An Evaluation Of Strategies Influencing Real Estate Developers’ Business Performance In Nairobi County, Kenya

by

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APPROVAL

AN EVALUATION OF STRATEGIES INFLUENCING REAL ESTATE DEVELOPERS’ BUSINESS PERFORMANCE IN NAIROBI COUNTY, KENYA

by

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In accordance with Daystar University policies, this thesis is accepted in partial fulfillment of requirements for the Master of Business Administration degree.

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AN EVALUATION OF STRATEGIES INFLUENCING REAL ESTATE DEVELOPERS’ BUSINESS PERFORMANCE IN NAIROBI COUNTY, KENYA

I declare that this is my original work and has not been submitted to any other college or university for academic credit.

Signed: __________________________

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<th>Description</th>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>KEPSA</td>
<td>Kenya Private Sector Alliance</td>
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<tr>
<td>KPDA</td>
<td>Kenya Property Developers Association</td>
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<tr>
<td>KPI</td>
<td>Key Performance Indicators</td>
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<tr>
<td>LED</td>
<td>Light-emitting diode</td>
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<tr>
<td>MFI</td>
<td>Microfinance Institutions</td>
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<td>NACHU</td>
<td>National Cooperative Housing Union</td>
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<tr>
<td>NHC</td>
<td>National Housing Corporation</td>
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<tr>
<td>PPP</td>
<td>Public private partnerships</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
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<tr>
<td>USA</td>
<td>United States of America</td>
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<tr>
<td>VAT</td>
<td>Value Added Tax</td>
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ABSTRACT

Housing is a basic need that should be met after food and clothing. Despite this, developing countries have an acute housing shortage. This is seen in Kenya as well where there is an annual housing supply deficit of 150,000 houses and a supply of less than 30,000 houses annually. The houses supplied do not cater for the low end market and are not affordable by most. The purpose of this study was to establish the strategies used by real estate developers in the supply of housing and how these strategies influenced their business performance. Its objectives were to establish the strategies used by real estate developers, establish which of those strategies led to better performance and also the challenges experienced by the real estate developers. The study adopted a descriptive research design and targeted a population of 40 real estate developers who belonged to KPDA. A census approach was used to select all the 40 members of the target population to form the sample size. Questionnaires were used in data collection, which was analyzed using a statistical program called Stata. The findings revealed that differentiation strategy and innovation strategy were the top 2 strategies in use. The strategy that led to better performance for the Nairobi county real estate developers and had the highest impact was differentiation strategy and the use of Strategic Alliances. The main challenge highlighted in this study was high inflation and construction material costs. The other major challenge faced was high financing costs. The study concluded that the strategies used had an impact on performance of the estate developers. This study recommended a need for government intervention on land policy matters, improving infrastructure and better regulation of interest rates.
CHAPTER ONE
INTRODUCTION AND BACKGROUND TO THE STUDY

Introduction

Housing (shelter) is one of the human basic needs that should be met after food and clothing. Despite this basic need for shelter, housing poverty is still experienced in developing countries with extreme cases leading to homelessness. Housing poverty is a term referring to “any deprivation that individuals, households or communities face in the process of consuming housing; such deprivation arising principally from inadequacies in the housing available” (K'Akumu, 2007, p. 657). The housing market is affected by supply and demand with supply relating to production factors like quantity and quality and demand relating to consumption factors like affordability of housing, an imbalance of these factors causes housing poverty and a need for policy intervention (K'Akumu, 2007).

According to UNHabitat (2013), over 90% of annual urban growth is taking place in Africa, Asia, Latin America and Carribean and is adding an estimated 70 million new residents in urban areas. Furthermore, “one third of the urban population in developing countries resides in slums” (UN Habitat, 2013). The World population is 7 billion of which Africa represents a population of 1 billion with 40 % living in urban areas and 51 % in slums(UN Habitat, 2013).

Kenya has a population of 38.6million and the county of Nairobi is the most populated county as per the last decennial census done with a population of approximately 3.1 million (Kenya National Bureau of Statistics, 2010). According to the World Bank (2013), economic update report, the trend of the country’s Gross Domestic Product (GDP) rate over the last 12 years has not been steady with political factors playing a major part in the dips over the period. The year 2002 was an election year and saw a big
drop in the GDP that was grinding to a halt at almost zero growth when the country was gearing up to vote out the old government regime of President Moi who had ruled for a whooping 24 years. The new president, Mwai Kibaki won elections with a landslide victory and his government was charged with spurring economic growth which resulted in steady growth between 2003 and 2007. Unfortunately the post election violence after the 2007 elections affected the economy with a drop to 1.5% and since then has been slowly climbing back up (WorldBank, 2013).

