that the reason for data analysis is to lessen data size to a sensible size, creating summations, searching for examples and applying statistical techniques. The data was analyzed using Statistical
Package for Social Sciences (SPSS) version 24. Both descriptive statistics and inferential statistics were used in analyzing data. Descriptive statistics were used to analyze the means and standard deviations while inferential statistics were used in analyzing correlational and regression analysis to establish relationships among study variables. The data was presented using tables and figures which gave a clear at-a-glance perception of the research findings (Saunders et al 2016).

3.7 Chapter Summary

This chapter has covered the research methodology the researcher used to collect data, for analysis and presentation. It has covered the research design, identified the population and sampling design. It has described the sampling frame, identified the sample and sample size. Data collection methods have been identified and has listed the research procedures. The next chapter is chapter four covers results and findings.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

The chapter offers the analysis and findings of the study as highlighted in the research methodology in chapter three. The first section presented demographic findings of the respondents, second section presents the findings on the impact of new entrants on the performance of private security, and third section presents the findings of the impact of buyers bargaining power on the performance of the private security firms and fourth section presents the findings on the impact of rivalry among competitors on the performance of private security firms.

4.2 Demographic Information

4.2.1 Response Rate

The response rate is computed based on the rate at which the study questionnaires have been collected from the respondents after being administered. This study had a response rate of 72% which is a result of 73 questionnaires that were dully filled out of 101 questionnaires issued to the target respondents. According to Cooper and Schindler (2014), a response rate above 60% is adequate for data analysis, therefore, 72% response rate was adequate for data analysis. The response rate is presented in Figure 4.1.

![Figure 4.1: Response Rate](image-url)
4.2.2 Gender of the Respondents

The respondents had been asked to indicate their gender. Analysis of the questionnaires found that 45% were female and 55% were male as shown in Figure 4.2. This means that the study had a diverse gender representation consisting of both male and female.

![Gender of the Respondents](image)

**Figure 4.2: Gender of the Respondents**

4.2.3 Age of the Respondents

Respondents were asked to indicate their age bracket, 14% of the respondents were aged between 20 to 30 years, 31% aged between 31 to 40 years, 33% aged between 41 to 50 years and 22% aged between 51 to 60 years as shown in Figure 4.3. This indicates that the study had various age groups represented.

![Age of the Respondents](image)

**Figure 4.3: Age of the Respondents**
4.2.4 Education

Respondents were asked to indicate their education level, 14% had a diploma, 78% had bachelor’s degree, and 8% had master’s degree as shown in Figure 4.4. It implies that the respondents involved in the study had the ability to read and interpret the information sought in the study.

![Figure 4.4: Education](image)

4.2.5 Professional Background

The respondents were asked to indicate their professional background, 12% of the respondents had operations management, 22% had management professional, 11% human resource management, 36% were marketing professionals and 19% were finance professionals as indicated in Figure 4.5. This implies that the respondents had sufficient knowledge on the information sought in the study.

![Figure 4.5: Professional Background](image)
4.2.6 Managerial Role

When the respondents were asked to indicate their managerial role, 25% were lower level managers, 41% were in middle level managers and 34% were top level managers as shown in Figure 4.6. This implies that the respondents involved had sufficient information about the company.

![Managerial Role Pie Chart](image)

Figure 4. 6: Managerial Role

4.3 Impact of New Entrants on Performance

4.3.1 Descriptive Statistics of New Entrants on Performance

On the basis of a Likert Scale, the respondents of the study indicated the extent to which they were in agreement or disagreement on different aspects of new entrants and performance. The five-point scale ranged from a scale of 1 which stood for “strongly disagreed” to 5 which stood for “strongly disagree”. Data was analyzed on the basis of means and standard deviation which was used in highlighting the range of dispersion of the respondents.

The findings presented in Table 4.1 highlights the feedback on the impact of new entrants on performance of private security firms in Kenya. The findings revealed that the respondents agreed that the security service industry has low entry barriers, mean = 4.41 and SD = 0.684. The respondents agreed that the industry is very profitable therefore attracts new entrants, mean = 4.49 and SD = 0.503. The respondents agreed that low
capital outlay contributes to increased new entrants in the security services industry, mean = 4.42 and SD = 0.575. The respondents agreed that lack of regulation had eased entry into the industry attracting new entrants, mean = 4.48 and SD = 0.503. The findings of the study revealed that the respondents agreed that lack of product differentiation encourages new entrants to join the industry, mean = 4.42 and SD = 0.865. The findings revealed that the respondents agreed that new entrants encroach on the firm’s market share, mean = 4.18 and SD = 0.733. The respondents agreed that new entrants cause saturation of the industry and affect profitability, mean = 4.34 and SD = 0.692.

Furthermore, the findings of the study revealed that the respondents agreed that new entrant such as a multinational impact the firm’s performance negatively, mean = 4.30 and SD = 0.594. The respondents also agreed that new entrant with differentiated product portfolio enhances customer loyalty, mean = 4.38 and SD = 0.719. The respondents agreed that government policy affects the performance of the firm, mean = 4.49 and SD = 0.530. The respondents of the respondents agreed that expected retaliation by incumbents discourages new entrants, mean = 4.07 and SD = 0.561.

