

Response Strategies to Challenges Faced by the Horticultural Firms in Nairobi County of Kenya

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Abstract

The horticultural sector has an immense contribution to the economic development of many countries including Kenya. However, the sector faces numerous challenges that hinder its full contribution to most economies especially in the developing countries. This study was carried out to determine the response strategies that the horticulture firms in Nairobi County, Kenya can put in place to counter the many challenges it faces. The study made use of primary data, collected from the management and staff of thirty six horticultural firms in the County. The data was analysed using frequencies and measures of central tendency such as mean, mode and standard deviation. The study is of critical importance to horticultural firms in Kenya and other countries. It is also of great importance since it helps in establishing important strategies that can help in improving performance among the firms. The study established that horticultural firms can use several strategies in their operations which can help in eliminating the challenges they face and improve their performance in the sector. The key strategies include : Turn around strategies- an all-round strategy dealing with competition, product diversification, new market penetration, e-marketing of the company's products, investing in packaging and product differentiation, target market, out-sourcing of services, differentiating strategies, refocusing the business and enlarged branch network worldwide. It is recommended that the management should device appropriate ways of putting in place strategies that are underutilized in order to deal with the challenges they face for a maximum profitability of the firms.

Key words: Response, Strategies, Nairobi County, Kenya

1. Introduction

Leaders within an organization must make radical decision that will steer the firm forward even during difficult times. Some may choose between pursuing a radically new product line or remain on a current strategic path that may grow stagnant in the future (Rickard, 1995). Others must decide to engage in cutbacks with hopes they will help the company survive, even when it is unclear if the cutbacks will send the organization into financial tailspin (Ettlie, 2006). Not every choice will prove correct and no leader, regardless of how successful, lives an error free life (Bell- Avers 2008). The focus should be on a mix of strategies that will create a competitive advantage to the organization.

Response strategies are the various measures that an organization employs in wake of threats in the environment it exists. Organizations have to adequately and promptly respond to these challenges in the environment for them to be successful. Ansoff (1999) brought out the need of organizations to match their strategies to the level of competitiveness in the operating environment. The environment in which businesses operate faces stiff competition due to the existence of other firms producing and/or selling the same products or services. Businesses have as a result to cope with competition and to adopt response strategies to it or risk being thrown out of the market by the same competition. An organization can adopt different response strategies in order to beat competition challenges. If a firm wishes to pursue cost leadership, it has to be below cost products in its industry. A firm may gain cost advantage through economies of scale, proprietary technology, cheap raw material, etc. The strategy of differentiation can be used by offering products that are emphasizing different functional areas within the firm. Firms can also rely on process innovations and take advantage of the experience curve phenomenon to improve product quality and stay ahead of its competitors.

2. Literature review

Organizations neither function in isolations of the external environment (i.e level of uncertainty may change) nor does it remain static or constant with respect to its internal environment, as for example, competition within industries, forces the size or technology to change, or cause the firm to rethink its pricing strategies, product differentiation, focus (Otley,1980). As one or more of these factors change, they are likely to cause the company to redesign at least some aspects of its strategy in order to beat the challenges of Competition within the given industry.

Firms respond to challenges in their operating environment in different ways. If rivalry among firms in an industry is low, the industry is considered to be disciplined. This discipline may result from the industry's history of competition, the role of a leading firm, or informal compliance with a generally understood code of conduct. Explicit collusion generally is illegal and not an option; in low-rivalry industries competitive moves must be constrained informally. However, a maverick firm seeking a competitive advantage can displace the otherwise disciplined market. When a rival acts in a way that elicits a counter-response by other firms, rivalry intensifies. The intensity of rivalry commonly is referred to as being cutthroat, intense, moderate, or weak, based on the firms' aggressiveness in attempting to gain an advantage. (Porter, Michael E. *Competitive Strategy*, 1999-2010).

A response strategy is the search for a favorable competitive positioning in the industry in order to beat competition and remain relevant in the market. It aims at establishing a profitable and sustainable position against the forces that determine industry competition. According to (Porter,1980), developing a competitive strategy is developing a broad formula on how the business is going to compete, what its goals should be and what policies would be needed to carry out these goals. He observed a competitive strategy as a combination of the ends (goals) for which the firm is starting and the means (policies) by which it is seeking to get there. He further points out that the intensity of competition in an industry is rooted in the underlying economic structures and goes well beyond the behavior of current competitive forces, the bargaining power of buyers and sellers, the threat of new entrants, potential substitute products and rivalry among existing competitors that determine the inherent profit potential of an industry. Similarly, Aosa (1992) saw strategy as creating a fit between the external and internal conditions of a firm in order to solve a strategic problem.