Kenya’s projected GDP in the year 2014 was 5.6% with inflation projected at 6% and an estimated population of 45.5million people (The Economist, 2014). This again shows growth and a sign of confidence at the new Jubilee political government elected in 2013 and headed by President Uhuru Kenyatta. The aim of this government should be towards deregulation and privatisation to lift economic growth further (The Economist, 2014).

Nairobi is a major contributor to the country’s GDP at 45 % and employs 25 % of all Kenyans, 43 % of the country’s urban workers are in Nairobi (UN Habitat, 2014). In urban areas like Nairobi, 76 % of the poor rent their houses while 80 % of the non-poor are renting, compared to a higher ownership level in the rural areas with 95% of poor and 84% of non-poor owning their homes (Central Bank of Kenya, 2008). As a result of this, the housing issues of the low and middle class needs to be adequately addressed to ensure a productive nation and sustainable growth.

The World Bank says the average growth rate in East Africa in the period 2005 to 2010 was below 5%, with Kenya at 3.99%, Uganda at 4.4% and Tanzania at 4.2% (UNHabitat, 2010). A majority of cities in Cameroon, Sudan and Kenya have low scores at below 8%
growth rate. This can be attributed to inadequate land policies, lack of urban development strategies and political will power as the public administration doesn’t have accountability frameworks and are not transparent (UNHabitat, 2010).

African governments are called upon to position themselves to address the challenges of urbanization. These African governments like Kenya need to spend resources on providing basic infrastructure, health, education, affordable housing which in turn spurs economic growth and reduces unemployment rates. (UN Habitat, 2013). In light of this, private real estate developers are coming out to provide adequate housing as the government alone will not meet the demand.

Background to the Study
Real Estate Sector
The real estate sector has made great strides over the years and this is evidenced by the increase in the production of building materials like cement. Cement productions is one of the monitored economic indicators for any country. According to Humphreys and Mahasenan (2002), cement production grew by over 50% in developing countries and by only 3% in developed countries during the decade ending in the year 2000. Jiwaji (2013) avowed that Kenya’s cement consumption over the last 5 years has grown at 15% compared to the East Africa average of 13%. When cement, sand and crushed stones are mixed together it makes concrete which is then used in the buildings around us like schools, hospitals, roads, bridges and housing which makes concrete the most used man-made material in the world (Cement Sustainability Initiative, 2012). This same concrete gives a
lot of flexibility to the construction professionals with its superior properties of strength and durability.

Kenya’s GDP has had contributions from the various sectors like agriculture, manufacturing, construction, transport and trade to name but a few with Agriculture consistently being the biggest contributor to the GDP from as far back as 1964 (Central Bank of Kenya, 2008). The contribution of the construction sector to the GDP in the same period has been decreasing steadily from a high of 8% in 1964 to 3.9% in 2003. Other measures done more recently comparing 2012 and 2013 values of approved projects in Kenya indicated a fall from Ksh 73 billion in 2012 to Ksh 25.9 billion in 2013 which Robyn Emerson, chief executive officer at Kenya Property Developers Association (KPDA) suggests is as a result of firms changing their focus from upper class to middle and low end market (Jiwaji, 2013).

The real estate sector in Kenya is not without challenges. According to Williams (2005), the key constraints are lack of affordability, complex land administration regulations, high costs of housing, poor housing finance products, outdated building codes and inefficient building plan approvals. To manage the challenges and chart a way forward, Williams reported that the government has a revised National housing policy in 2004 that was aimed at clarifying the government role as being one of facilitating the private sector, co-operatives, local governments and individuals in providing housing and related services. The government will achieve this through various measures like slum upgrading projects, development of housing finance sector, direct fiscal support and incentives, sorting land tenure issues, develop low cost housing standards and promotion of pilot projects and capacity building as information is disseminated (Ministry of Housing, 2004).
Strategies Used in Real Estate

There are different strategies that have been used by companies in the real estate market to grow their businesses. Government is a major supplier of housing both globally and regionally and in developing countries, the government looks into mass provision of housing and adopt a focused low cost strategy that is aimed at the buyer segment of middle to low income earners. This strategy targets a market niche and limits its customer base to a smaller buyer segment to best meet the needs of prospective home buyers (Thompson Jr, Strickland III, & Gamble, 2005). Malaysia government was said to have provided approximately 56% of the low cost housing units compared to private developers 15% or joint ventures between government and private developers that provided 29% (Ariff & Davies, 2011).