The respondents agreed that low switching costs encourages new entrants to enter the industry, mean = 4.30 and SD = 0.462. The respondents were also in agreement that the brand loyalty discourages new entrants into the industry, mean = 4.36 and SD = 0.586. The respondents of the study agreed that having long term contracts with customers improves retention and long term firm performance, mean = 4.38 and SD = 0.680. The findings of the study revealed that the respondents agreed that firms with huge capital resources can enter the industry easily, mean = 4.53 and SD = 0.529.
Table 4.1: Descriptive Statistics of New Entrants on Performance

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The security service industry has low entry barriers</td>
<td>73</td>
<td>4.41</td>
<td>.684</td>
</tr>
<tr>
<td>The industry is very profitable therefore attracts new entrants</td>
<td>73</td>
<td>4.49</td>
<td>.503</td>
</tr>
<tr>
<td>Low capital outlay contributes to increased new entrants in the security services industry.</td>
<td>73</td>
<td>4.42</td>
<td>.575</td>
</tr>
<tr>
<td>Lack of regulation has eased entry into the industry attracting new entrants.</td>
<td>73</td>
<td>4.48</td>
<td>.503</td>
</tr>
<tr>
<td>Lack of product differentiation encourages new entrants to join the industry</td>
<td>73</td>
<td>4.42</td>
<td>.865</td>
</tr>
<tr>
<td>New entrants encroach on the firm’s market share.</td>
<td>73</td>
<td>4.18</td>
<td>.733</td>
</tr>
<tr>
<td>New entrants cause saturation of the industry and affect profitability.</td>
<td>73</td>
<td>4.34</td>
<td>.692</td>
</tr>
<tr>
<td>New entrant such as a multinational impact the firm’s performance negatively.</td>
<td>73</td>
<td>4.30</td>
<td>.594</td>
</tr>
<tr>
<td>New entrant with a differentiated product portfolio enhances customer loyalty.</td>
<td>73</td>
<td>4.38</td>
<td>.719</td>
</tr>
<tr>
<td>Government policy affects the performance of the firm.</td>
<td>73</td>
<td>4.49</td>
<td>.530</td>
</tr>
<tr>
<td>Expected retaliation by incumbents discourages new entrants</td>
<td>73</td>
<td>4.07</td>
<td>.561</td>
</tr>
<tr>
<td>Low switching costs encourages new entrants to enter the industry.</td>
<td>73</td>
<td>4.30</td>
<td>.462</td>
</tr>
<tr>
<td>The brand loyalty discourages new entrants into the industry</td>
<td>73</td>
<td>4.36</td>
<td>.586</td>
</tr>
<tr>
<td>Having long term contracts with customers improves retention and long-term firm performance.</td>
<td>73</td>
<td>4.38</td>
<td>.680</td>
</tr>
<tr>
<td>Firms with huge capital resources can enter the industry easily</td>
<td>73</td>
<td>4.53</td>
<td>.529</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>73</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4.3.2 Regression Analysis for New Entrants and Performance

Regression analysis was conducted to determine the relationship between new entrants and performance whereby new entrants was the independent variable and performance being the dependent variable. The findings in Table 4.2 revealed R squared value of 0.758 which implies that (75.8%) of the variation in performance is attributed by the variations in new entrants and (24.2%) of the variation on the dependent variable are attributed to other factors outside the regression model.

Table 4.2: Regression Analysis for New Entrants and Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.871&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.758</td>
<td>.755</td>
<td>.11244</td>
</tr>
</tbody>
</table>

<sup>a</sup> Predictors: (Constant), New Entrants

4.3.3 Analysis of Variance for New Entrants and Performance

The Analysis of Variance (ANOVA) was used in determining whether there was a statistically significant relationship between new entrants (independent variable) and performance (dependent variable). From Table 4.3, the findings revealed a p-value = 0.000 implying that there is a significant relationship between new entrants and performance. The overall significance model shows, F-statistic of 222.855; p-value = 0.000 (p-value = 0.000 < 0.05), therefore the model is statistically significant at 95% confidence level.

Table 4.3: Analysis of Variance for New Entrants and Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>2.818</td>
<td>1</td>
<td>2.818</td>
<td>222.855</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>.898</td>
<td>71</td>
<td>.013</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>3.715</td>
<td>72</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<sup>a</sup> Dependent Variable: Performance

<sup>b</sup> Predictors: (Constant), entrants
4.3.4 Coefficient for New Entrants and Performance

The regression model coefficients refer to the pinnacle of the regression analysis as it highlights the effect of independent variable and dependent variable objectively that is crucial in answering research questions. Table 4.4 revealed a Beta coefficient of new entrants was $\beta$ (0.871); $p$-value = 0.000. This means that a unit increase in new entrants would lead to 0.871 unit increase in performance. The regression model for new entrants was established as follows; $Y = 0.666$ (constant) + 0.836 new entrants.

**Table 4.4: Coefficient for New Entrants and Performance**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>.666</td>
<td>.245</td>
</tr>
<tr>
<td>entrants</td>
<td>.836</td>
<td>.056</td>
</tr>
</tbody>
</table>

4.4 The Impact of Buyers Bargaining Power on Performance

The second objective of this study sought to determine the impact of new entrants on performance of private security firms.

4.4.1 Descriptive Statistics for Buyers Bargaining Power and Performance

On the basis of a Likert Scale, the respondents of the study indicated the extent to which they were in agreement or disagreement on different aspects of buyers bargaining power and performance. The five-point scale ranged from a scale of 1 which stands for “strongly disagreed” to 5 which stands for “strongly disagree”. Data was analyzed on the basis of means and standard deviation which was used in highlighting the range of dispersion of the respondents.

The findings in Table 4.5 revealed that the respondents agreed that buyers bargaining power is high in the industry, mean = 4.34 and SD = 0.853. The findings revealed that the respondents agreed that there are many buyers in the market making the industry attractive to new entrants, mean = 4.37 and SD = 0.635. The respondents also agreed that some buyers buy large volumes and may ask for discounted price, mean = 4.29 and SD = 0.867.
0.790. The findings revealed that the respondents strongly agreed that buyers have full information and can switch suppliers, mean = 4.36 and SD = 0.872.

The findings of this study revealed that the respondents agreed that switching costs are lower encouraging buyers to switch suppliers, mean = 4.44 and SD = 0.500. The findings of the study revealed that respondents agreed that buyers have less bargaining power over our prices, mean = 4.48 and SD = 0.503. The respondents agreed that buyer loyalty is high therefore they do not switch to other suppliers in the industry, mean = 4.21 and SD = 0.645. The respondents also agreed that there are many sellers therefore buyers can switch easily, mean = 4.25 and SD = 0.878. The respondents also agreed that the firm has buyer information and is able to work closely with buyers to build a long-lasting relationship, mean = 4.41 and SD = 0.523.