There are two types of strategic responses, operational and strategic. Strategic responses are of two levels, where we have corporate and business response. According to Johnson and Scholes (2000) the corporate level strategy deals with overall scope and purpose of the organization and ensures that stakeholders' expectations are met. It enables the business to decide which business line to concentrate through diversification integration, divestiture and portfolio management. The business level strategy determines and defines how the organization competes in its market and how long-range objectives will be achieved. This can either be through existing or new products and markets. It involves fitting new strategies to changing business environment or stretching and exploiting the competences of an organization. Operational Response is aimed at ensuring that the organization activities are being performed in the best way possible. It focuses on excellence in whatever the organization does. Its purpose is to ensure that the organization is efficient.

Pearson and Robinson (1997) noted that "The essence of strategy formulation is coping with Competition" The industry attractiveness and competitive positioning of a firm largely influences and shapes the choice of a competitive strategies adopted. This is therefore seen as key role of Managers in organizations.

Porter (1980,1985) argues that superior performance can be achieved in a competitive industry through the pursuit of generic strategy which he defines as the development of an overall cost leadership , differentiation ,or focus approach to industry competition which is among the strategic responses that a firm can adopt. If a firm does not pursue one of these strategies, it will be stuck- in – the middle and will experience lower performance when compared to firms that pursue a generic strategy (porter, 1980).

3. Data and methodology

3.1 Study sample

The targeted population for this study was all horticultural firms in Nairobi County of Kenya. There are thirty six (36) firms majorly export oriented. The firms are regulated by government and private agencies for smooth operations. These firms constituted the population of the study. This study made use of primary data. The primary data was obtained through data collected using semi structured questionnaire rated on Likert scale. The questionnaire had two major sections. The first section comprised general information, the second brought out the response strategies used by horticultural export firms, and the target respondents included the management staff in the horticultural firms, the strategic managers, or marketing managers. The questionnaires were administered through “drop and pick” method to respondents of the study.

3.2 Data analysis

The data collected was subjected to identification of errors with an aim of excluding them from the analysis report. The data was coded and analyzed through SPSS and using descriptive statistics which was used to give the frequencies of responses. Mean and standard deviation were also used. The analyzed data is presented in form of tables and charts for easy understanding and interpretation where the results have been used to draw conclusion on dependent and independent variables on how the Horticultural export firms are responding to challenges of competition.

3.3 Results and Discussion

Table 1: Duration of Firm operation in Kenya

| Period of Operation | Frequency | Percentage |
|---------------------|-----------|--------------|
| 5 - 10 years | 2 | 12.5 |
| 10 -15 years | 5 | 31.3 |
| 15 - 20 years | 6 | 37.5 |
| 20 - 25 years | 1 | 6.2 |
| 25 - 30 years | 2 | 12.5 |
| Total | 16 | 100.0 |

The results in Table 1 indicate that most (37.5) of the horticultural firms in Kenya have operated in Kenya for a period of between 15-20 years, then followed by (31.3%) of the firms which have operated between 10 -15 years, while very few of the firms (6.2%) of them have been in existence for a period of between 20 - 25 years. From the study findings on existence of branches in Table 2 most of the horticultural firms under study (64.7%) have branches operating in the country while (35.5%) of the firms have no branches in the country.

Table 2: Existence of branches of the company

| Possession of branches | Frequency | Percent |
|------------------------|-----------|--------------|
| Had branches | 11 | 64.7 |
| No branches | 6 | 35.3 |
| Total | 17 | 100.0 |

Table 3: Comparison of performance of the branches

| Performance of branches | Frequency | Percent |
|-------------------------|-----------|--------------|
| good | 10 | 83.3 |
| excellent | 2 | 16.7 |
| Total | 12 | 100.0 |

In comparison of the performance of the branches of the horticultural firms under study, the results in table above indicate that the performance of the branches in the country was good (83.3%) as compared to (16.7%) which was an excellent performance.