Globally, in developed countries like Canada the large real estate companies have adopted acquisition strategies of existing companies to increase their property portfolio especially during hard economic times when building new buildings was challenging (Charney, 2001). In Dubai the large conglomerates have used diversification strategies to increase their presence in the real estate sector and is the force behind international urbanization (Buckley & Hanieh, 2013). These companies in the Gulf have diversified into related real estate activities of construction contracting and materials provision and have shareholding in the large banks in Gulf region. As a result of the strategies employed, the financial performance of the top eight real estate companies in the Dubai stock exchange market has soared over the period 2002 to 2011 (Buckley & Hanieh, 2013). In India, the Lodha Group has used both focus strategies and diversification strategies to address the market.
needs, both of which have improved the conglomerates performance during harsh economic times and increased its market share (Mathur, 2009).

In Africa, the perennial shortage of affordable housing has seen more public private partnerships between government and real estate developers to jointly address this acute shortage. This strategic partnership of the state and private sector achieves a win-win strategy for both parties. Real estate developers being private entities are out to maximize profits, while the state aims at reducing the acute housing shortage as swiftly as possible. In Ghana and Tanzania the strategy of low cost provider is commonly adopted but challenges of escalated building costs, expensive mortgage financing and high construction loan costs slows down the housing delivery and subsequent real estate uptake in the market (Boamah, 2010; Kyessi & Furaha, 2010).

In Kenya, real estate developers use differentiation strategy when targeting the upper class by choosing prime locations where land is more expensive and selecting appropriate building solutions that meet their needs and where the prospective home owners are ready to pay a premium for this (Arvanitis, 2013). Other real estate developers like Kenyan based Home Afrika Limited have a mixture of housing solutions to cater for both the lower class and upper class thus adopting both a focused low cost strategy and focused differentiation strategy (Home Afrika Limited, 2012). Home Afrika have also entered into joint venture arrangements for some of their projects and according to their chairman this has seen remarkable growth over the last five years in shareholder growth with its value now standing at eight and a half billion Kenyan shillings.
Real Estate Developers in Nairobi County, Kenya

For more than two decades, National Housing Corporation (NHC) was the market leader in the Kenyan housing industry and managed government projects of public housing (Williams, 2005). He further said that this public housing around the country was managed by NHC with the support of local authorities that developed and managed housing stock in urban centers and housed civil servants working at national, provincial, parastatal and municipal levels. William posits that the housing situation in the country began to deteriorate in the 1970s when demand outstripped supply as more people migrated to the cities and the government could no longer finance public housing resulting in the near collapse of NHC due to poor governance. William further stated that the private housing developers were always active from as early as the post colonial period with projects targeting the high end market. This coupled with the housing deficit saw a vacuum in housing needs of the middle and low income that resulted in informal settlements mushrooming in the urban areas. These settlements were densely populated and made from mud, corrugated iron sheets or plastic sheets and cartons (Williams, 2005).

Real estate developers in Nairobi County in recent times have a whole range of projects under development from the high end or upper market to the lower end market. These projects may be commercial or residential properties and vary in size and features. The upper market prefer unique features which they will pay a premium for and the middle to lower class are not particularly fussy especially if extra features translates to higher costs.

According to managing director of Knight Frank Kenya, Ben Woodhams, the recent commercial projects developed in Kenya have been malls like Galleria mall, The Junction
phase two and Thika Road Mall all in Nairobi plus City Mall in Mombasa (African Business, 2013). Woodhams further avows that Nairobi is now ranked in the same league as Lagos and Luanda in terms of real estate growth. This is further evidenced by influx of new cement companies in the last five years and strong company profits in these Kenyan cement manufacturers. An example of this is East African Portland Cement that moved from a loss of Ksh 969 million in 2012 to profit of Ksh 2 billion in 2013 (Jiwaji, 2013).