The findings of the study revealed that the security services are standardized which encourages buyer switching, mean = 4.12 and SD = 0.331. The findings also revealed that the respondents agreed that buyers can exert influence on the quality of our services, mean = 4.23 and SD = 0.677. The respondents agreed that buyers power can bring down our prices, mean = 4.22 and SD = 0.583. The findings revealed that the respondents agreed that the firm locks buyers in long term contracts to discourage switching, mean = 4.52 and SD = 0.503. The respondents agreed that long term contracts can discourage switching to other suppliers, mean = 4.40 and SD = 0.493. The respondents agreed that buyers are sensitive to increases in price, mean = 4.30 and SD = 0.462. The respondents also agreed that institutional buyers have more bargaining power and can negotiate price downwards, mean = 4.51 and SD = 0.766.
Table 4.5: Descriptive Statistics for Buyers Bargaining Power and Performance

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buyers bargaining power is high in the industry</td>
<td>73</td>
<td>4.34</td>
<td>.853</td>
</tr>
<tr>
<td>There are many buyers in the market making the industry attractive to new entrants.</td>
<td>73</td>
<td>4.37</td>
<td>.635</td>
</tr>
<tr>
<td>Some buyers buy large volumes and may ask for discounted price</td>
<td>73</td>
<td>4.29</td>
<td>.790</td>
</tr>
<tr>
<td>Buyers have full information and can switch suppliers</td>
<td>73</td>
<td>4.36</td>
<td>.872</td>
</tr>
<tr>
<td>Switching costs are lower encouraging buyers to switch suppliers</td>
<td>73</td>
<td>4.44</td>
<td>.500</td>
</tr>
<tr>
<td>Buyers have less bargaining power over our prices</td>
<td>73</td>
<td>4.48</td>
<td>.503</td>
</tr>
<tr>
<td>Buyer loyalty is high therefore they do not switch to other suppliers in the industry</td>
<td>73</td>
<td>4.21</td>
<td>.645</td>
</tr>
<tr>
<td>There are many sellers therefore buyers can switch easily.</td>
<td>73</td>
<td>4.25</td>
<td>.878</td>
</tr>
<tr>
<td>The firm has buyer information and is able to work closely with buyers to build a long-lasting relationship</td>
<td>73</td>
<td>4.41</td>
<td>.523</td>
</tr>
<tr>
<td>The security services are standardized which encourages buyer switching</td>
<td>73</td>
<td>4.12</td>
<td>.331</td>
</tr>
<tr>
<td>Buyers can exert influence on the quality of our services</td>
<td>73</td>
<td>4.23</td>
<td>.677</td>
</tr>
<tr>
<td>Buyers power can bring down our prices</td>
<td>73</td>
<td>4.22</td>
<td>.583</td>
</tr>
<tr>
<td>The firm locks buyers in long term contracts to discourage switching.</td>
<td>73</td>
<td>4.52</td>
<td>.503</td>
</tr>
<tr>
<td>Long term contracts can discourage switching to other suppliers</td>
<td>73</td>
<td>4.40</td>
<td>.493</td>
</tr>
<tr>
<td>Buyers are sensitive to increases in price</td>
<td>73</td>
<td>4.30</td>
<td>.462</td>
</tr>
<tr>
<td>Institutional buyers have more bargaining power and can negotiate price downwards</td>
<td>73</td>
<td>4.51</td>
<td>.766</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td></td>
<td>73</td>
<td></td>
</tr>
</tbody>
</table>

4.4.2 Regression Analysis between Buyers Bargaining Power and Performance

A regression test was conducted to determine the underlying relationship between buyers bargaining power the independent variable and performance the dependent variable.

Table 4.6 presents the model summary derived from the regression test between buyers bargaining power and performance. The findings revealed adjusted R squared value of
0.360 which implies that (36.0%) of the variation in performance is attributed by the variation in buyers bargaining power and (64.0%) of the variation on the dependent variable is attributed to other factors outside the model that were not captured by the regression model.

Table 4. 6: Regression Analysis between Buyers Bargaining Power and Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.600&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.360</td>
<td>.351</td>
<td>.18296</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Buyers Bargaining Power

4.4.3 Analysis of Variance between Buyers Bargaining Power and Performance

The Analysis of Variance presented in Table 4.7, shows that F statistics value is 39.988 and a p-value of 0.000. This indicates that: \( F_{(1,71)} = 39.988 \); p-value = 0.000 (p-value < 0.01). This implies that there exists a significant variance between buyers bargaining power the independent variable and performance the dependent variable.

Table 4. 7: Analysis of Variance between Buyers Bargaining Power and Performance

<table>
<thead>
<tr>
<th>ANOVA&lt;sup&gt;a&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Performance
b. Predictors: (Constant), Buyers Bargaining Power

4.4.4 Coefficient for Buyers Bargaining Power and Performance

Table 4.8 show that the Beta coefficient of buyers bargaining power was \( \beta \) (0.600); p-value = 0.000. This means that a unit increase in buyers bargaining power would lead to 0.600 unit increase in performance. The regression model for buyers bargaining power was therefore established as follows: \( Y = 0.557 \) (constant) + 0.867 buyers bargaining power.
Table 4.8: Coefficient for Buyers Bargaining Power and Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Coefficientsa</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>.557</td>
<td>.595</td>
<td>.936</td>
<td>.002</td>
</tr>
<tr>
<td></td>
<td>Buyers Bargaining Power</td>
<td>.867</td>
<td>.137</td>
<td>.600</td>
<td>6.324</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Performance

4.5 The Impact of Rivalry among Competitors on Performance

This study sought to determine the impact of rivalry among competitors on performance in security firms in Kenya.

4.5.1 Descriptive Statistics for Rivalry among Competitors and Performance

On the basis of a Likert Scale, the respondents of the study indicated the extent to which they were in agreement or disagreement on different aspects of rivalry among competitors and performance. The five-point scale ranged from a scale of 1 which stands for “strongly disagreed” to 5 which stands for “strongly disagree”. Data was analyzed on the basis of means and standard deviation which was used in highlighting the range of dispersion of the respondents.