Table 4: Firms and Operation in other parts of the world other than Kenya

| Operation of firms outside Kenya | Frequency | Percent |
|----------------------------------|-----------|--------------|
| Operation outside Kenya | 2 | 12.5 |
| No operation outside Kenya | 14 | 87.5 |
| Total | 16 | 100.0 |

The results indicate that most of the horticultural firms under study (87.5%) do not operate in other parts of the world, while (12.5%) of the firms have operations in other parts of the world apart from Kenya.

Table 5 Existence of strategy implementation department

| Existence of Department | Frequency | Percent |
|-------------------------|-----------|--------------|
| Department | 1 | 5.9 |
| No Department | 16 | 94.1 |
| Total | 17 | 100.0 |

As indicated in Table above, the majority of the horticultural firms in Nairobi County, Kenya under this study, (94.1%) do not have a strategy implementation department in their organization while only (5.9%) of the firms have a strategy implementation department within their organization.

Table 6. Response Strategies

| Response Strategies | Mean | Standard Deviation |
|---|-------------|--------------------|
| turn around strategies- an all-round strategy dealing with competition | 3.24 | 1.562 |
| product diversification | 3.47 | 1.281 |
| new market penetration | 3.76 | 1.251 |
| competitive reward and remuneration package to attract and retain qualified staff | 2.82 | 1.015 |
| establishment of distribution network | 2.35 | 1.222 |
| e-marketing of the company's products | 3.12 | .993 |
| forming strategic alliances with other firms | 2.53 | 1.231 |
| Investing in packaging and product differentiation | 3.59 | 1.121 |
| forming merger and acquisition | 1.94 | 1.029 |
| retrenchment strategies | 2.00 | 1.000 |
| price hikes | 2.76 | 1.033 |
| target market | 3.94 | 1.088 |
| out-sourcing of services | 3.47 | 1.328 |
| closing down of some branches of the firms to cut on costs | 2.12 | 1.317 |
| differentiating strategies | 3.88 | 1.219 |
| refocusing the business | 4.12 | 1.054 |
| enlarge branch network worldwide | 3.18 | 1.590 |
| Grand mean | 3.07 | 1.196 |

The study sought to establish the response strategies that the horticultural export firms in Kenya are using to deal with challenges of competition within the industry. It is clear from the study findings that the firms are using several strategies which include: Turn around strategies- an all-round strategy dealing with competition, product diversification, new market penetration, e-marketing of the company's products, investing in packaging and product differentiation, target market, out-sourcing of services, differentiating strategies, refocusing the business and enlarged branch network worldwide. The response strategies above had a mean score of 3 and above which indicates that the strategies are having a positive impact to the firms in dealing with the challenges the horticulture firms are facing.

From the study findings, it was also established that several factors have not been very effectively used by the horticultural firms in Nairobi, County Kenya in dealing with their challenges. These include: establishment of distribution network, forming merger and acquisition, retrenchment strategies and closing down of some branches of the firms to cut on costs. All these factors have mean score below 2.5. This means that the firms rarely use these factors.

4. Conclusions and recommendations

It is clear from the study findings that the firms are using several strategies which include: Turn around strategies- an all-round strategy dealing with competition, product diversification, new market penetration, e-marketing of the company's products, investing in packaging and product differentiation, target market, out-sourcing of services, differentiating strategies, refocusing the business and enlarged branch network worldwide. The response strategies above had a mean score of 3 and above which indicates that the strategies are having a positive impact to the firms in dealing with the challenges the horticulture firms are facing. The researcher established that most of the firms do not have a strategy implementation department.

It can therefore be concluded that the horticultural export firms should establish strategy implementation departments within their organizations to help in implementation of their operation strategies hence have a competitive advantage in their operations. It can also be concluded that the firms should enlarge their operations to other parts apart from Kenya to help them focus on other ripe markets for their produce.

The study recommends that the horticultural firms should look beyond challenges in the environment, by scanning the external and internal environment in search of other opportunities for revenue generation and competitive advantage. A Focus on much on more ways of dealing with the challenges faced is needed for a maximum profitability of the firms.

It is recommended that a further study should be done to enlighten the management of different firms on appropriate ways of putting in place strategies that are underutilized in order to deal with the challenges they face for improved performance of the firms.

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