Real estate developers for residential projects have grand plans as in the case of the Tatu city project which is said on completion will have 22,000 homes and 2 million square metres of business space and this would make it the biggest real estate project undertaken (African Business, 2013). Another project to note that was recently granted Vision 2030 private sector partnership project status is the Garden City project that is located on a 32 acre plot of land off the newly completed Thika Super highway and features 420 apartments, 3 acre park and a 500,000 square feet shopping complex that will make it the largest mall in East Africa that also has Leadership in Energy and Environment Design (LEED) certification another first in East Africa (Vision 2030, 2013). Furthermore, Garden City is said will target to serve 1.5 million people in the northern node of Nairobi and the LEED features means it supports a green environment of cost and energy efficiency that translates to lower water and electricity bills. Garden city mall being self contained with retail, leisure and residential features will have the additional benefit of decongesting Nairobi (Jiwaji, 2013).

There are other residential real estate projects being carried out that are of modest size in Nairobi such as Delta Plains located off Mombasa road around Mlolongo area. These kind of projects target middle income earners with 3 and 4 bedroom maisonettes priced at Ksh
8-10million. Delta Plains was a project done by a large real estate multinational, Delta Corp East Africa Limited (DCEAL) whose controlling shareholder (60%) is Mukesh Ambani of Reliance Industries, an Indian tycoon famed to be the richest business man in India (Gachiri, 2013). DCEAL real estate investments are not new in Kenya, they have a track record of acquiring prime plots of land (areas such as Westlands, Upper Hill and Riverside), developing office blocks and either selling them as a block or renting them out (Gachiri, 2013).

According to Jiwaji (2013), one of the current challenge in the country concerning real estate industry is the influx of Chinese contracting companies that have come into the country and taken up most of the large scale projects by bidding way below the rest. Jiwaji further indicated that this tactic ensures that one of the firms winning the big tenders is Chinese and this was witnessed with the Garden city mall tender in 2013 where the last two firms were Chinese and one of them was awarded the contract. This may work to the favor of the real estate developer who has outsourced the construction and wants to reduce its costs but where the developer does backward integration and is also the contractor then may be a disadvantage.

Performance

Performance has no clear definition and varies depending on which viewpoint is being held, but the common theme across involves the attainment of objectives (O'Donnell & Duffy, 2005). For any organizations the attainment of objectives needs to be measured in the most appropriate manner and key performance indicators (KPIs) may be used to monitor and measure performance. KPIs refer to a set of measures in areas of an
organization that are most critical for organizational success both currently and in the future (Parmenter, 2007). He further states, KPIs are rarely new to the organization, but may either not be actively used by management or have actually not been recognized. According to Robinson, Chimay, Carrillo, and Al-Ghassani (2005), KPIs are backward-looking or lagging indicators rather than forward looking and thus are not proactive. They further add that there are other measurement systems that are commonly used like balance score card developed by Kaplan and Norton that looks at performance in four perspectives (customer, financial, internal business and innovation and learning) and other is excellence model that’s forward looking and includes processes, people and product.

According to Axson (2010), business performance management activities include strategic planning, monitoring, forecasting, reporting and decision making. These activities are important for real estate developing companies when measuring their performance and evaluating how various strategies being employed are enhancing business performance. Despite this importance challenges still arise like resistance to change, lack of data, time, financial resources and determination of monitoring indicators which must all be mitigated (Robinson et al., 2005).

Problem Statement

According to National housing policy for Kenya (2004), the urban housing needs are 150,000 units per year with housing production of new units at only 20,000 to 30,000 units leaving a deficit of 120,000 units per annum. This shortfall has seen the sprouting of informal settlements to meet the great housing demand especially in the urban areas. Informal settlements also known as slums are normally over crowded and the building
standards are lower from the construction materials used as well as poor sanitation (K’Akumu, 2007).

Studies carried out in real estate sector especially in developing countries have concentrated on affordable housing and provision of low cost housing to meet the housing supply deficit. Hassanali (2009) argued that in Nairobi there is a reduced participation of the private sector in low cost housing delivery because the government has not provided an enabling environment to spur growth or manage challenges of escalated costs and poor infrastructure. Housing delivery in Nairobi as argued by Ochieng (2007) has different actors involved in the process and affordable housing remains a challenge to the lower income earners segment with the government largely supporting non-conventional systems of housing delivery especially in slum areas.