The findings in Table 4.9 revealed that the respondents agreed that there is intense rivalry in the industry which affects firm’s performance, mean = 4.58 and SD = 0.525. The respondents agreed that intense rivalry is a result of many firms in the industry competing for market share, mean = 4.55 and SD = 0.501. The respondents agreed that firms seeking bigger market share eats in other firms’ market share, mean = 4.44 and SD = 0.500. The respondents agreed that there is intense competition to capture buyers to sustain profitability, mean = 4.41 and SD = 0.663. The findings of the study revealed that rivalry limits profitability in the industry, mean = 4.49 and SD = 0.648.

Furthermore, the findings of the study revealed that the respondents agreed that the industry players use price cuts to attract buyers, mean = 4.56 and SD = 0.500. The respondents agreed that price wars may reduce profitability of the industry, mean = 4.60 and SD = 0.493. The respondents agreed that presence of many firms in the industry increases rivalry, mean = 4.22 and SD = 0.479. The respondents agreed that intense
industry rivalry increases competition thus decreasing firm performance, mean = 4.30 and SD = 0.660.

The findings of this study also revealed that the respondents agreed that seller’s products are differentiated, mean = 4.55 and SD = 0.501. The findings of the study show that the respondents agreed that differentiation of products is advantageous to sellers they can use monopolistic pricing, mean = 4.27 and SD = 0.672. The respondents also agreed that differentiated products discourage new entrants into the industry, mean = 4.42 and SD = 0.498. The respondents agreed that firm can use differentiation to attain market share, mean = 4.53 and SD = 0.502. The respondents agreed that differentiation restrains competitors to compete on price, mean = 4.64 and SD = 0.482. The respondents were also in agreement that the firm uses differentiation to charge premium prices, mean = 4.53 and SD = 0.502.

**Table 4.9: Descriptive Statistics for Rivalry among Competitors and Performance**

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is intense rivalry in the industry which affects firm’s performance</td>
<td>73</td>
<td>4.58</td>
<td>.525</td>
</tr>
<tr>
<td>Intense rivalry is a result of many firms in the industry competing for market share</td>
<td>73</td>
<td>4.55</td>
<td>.501</td>
</tr>
<tr>
<td>Firms seeking bigger market share eats in other firms market share</td>
<td>73</td>
<td>4.44</td>
<td>.500</td>
</tr>
<tr>
<td>There is intense competition to capture buyers to sustain profitability</td>
<td>73</td>
<td>4.41</td>
<td>.663</td>
</tr>
<tr>
<td>Rivalry limits profitability in the industry.</td>
<td>73</td>
<td>4.49</td>
<td>.648</td>
</tr>
<tr>
<td>Industry players use price cuts to attract buyers.</td>
<td>73</td>
<td>4.56</td>
<td>.500</td>
</tr>
<tr>
<td>Price wars may reduce profitability of the industry</td>
<td>73</td>
<td>4.60</td>
<td>.493</td>
</tr>
<tr>
<td>Presence of many firms in the industry increases rivalry</td>
<td>73</td>
<td>4.22</td>
<td>.479</td>
</tr>
<tr>
<td>Intense industry rivalry increases competition thus decreasing firm performance.</td>
<td>73</td>
<td>4.30</td>
<td>.660</td>
</tr>
<tr>
<td>Sellers products are differentiated</td>
<td>73</td>
<td>4.55</td>
<td>.501</td>
</tr>
<tr>
<td>Differentiation of products is advantageous to sellers they can use monopolistic pricing</td>
<td>73</td>
<td>4.27</td>
<td>.672</td>
</tr>
<tr>
<td>Differentiated products discourages new entrants into the industry.</td>
<td>73</td>
<td>4.42</td>
<td>.498</td>
</tr>
<tr>
<td>Firm can use differentiation to attain market share</td>
<td>73</td>
<td>4.53</td>
<td>.502</td>
</tr>
<tr>
<td>Differentiation restrains competitors to compete on price</td>
<td>73</td>
<td>4.64</td>
<td>.482</td>
</tr>
<tr>
<td>The firm uses differentiation to charge premium prices</td>
<td>73</td>
<td>4.53</td>
<td>.502</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>73</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4.5.1 Regression Analysis between Rivalry among Competitors and Performance

A regression test was carried out to determine the underlying relationship between rivalry among competitors the independent variable and performance the dependent variable. Table 4.10 presents the model summary derived from the regression test between rivalry among competitors and performance. The findings revealed a R squared value of 0.19 which implies that (19%) of the variation in performance is attributed by the variation in rivalry among competitors and (81%) of the variation on the dependent variable is attributed to factors outside the model that were not captured by the regression model.

Table 4.10: Regression Analysis between Rivalry among Competitors and Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.140</td>
<td>.019</td>
<td>.016</td>
<td>.22651</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Rivalry

4.5.2 Analysis of Variance between Rivalry among Competitors and Performance

The Analysis of Variance presented in Table 4.11, shows that F statistics value is 21.410 and a p-value of 0.003. This indicates that; $F_{(1,71)} = 21.410; p$-value = 0.000 (p-value < 0.01). This implies that there exists a statistically significant variance between rivalry among competitors and performance.

Table 4.11: Analysis of Variance between Rivalry among Competitors and Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>.072</td>
<td>1</td>
<td>.072</td>
<td>21.410</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>3.643</td>
<td>71</td>
<td>.051</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>3.715</td>
<td>72</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Performance
b. Predictors: (Constant), Rivalry
4.5.3 Coefficients for Rivalry among Competitors and Performance

Table 4.12 show that the Beta coefficient of buyers bargaining power was $\beta (0.540); p$-
value $= 0.002$. This means that a unit increase in rivalry among competitors would lead to
0.540 unit increase in performance. The regression model for rivalry among competitors
was therefore established as follows: $Y = 3.309$ (constant) $+ 0.227$ rivalry

Table 4.12: Coefficients for Rivalry among Competitors and Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>3.309</td>
</tr>
<tr>
<td></td>
<td>Rivalry</td>
<td>.227</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Performance

4.6 Chapter Summary

This chapter presented the results and findings obtained from the respondents. The first
section presented demographic details of the respondents. The second section presented
the findings on the impact of new entrants on performance. Second section presented
findings on the impact of buyers bargaining power on performance and the last section
offered findings on the impact of rivalry among competitors and performance. The next
chapter present the discussion, conclusion and recommendations based on the findings.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the discussion, conclusion and recommendations of the study on the impact of industry environmental factors on performance of security firms in Kenya. The first part of the chapter presents a summary of the study, followed by the discussion of the findings, conclusions and recommendations of each specific objective.