Omboi and Kigige (2011) study concentrated in Meru municipality and looked into the factors influencing real estate property prices such as demand, income of real estate investors and location of property. The findings revealed that the level of income was the major influencer of real estate property prices in Meru. Ochieng (2009) study on housing finance in Kenya focused on how financial institutions manage the risk around new house lending and findings revealed that the mitigation of risk is best done using long term security for loan and working with construction professionals.

A case study done by Zaidman, Ng and Couton (2008) on Jamii Bora, a microfinance institution (MFI) in Kenya, focused on the MFI’s plan to build a new town with 2000 low cost homes targeting its members from the largest and poorest slums in Nairobi. This study shows how the MFI will extend financial services to bring sustainable housing within reach.
of marginalized Kenyans while balancing social, financial and environmental goals. Christensen and Thomas (2008) also did a study on Jamii Bora and highlighted the challenges of launching a new social venture, risks and hurdles inherent in creating a sustainable business in emerging markets. They also aimed at providing insight in opportunities available to address low income consumers needs in developing countries.

The studies discussed above relate to low income earners and affordable housing in Kenya. There are limited empirical studies done in Kenya from the real estate developers perspective. More specifically studies on the strategies used by real estate developers and how these strategies affect their business performance. This paper sought to address this research gap.

Purpose of the Study

The purpose of this study was to establish the strategies used by real estate developers in the supply of housing and how these strategies influenced their business performance. This established the relationship between strategies used and business performance of the real estate developers in Nairobi County, Kenya.

Objectives of the Study

1. To identify the strategies used by real estate developers in Nairobi County, Kenya

2. To establish which strategies lead to better business performance for real estate developers in Nairobi County, Kenya.

3. To identify the challenges faced by real estate developers in their supply of housing in Nairobi County, Kenya
Research Questions

1. What strategies were used by real estate developers in Nairobi County, Kenya?

2. Which strategies led to better business performance for real estate developers in Nairobi County, Kenya?

3. Which challenges had been faced by real estate developers in their supply of housing in Nairobi County, Kenya?

Justification of the Study

This study was important in identifying which strategies are affecting real estate developers’ business performance in Nairobi County. The reason for the focus on Nairobi county is because it has the highest population (3.1 million) among all the counties in Kenya (Kenya National Bureau of Statistics, 2010) and also because it is the biggest contributor of the nation’s GDP and there needs to be proper infrastructure in place to support this economic growth. This study provided information on the causes of the housing supply deficit, strategies being employed by real estate developers and impact on their business performance.

Significance of the Study

This study may benefit real estate developers, government of Kenya and parastatals like National Housing Corporation and the public at large by providing them with housing supply information and strategies being employed in the industry. According to UN Habitat (2013), urban poverty and inequality is on the rise in Africa mainly due to the laissez-faire attitude to the rapid urbanisation and there is disjointed and dysfunctional efforts to
address this. This study also may provide information to the government of Kenya through the Ministry of Housing on what it needs to consider in planning for this rapid urbanization. One of Vision 2030 flagship projects for its medium term plans is around provision of housing of 200,000 units (Vision 2030, 2014) and this study contributes to this showing the factors affecting this plan.

Scope of the Study

The scope of the study was on the real estate developers in the county of Nairobi who are members of Kenya Property Developers Association as given in Appendix B. The member listing of this association consists of Forty (40) real estate developers, as well as other members who consist of banks, realtors, architectural firms, law firms and the Ministry of Housing (Kenya Property Developers Association, 2013). The study involved both senior level management and middle level management in these organizations and working in various departments like Sales, Marketing, Technical, Finance and Administration.

Assumptions of the Study

The first assumption was that there were strategies being used by real estate developers. The second assumption was that there was a relationship between strategies used by real estate developers in Nairobi County and their company’s business performance. Thirdly, that the real estate developers were facing challenges that prevent them from adequately meeting the housing supply deficit. Last assumption was that both senior and middle level managers are involved in decision making.
Limitations and Delimitations of the Study

The first limitation of this study was that the researcher is a real estate developer and there was likely to be unintentional bias in the selection of respondents or the information provided. To lessen the impact of this limitation, the researcher used email correspondence to dispatch the questionnaires to respondents and conducted a census as opposed to sampling. The researcher was also objective and did not interfere with the results.

Secondly was truthfulness, where the researcher was likely to encounter cases where the respondents would not be fully truthful, and may provide what they thought the researcher wanted to hear as opposed to what the exact situation was. This was mitigated by assuring the respondents on anonymity and confidentiality, and on the fact that the feedback from them would only be used for the purpose of the study.

Third limitation of this study was the small size of the sample of only registered real estate developers with the Kenya Property Developers Association. To delimit this, the researcher conducted a census of the target population.

The final limitation was that there was difficulty in accessing the senior management in the real estate company because of the busy schedule of some of the senior managers. In order to address this, the researcher both emailed and called ahead to explain the purpose of study and asked for an alternate respondent to be given if the senior manager was extremely busy.
Definition of Terms

*Real Estate Developer:* A person who buys and develops houses, buildings, and land in order to sell them and make a profit from them. (Collins, 2014)

*Gross Domestic Product:* The total monetary value of all final goods and services produced within the geographical boundaries of a country (Mudida, 2009, p. 254)

*Company strategy:* The competitive moves and business approaches that managers employ to attract and please customers, compete successfully, grow the business, conduct operations and achieve targeted objectives (Thompson Jr, Strickland III, & Gamble, 2005)

*Economic growth:* A sustained increase in the productive capacity of a country (Mudida, 2009, p. 253)

*Inflation:* A persistent rise in the general price level Gross Domestic Product (Mudida, 2009, p. 253)

*Business performance management:* All the processes, information and systems used by managers to set strategy, develop plans, monitor execution, forecast performance, report results and make decisions. (Axson, 2010, p. 25)

Summary

Chapter one has presented the introduction and background of the study. The chapter has also outlined the problem statement, purpose of the study, research objectives, significance, scope and limitation of the study. In the next chapter, a detailed review of literature is done in relation to theoretical and empirical studies in real estate sector.
CHAPTER TWO

LITERATURE REVIEW

Introduction

According to Mugenda and Mugenda (2003), the literature review involves systematically identifying, locating, reading and evaluating reports on previous studies done in relation to research problem being investigated. Thus, this chapter looks into work done by other researchers in the area of real estate development and strategies that have been used. Developing countries share the similar challenges of a lack of affordable housing for a growing urban population with real estate developers housing supply not meeting the demands for housing. Different measures have been taken to address this but not conclusively as will be highlighted in literature below. Studies in Kenya are limited and thus literature is drawn from other studies done in both developed and developing nations. A study of a relevant theoretic framework will be discussed and there is detailed empirical literature on real estate studies and impact on business performance. A conceptual framework is provided and a summary of chapter at the end.

Theoretical Framework

Theoretical Framework consists of explanations of theories that have been applied in the study. A theory is a collection of concepts or constructs that are assumed to be interrelated (Mugenda & Mugenda, 2003). They further say, the researcher tests these theories and must show how the study is related to the theories being used. This study applies Michael Porter’s Five Forces Framework, Molotch Growth Machine theory and the Hedonic House Price model.
Michael Porter’s Five Forces Framework

This study will use Michael porter’s five forces framework. This is a strategic tool developed by Porter (1980) and is used to analyze where the competitive power lies in a business situation. It consists of five forces of new entrants, threat of substitution, rivalry among current competitors in the industry, bargaining powers of buyers and supplier. All the five forces work jointly and determine the industry competitive intensity and profitability and crucially aid strategy formulation (Porter, 1980). This framework analyzes where the competitive power lies in a business situation. The five forces as shown in the figure 2.2 below.

![Michael Porter’s Five Forces Framework](image)

*Figure 2.1: Michael Porter’s Five Forces Framework*

Source: Porter (1980)
If the forces are very strong for industry members they nearly always drive profitability downwards and for company whose resilience is not strong may end up being forced out of business. These forces are driving forces which in any industry are the major underlying causes of changing industry competitive conditions – some driving forces originate from within a company’s immediate industry and others competitive environment (Thompson Jr, Strickland III, & Gamble, 2005).

Potential Entrants

The threat of new entrants refers to competitors entering the market which weakens the organization’s power. This threat is dependent on entry and exit barriers of that industry. Industry rivalry refers to the intensity of the competition that exists among the competitors in the market. Real estate industry has high barriers to entry and may not easily see new comes of a small size entering, only the larger ones with the financial muscle may want to venture into this industry.