5.2 Summary

The general objective of this study was to establish the impact of the industry environment on the performance of the private security firms. This study was conducted based on the following research objectives; to determine the impact of new entrants on performance of the private security firms, to determine the impact of buyers bargaining power on the performance of the private security firms and to determine the impact of rivalry among competitors on the performance of private security firms.

This study adopted a descriptive research design in integrating the component of the study. A population of 135 managers working in private security firms were targeted yielding a sample of 101 managers. Stratified random sampling technique was adopted. A structured questionnaire was used to collect the primary data. Data was analyzed using both inferential and descriptive statistics. Inferential statistics included correlation and regression while descriptive statistics analyzed means and standard deviations. The findings were presented using figures and tables.

The first research objective sought to determine the impact of new entrants on performance of the private security firms. The study found that there exists a significant correlation between new entrants and performance. This study established that new entrants accounts for 75.8% in variability for performance and was statistically significant.

The second research objective sought to determine the impact of buyers bargaining power on performance of private security firms. The study revealed that there is a significant relationship between buyers bargaining power and performance. The study also revealed
that buyers bargaining power accounts for 36% in variability for performance and was statistically significant.

The third research objective sought to determine the impact of rivalry among competitors on performance. The findings have revealed that there is a relationship between rivalry among competitors and performance. The study revealed that rivalry among competitors accounts for 19% in variability for performance and was statistically significant.

5.3 Discussion

5.3.1 The Impact of New Entrants on Performance

This study sought to determine the impact of new entrants on performance. The findings of the study revealed a significant relationship between new entrants and performance. According to Schilling (2017), Porter advanced the notion that the threat of new entrants is driven by the degree to which the industry is attractive to new entrants. Factors that contribute to the attractiveness of an industry include high profitability and potential growth. Entry barriers encourage or discourage new entrants. The barriers include brand loyalty, government regulations, large startup capital, access to suppliers and distribution channels, and access to finance. New entrants to an industry bring in new capacity, substantial resources and they encroach on the market share of the incumbents as they seek to grow their market share. New entrants can enter the market through acquisition or as new entities. Depending on their resource capability they may cause a shakeout in the industry. They may also compete in price in order to attract customers consequently bring down the market prices and thus affecting the productivity of the incumbents. On the bright side they may introduce new processes and technology that the industry players can copy and be more efficient thereby reducing the cost of doing business which would increase the margins and profitability (Porter, 1980).

Studies of the American telecommunication industry that investigated if the presence of new competitors influenced the behavior of incumbent local exchange carriers with respect to their pricing, advertising and the extent of diversification engaged in. Their results indicated that the threat provided by market entrants had notably influenced strategic behavior, and that the incumbent local operators, particularly the larger firms, aggressively protected their profit streams from traditional business. New entrants bring competition which can force the incumbents to invest in modern technologies be more
efficient to bring down costs, reinvent themselves, build their brand which can be beneficial to customers, they get lower prices, better offering and more suppliers to choose from which can also spur demand (Majumdar, 2010). Profitability and growth attract new entrants while barriers to entry deter them. New entrants or potential competitors can be young businesses or companies intending to start their activities in the short term or a multinational entering a new market. New competitors are attracted to markets representing the possibility of profitability superior to businesses already established in these markets. In an industry where there are no entry barriers, new competitors will continue to be attracted until the diluted earnings among all participants in this market are equalized, or until the new competitors cannot obtain some competitive advantage against their competitors (Bagire & Namanda, 2013).

The findings of the study show that new entrants enhance competition in the industry. These findings confirm with those of Armstrong and Baron (2006), who argue that new entrants to an industry bring in new capacity, substantial resources and they encroach on the market share of the incumbents as they seek to grow their market share. New entrants can enter the market through acquisition or as new entities. Depending on their resource capability they may cause a shakeout in the industry. They may also compete in price in order to attract customers consequently bring down the market prices and thus affecting the productivity of the incumbents. According to Makadok and Ross (2013), on the bright side they may introduce new processes and technology that the industry players can copy and be more efficient thereby reducing the cost of doing business which would increase the margins and profitability. Majumdar (2010), new entrants bring competition which can force the incumbents to invest in modern technologies be more efficient to bring down costs, reinvent themselves, build their brand which can be beneficial to customers, they get lower prices, better offering and more suppliers to choose from which can also spur demand.

The findings of the study revealed that capital requirement determines the level of new entrants in the organization. According to Porter (2008), capital is a crucial requirement for any business. New business may require startup capital to cater for expenditure in procuring equipment, inventory, human resource, setting up of distribution channels. Each industry has its own capital requirements for example airline, banking and telecommunications industries are capital intensive. Capital requirement becomes a barrier when it deters new entrants from entering the market because they are unable to
raise the necessary capital to do business in the industry. However major corporations with huge capital resources can enter any market and therefore capital requirement is not a barrier to entry, unlike small firms who are not able to raise the required capital hence cannot enter such markets, for them capital requirement is a barrier to entry. This limits the number of players in an industry which may create an oligopoly which translates to the few firms in the market being very profitable (Vecchiato, 2015).