There are various factors affecting entry barriers such as government policy, expected retaliation, captial requirements, switching costs, brand identity and absolute cost advantage from proprietary learning curve (Wit & Meyer, 2004).

Bargaining Power of Suppliers

Bargaining power of suppliers will impact and possibly control the pricing levels for companies. There are various determinats of supplier power such as supplier concentration, differentiation of inputs, input substitutes and threats vertical integration (Wit & Meyer,
Large real estate developers are presumed to have better bargaining powers over their suppliers (Hui, Yu, & Lam, 2010). A number of large real estate developers as discussed in preceding sections have utilized backward integration which has the effect of reducing the bargaining powers of the supplier.

Bargaining Power of Buyers

The threat of substitute products refers to how easily your customers can switch to competing products and for a company this can totally wipe them out if they lose client base. There are various determinants of buyer power bargaining leverage and price sensitivity such as buyer volume, substitute products, buyer switching costs, decision maker incentives and buyer profits (Wit & Meyer, 2004). In real estate industry that is already highly capital intensive, this power may be moderately low because of the switching costs that would be incurred and also the housing deficit reduces their power.

Threat of Substitute Products

The threat of substitute products refers to how easily your customers can switch to competing products and for a company this can totally wipe them out if they lose clients. There are various determinants of substitution threat such as buyer propensity to substitute, switching costs and the relative price performance of substitutes (Wit & Meyer, 2004). Shelter is a basic need and thus is a substitute for this may not exist, perhaps just modifications to the kind of structure one dwells in if its a permanent or semi permanent one.
Industry Rivalry

According to Thompson Jr et al. (2005), industry rivalry is one of the strongest of the forces with an every changing competitive jockeying from offensive to defensive moves as various competitive weapons and tactics are used. They further state the tempo of this rivalry is stronger in slow-growing markets and weaker in fast-growing markets. It also follows that as the number of competitors increase so does the rivalry. Depending on the intensity of rivalry a company may decide to aggressively expand or maintain profitability (Porter, 1985). It should be noted that there are various determinants of rivalry such as industry growth, product differences, brand identity, diversity of competitors, the corporate stakes and exit barrier (Wit & Meyer, 2004).

The construction industry has this intensity of the competition among the real estate developers that creates competitive rivalry in the market. The housing market has a heavy shortage and as such has attracted a lot of developers to compete here. The private construction industry is growing and has a lot of competitive products for housing in most major towns. This requires developers to ensure the contractors work remains of high standards to attract the prospective customers to desire to invest in their own housing projects and not those of their competitors.

Molotch Growth Machine Theory

This theory was developed by a sociology professor in United States of America (USA) called Harvey Molotch in 1976. This theory proposed a link between urban settlement and political economy. According to Molotch (1976), the political and economic essence of localities in America was growth and it was the common motive that brought people of
various social classes together. Molotch reversed the past notion that competition is what shaped a city and distribution of social types which sees banks in central business district and posh homes in the suburbs. City shaping and distribution of its people is driven by real estate interests of those whose property gains value when growth takes place. It is a social action and not an interpersonal market or geographical spread (Molotch, 1976).

According to Molotch (1976), growth is an important constraint for local initiative in social and economic reform. He further posits that the very essence of a locality is the way it operates as a growth machine, producing wealth for those in power by encouraging real estate development at tax payer’s expense. Molotch further observed that the clearest indicator of successful growth is urbanization as it is characterized by growth in industry, land development, population density and increased financial activity. According to Logan and Molotch (2007), growth generates consensus among the elite groups even if they differ on other issues as they view the city as a growth machine that will increase aggregate rent and trap more wealth for those in the right position to benefit from this.

The modern day growth machine is less personalized and more complex with a multifaceted matrix of important social institutions pressing along complementary lines (Logan & Molotch, 2007). They further avowed that cities become organized like an enterprise devoted to increasing rent through optimization of land use in the city or growth machine. The aim should be to deemphasize the connection of growth and exchange rates while reinforcing the link between growth goals and better lives for majority. According to Logan and Molotch (2007), the growth machine sustains only a few like politicians who indulge in strategic businesses and local media who like in the case of print media, such as newspapers benefit from increased numbers to buy the newspapers. It should however be
noted the degree of growth in a locality is finite resulting in a competition for government resources and would also determine the social activities done around a piece of land depending on the neighboring area. The disadvantage of growth machines is that in many areas the growth benefits few and leads to challenges of increased pollution, traffic congestion and stretched amenities like schools. As a result, growth has financial liability and quality of life for majority of local residents may decline (Molotch, 1976).