According to Guo (2016), the banking sector all over the world is subject to capital requirements. Traditionally to open a bank an organization must meet a minimum capital requirement before being licensed to carry out banking business. Capital requirements are a fundamental regulation designed to promote financial stability. In the banking sector it is intended to provide a minimum level of security for depositors in case of a negative economic shock. A study carried out in California to determine if minimum capital requirement was a barrier to entry found that although capital requirement had been a barrier to entry favoring national banks that had large capital reserve to meet any increases of capital requirements. In the state of California where the capital requirements were more lenient than the national minimum requirements the composition of state and national banks did not change as would have been expected (Defolie & Biglaiser, 2017).

5.3.2 The Impact of Buyers Bargaining Power on Performance

This study sought to determine the impact of buyers bargaining power on performance. The findings revealed that buyers bargaining power influences performance. According to Madau, Furesi and Pulina (2012), buyers bargaining power refers to the pressure customers can exert on businesses to influence them to provide better services, higher quality goods, lower prices and playing competitors against each other all at the expense of industry profitability. If buyer power is high this means they can demand high quality goods and services which increases costs to the seller and reduces the profitability margins. On the other hand, if the buyer power is low the products offered could be of low quality and the buyer is a price taker. Therefore, low buyer bargaining power makes an industry attractive and profitable while higher bargaining power makes the industry unattractive due to reduced profit margins and increases the competition among the firms (Bagire & Namanda, 2013).
The number of buyers relative to suppliers influences the buyer bargaining power. The Kenyan security market is made up commercial clients, ranging from industries, banks, government agencies and commercial farms to embassies, international organizations, NGOs, and refugee camps. The residential market is relatively small, comprising, according to one study, only 10.7 percent of total business. Residential security is highly segmented, and only a minority of private residences can afford the services of the leading companies (Abrahamsen & Williams, 2005). A market with many sellers gives the buyer more options to choose from thus increasing the buyer power. The private security industry in Kenya has many sellers although it is difficult to confirm the numbers. Depending on the source of information it ranges from 1000 to 4000. With availability of information the buyer can compare the services offered and the price this empowers the buyers to choose the most suitable provider that meets their needs at an affordable price. When buyer power is strong there is a likelihood of driving the prices down which reduces the profit margins and the financial performance of the industry (Hua, 2011).

The findings of this study revealed that buyer bargaining power influences pricing strategy deployed by the organization. According to Jusup, Hruska and Promorac (2013), they indicate that the buyer group is powerful if the buyers are concentrated or purchases in large volumes relative to the seller’s sales volume. When a buyer such as an institution procures a significant amount or in the case of private security industry procures integrated services, they are likely to bargain for a better price, if on the other hand the seller values the business, they are likely to compromise to meet the needs of an important client. This affects their financial performance but keeps the customer satisfied. Another aspect of the purchase is if it represents a substantial percentage of the buyers cost then the buyer is very sensitive to price and would be willing to look around for a cheaper supplier (Porter, 2008). A study of the tuna industry in Croatia found that when the buyers are concentrated they exerted pressure on the prices, dictated quality standards which impacted the performance of the Croatian tuna industry negatively (Stringham, Miller, & Clark, 2015).

Furthermore, the study revealed that availability of buyer information influence performance of the organization. Kawai, Sakaguchi and Shimizu (2013), The Japanese car manufacturing industry have organized collaboration buyer-supplier relationship. The Japanese buyer supplier relationships is characterized by information sharing and long-
term relationships. The buyers’ vet the suppliers’ businesses on their financial strengths, operations management, personnel management sale and procurement and research and development. Through these assessments the buyers are able to provide technical advice. This collaboration led to the suppliers contributing to the buyers’ competitive advantage and thus increasing their performance. The authors further indicate that the buyers were able to offer technical and financial support to the sellers. They both worked on the quality of the components and delivery times. The buyers were able to get quality parts in time which increased their efficiency and effectiveness. Having full information improved the performance of both the buyer and the seller (Al-Kwifi & Ahmed, 2015).

The findings of the study revealed that buyers bargaining power influences buying volumes in the organization. According to Ikonnikova and Zwart (2014), buyer volume is achieved when a buyer procures a significant large quantity of the seller’s production. A bilateral oligopoly market structure is characterized by strong domestic buyers which are normally governments or government agencies who negotiate bilateral contracts with strong foreign sellers. The European market for natural gas is one example of such a bilateral oligopoly. The supply side is dominated by three major foreign sellers: Russian Gazprom, Algerian Sonatrach, and Norwegian Statoil with an equally strong buying side that is dominated by ‘national champions’ within the European Union (E.U.), like Gaz de France, German E.O.N, and Italian Eni, who act as gatekeepers to final consumers. As a result, sellers face stiff negotiations over prices with the buyers. Strong buyers have the upper hand when negotiating prices with the sellers and this may negatively impact the performance of the sellers.

5.3.3 The Impact of Rivalry among Competitors on Performance

This study sought to determine the impact of rivalry among competitors on performance. The findings of the study revealed that there is a relationship between rivalry among competitors and performance. Murakami (2011) argues that competition can improve the standard of performance offered in a particular market, making all competitors more competitive. Disputed advertising campaigns can increase the demand and differentiation of certain products, which would bring benefits to all stakeholders. However, rivalry can also reduce the margins of the whole industry, which will consequently reflect the results and profitability of the sector. A study of the Japanese aviation industry after liberalization demonstrates how industry rivalry can drive competitors out of business by
cutting prices. The incumbent airlines in retaliation brought down their fares to match the new low-cost entrants. The low-cost airline strategy of creating demand in a new niche in the over-served customers segment was thwarted by the incumbents. The low-cost airlines performance was impacted negatively, they made losses and were forced to seek protection from the government (Kawai, Sakaguchi, & Shimizu, 2013).

Competition can improve the standard of performance offered in a particular market, making all competitors more competitive. Disputed advertising campaigns can increase the demand and differentiation of certain products, which would bring benefits to all stakeholders. However, rivalry can also reduce the margins of the whole industry, which will consequently reflect the results and profitability of the sector. A study of the Japanese aviation industry after liberalization demonstrates how industry rivalry can drive competitors out of business by cutting prices. The incumbent airlines in retaliation brought down their fares to match the new low-cost entrants. The low-cost airline strategy of creating demand in a new niche in the over served customers segment was thwarted by the incumbents. The low-cost airlines performance was impacted negatively, they made losses and were forced to seek protection from the government (Murakami, 2011).

In addition to that, rivalry among existing competitors according to Porter (2008) is businesses jockeying for position using tactics such as price wars, aggressive advertising, product introduction and increased customer service. In the market, as in the war, the occupation of the territories is very important. Most companies in the market seek market share, the maintenance of current customers and continuous growth. However, when a competitor advances on enemy "territory" it is common to expect any kind of retaliation. The Private Security Services industry has many firms, jostling for customers and fierce competition is expected as each firm strives to gain market share. High rivalry limits profitability in an industry the players can engage in prolonged price wars that is detrimental to the industry, price wars remove the money from the industry to the customers (Porter, 1986).

The findings of the study revealed that the industry with undifferentiated product empowers a buyer. According to Kotler and Keller (2016), the buyer has flexibility because they can purchase the product from any supplier at the right price. The only consideration is price; they can play competitors against each other as they bargain to get the lowest price. The more that the products of rival firms differ, the more strongly any
given consumer will prefer one firm’s product over another’s and so the less effective price cutting will be at gaining market share, which in turn restrains price rivalry and thereby raises the whole industry’s profits. On the other hand, a firm with a differentiation advantage creates more economic value than its rivals, enabling it to boost its own profit at their expense. Product differentiation may dampen customer bargaining power, preventing customers from playing rivals off against each other, and may foster customer loyalty, which also restrains rivalry from entrants or substitutes. Firms result to differentiation to attain market share. The goal of product differentiation is capture buyers’ preferences. Differentiation is exhibited in various forms as seen in the airline business for example Ryan Air no frills product for their low-cost strategy versus Emirates high end differentiation (Armstrong & Baron, 2006).

The findings of the study also show that rivalry among competitors enhances differentiation. According to Abrahamsen and Williams (2005), the market is characterized by many sellers with a plethora of products competing in multiple markets but most of the sellers specialize in number of components since producing the whole spectrum of the industry requirements would be very expensive and the products very nature changes very quickly to keep with new innovations. The study of the American ESS vendors found that the crowded market was more advantageous since it gave the right signal to the customers such as compatibility of components purchased across several markets and the vendors were likely to be viewed as offering important components. The ESS firms were found to reap performance benefits in crowded markets and competing in multiple markets with the same rivals if they engaged in tacit collusion and mutual forbearance which lowered competitive intensity (Chellappa, Sambamurthy, & Saraf, 2010).

5.4 Conclusions

5.4.1 The Impact of New Entrants on Performance

This study concludes that there is a significant relationship between new entrants and performance of the organization. New entrants influence organization performance in the sense that innovation and creativity in the company is enhanced to address the threats of new entrants. This study concludes that new entrants influence profitability of the industry in which the organization operates.
5.4.2 The Impact of Buyers Bargaining Power on Performance

This study concludes that buyers bargaining power has a significant and positive relationship with performance. This study concludes that buyers bargaining power influences the quality of products and services offered by the organization as they endeavour to address customer needs efficiently and effectively. This study concludes that buyers bargaining power influences profitability of the company.

5.4.3 The Impact of Rivalry among Competitors and Performance

This study concludes that rivalry among competitors is essential for increased productivity in an industry. Rivalry incentivizes firms to differentiate their products to gain customer loyalty and reduce switching. Building a strong brand is essential for an organization’s sustainable growth and long-term performance. This study also concludes that rivalry enhance quality among organizations due to positive competition which often results into increased innovation and performance.

5.5 Recommendations

5.5.1 Recommendations for Practice

5.5.1.1 The Impact of New Entrants on Performance

This study recommends that private security firms should constantly keep track of new entrants into the market in order to identify threats and address them accordingly. This will help the companies to have a quick response mechanism while at the same time improving customer attraction. The study recommends private security firms should offer services that cannot easily be imitated by new entrants, they should leverage their core competencies and capabilities to build economies of scale and scope.

5.5.1.2 The Impact of Buyers Bargaining Power on Performance

This study recommends that private security firms should develop quality products and services that are tailor made to suit customers’ needs to attract new customers and retain the existing ones. This study recommends that private security firms should also develop customer loyalty practices that will entice customers to keep using their services whenever security needs arises and who can recommend them to others.
5.5.1.3 The Impact of Rivalry among Competitors and Performance

This study recommends that private security firms should keep up with emerging needs as well as trends coming into the market to effectively compete in a dynamic business environment. This study recommends that private security firms should be innovative and differentiate their services and products in order to build a competitive advantage in the industry for future sustainability. This study also recommends that security firms should invest in technology to ensure high security standards are met.

5.5.2 Recommendations for Future Research

This study investigated the impact of industry environmental factors on performance of security firms in Kenya. This study was limited to three industry variables that is threats of new entrants, buyer’s bargaining power and rivalry among competitors. Future studies should investigate the effect of other industry variables such as threats of substitutes and bargaining power of suppliers in relation to performances.
REFERENCES


Almanza, A. (2014). *Chief Executive Officer Review*. Retrieved May 14, 2019, from G4S: https://www.g4s.com/en-ke/-/media/g4s/global/files/annual-reports/ceo_review.ashx


APPENDICES
APPENDIX I: QUESTIONNAIRE

PART A: DEMOGRAPHIC DETAILS

1. Kindly indicate your gender
   Male  □  Female  □

2. Age
   20-30 years □
   31-40 years □
   41-50 years □
   51-60 years □
   61 and above □

3. Education background:
   Certificate □
   Diploma □
   Bachelor’s degree □
   Master’s degree □
   Doctorate □

4. Professional background:
   Finance □
   Marketing □
   Human Resource Management □
   Management □
   Operations Management □

5. Managerial role
   Lower level Management □
   Middle level Management □
   Top level Management □
PART B: New Entrants and Organizational Performance

Kindly answer the following questions to the best of your knowledge using the following Likert scale. Strongly disagree = 1, disagree = 2, neutral = 3, Agree = 4, strongly agree = 5.

<table>
<thead>
<tr>
<th>Question</th>
<th>1</th>
<th>2</th>
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<tbody>
<tr>
<td>1 The security service industry has low entry barriers</td>
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<tr>
<td>2 The industry is very profitable therefore attracts new entrants</td>
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<td>3 Low capital outlay contributes to increased new entrants in the security services industry.</td>
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<td>4 Lack of regulation has eased entry into the industry attracting new entrants.</td>
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<td>5 Lack of product differentiation encourages new entrants to join the industry</td>
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<td>6 New entrants encroach on the firm’s market share.</td>
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<td>7 New entrants causes saturation of the industry and affect profitability.</td>
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<td>8 New entrant such as a multinational impact the firms performance negatively.</td>
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<td>9 New entrant with a differentiated product portfolio enhances customer loyalty.</td>
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<td>10 Government policy affects the performance of the firm.</td>
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<td>11 Expected retaliation by incumbents discourages new entrants</td>
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<td>12 Low switching costs encourages new entrants to enter the industry.</td>
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<td>13 The brand loyalty discourages new entrants into the industry</td>
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<td>14 Having long term contracts with customers improves retention and long term firm performance.</td>
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<td>15 Firms with huge capital resources can enter the industry easily</td>
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</table>
PART C: Buyers Bargaining Power and Organizational Performance

Kindly answer the following questions to the best of your knowledge using the following Likert scale. Strongly disagree = 1, disagree = 2, neutral = 3, Agree = 4, strongly agree = 5.

<table>
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<tr>
<th>Question</th>
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<th>2</th>
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<tbody>
<tr>
<td>1  Buyers bargaining power is high in the industry</td>
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<td>2  There are many buyers in the market making the industry attractive to new entrants.</td>
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<td>3  Some buyers buy large volumes and may ask for discounted price</td>
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<td>4  Buyers have full information and can switch suppliers</td>
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<td>5  Switching costs are lower encouraging buyers to switch suppliers</td>
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<td>6  Buyers have less bargaining power over our prices</td>
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<td>7  Buyer loyalty is high therefore they do not switch to other suppliers in the industry</td>
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<tr>
<td>8  There are many sellers therefore buyers can switch easily.</td>
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<td>9  The firm has buyer information and is able to work closely with buyers to build a long-lasting relationship</td>
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<td>10 The security services are standardized which encourages buyer switching</td>
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<td>11 Buyers can exert influence on the quality of our services</td>
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<td>12 Buyers power can bring down our prices</td>
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<td>13 The firm locks buyers in long term contracts to discourage switching.</td>
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<tr>
<td>14 Long term contracts can discourage switching to other suppliers</td>
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<td>15 Buyers are sensitive to increases in price</td>
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<td>16 Institutional buyers have more bargaining power and can negotiate price downwards</td>
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PART D: Rivalry among Competitors on the Performance of Private Security Firms

Kindly answer the following questions to the best of your knowledge using the following Likert scale. Strongly disagree = 1, disagree = 2, neutral = 3, Agree = 4, strongly agree = 5.

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<tbody>
<tr>
<td>1</td>
<td>There is intense rivalry in the industry which affects firm’s performance</td>
<td>1</td>
<td>2</td>
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</tr>
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<td>2</td>
<td>Intense rivalry is a result of many firms in the industry competing for market share</td>
<td>1</td>
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<tr>
<td>3</td>
<td>Firms seeking bigger market share eats in other firms market share</td>
<td>1</td>
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<tr>
<td>4</td>
<td>There is intense competition to capture buyers to sustain profitability</td>
<td>1</td>
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<td>5</td>
<td>Rivalry limits profitability in the industry.</td>
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<tr>
<td>6</td>
<td>Industry players use price cuts to attract buyers.</td>
<td>1</td>
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<td>7</td>
<td>Price wars may reduce profitability of the industry</td>
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<td>8</td>
<td>Presence of many firms in the industry increases rivalry</td>
<td>1</td>
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<tr>
<td>9</td>
<td>Intense industry rivalry increases competition thus decreasing firm performance.</td>
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<tr>
<td>10</td>
<td>Sellers products are differentiated</td>
<td>1</td>
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<tr>
<td>11</td>
<td>Differentiation of products is advantageous to sellers they can use monopolistic pricing</td>
<td>1</td>
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<tr>
<td>12</td>
<td>Differentiated products discourages new entrants into the industry.</td>
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<tr>
<td>13</td>
<td>Firm can use differentiation to attain market share</td>
<td>1</td>
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<tr>
<td>14</td>
<td>Differentiation restrains competitors to compete on price</td>
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<tr>
<td>15</td>
<td>The firm uses differentiation to charge premium prices</td>
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THANK YOU
TO WHOM IT MAY CONCERN.

25TH JULY, 2019

Dear Sir/Madam,

REF: PERMISSION TO CONDUCT RESEARCH – ANNE WAMUYU THAMBU

STUDENT ID. NO. 644880

The bearer of this letter is a student of United States International University (USIU) -Africa pursuing a Masters of Business Administration.

As part of the program, the student is required to undertake a dissertation on the “Impact of Industry Environmental Factors on the Performance of Security Firms in Kenya,” which requires her to collect data.

Please note that information provided will be treated with utmost confidentiality and will only be used for academic purposes.

Kindly assist the student get the appropriate data and should you have any queries contact the undersigned.

Yours Sincerely,

[Signature]

Prof. Amos Njogu,
Dean – School of Graduate Studies, Research and Extension
Tel: 730 116 442
Email: amnjuwu@usi.ac.ke
APPENDIX III: NACOSTI RESEARCH LICENSE

This is to certify that Ms. Anne Gitonga, United States International University-Africa, has been licensed to conduct research in Nairobi on the topic: Impact of Industry Environmental Factors on the Performance of Security Firms in Kenya for the period ending 05/September/2020.

License No: NACOSTI/P/19/051

Applicant Identification Number: 5865914

Date of Issue: 05/September/2019

Director General
NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

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