Jonas and Wilson (1999) did a critical review two decades later of Molotch’s work on the Growth Machine theory and argued that despite Molotch claiming the growth machine theory was only applicable in USA, that it can in fact be applied internationally across various nations especially with the world moving towards becoming a global village. They also claimed the growth machine does not always behave rationally. They did however say the strength of the growth machine theory lies in its ability to contextualize aspects of the political economy that impacts the development on a place. Jonas and Wilson (1999) further argued that the growth machine may not be the best way to study local economic development and urban politics but it does present a very good foundation for this and Molotch’s work is a good place to begin as it presents the case very clearly.

The Growth Machine theory can be applied in this study as Nairobi city just like other large African cities fall under the classification of being a growth machine with their rapid urbanization rates. This urbanization has seen various classes in society converging with common agenda to promote growth as they have a stake and will all benefit from the continuous growth and expansion of the urban centers. This therefore supports Jonas and Wilson (1999) in the application of the growth machine theory in countries outside of the USA.
Hedonic House Price Model

This model was developed by a USA professor Sherwin Rosen in 1974. Hedonic prices are defined as “the implicit prices of attributes and are revealed to economic agents from observed prices of differentiated products and the specific amounts of characteristics associated with them” (Rosen, 1974, p. 34). Hedonic House Price Model is commonly used in the housing market studies to obtain a quantitative measure of various implicit prices and its underlying assumption is that housing is a heterogeneous good which broadly varies in three dimensions of relative location, neighbourhood and structural characteristics (Osland, 2013). This theory states that “the total price of houses is determined by the amount of these attributes and the implicit price of each attribute” (Osland, 2013, p. 63). The model assumes when customers buy a marketed good like a house, they are implicitly also buying its neighborhood and environmental characteristics like air quality, water quality and proximity to toxic sites (Boyle & Kiel, 2001). It is however impossible to include all attributes that can possibly affect the house price and that the majority of these attributes anyway will not change over time (Osland, 2013).

This model links pricing of a property to the features of the house and the characteristics of the neighborhood. These features include floor space (plinth) size, number of bedrooms, balcony, open plan American kitchens while neighborhood characteristics would be social amenities like schools and infrastructure in place like roads, piped water and sewerage systems. Real estate developers apply the Hedonic house pricing model when determining the prices of housing as they take into account the neighborhood infrastructure in place and surrounding value of other homes. The houses developed in areas that have good infrastructure and unique house features are priced at a premium and the converse is true.
Overview of Strategy

Strategy is defined as “the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of resources within a changing environment and to fulfill stakeholder expectations” (Johnson & Scholes, 2002, p. 10). For a company to remain competitive and have good business performance they must make use of strategy. According to Thompson Jr et al. (2005), a company’s strategy consists of the management’s game plan to grow the business by delighting the customers, remaining competitive and achieving organizational objectives. It has a long term perspective and looks at improving organizations performance. Thompson Jr et al. (2005) noted that strategy focused enterprises have a positive revenue growth, earning and return on investments. They also noted that high achieving enterprises are nearly always the product of astute and proactive strategy making.

Thompson Jr, et al. (2005) further claimed winning strategies that will stand out from mediocre ones must help the company build sustainable competitive advantage, improve performance and must fit the company’s situation both internally and externally. They further state it’s not enough to have a good strategy but that strategy execution is equally important. Having a good strategy but not executing it is as good as having no strategy at all.
Strategy Levels Within an Organization

According to Wit and Meyer (2004), there are three levels of strategy in an organization. These are corporate level, business level and functional or operational level. Functional level is the lowest level and strategy would exist at a departmental level such as marketing strategy, human resource strategy or financial strategy. Business level is the next level that consists of business units or organizational divisions or branches. The strategy would be developed and be specific to these business units. Wit and Meyer further indicated that different strategies may be applied to the various business units within the same organization but each should incorporate its respective functional level strategies. Finally, corporate level strategy is the overall companywide strategy that must be well aligned with the various business level strategies. This company wide strategy is normally broad and as it is cascaded down the levels it gets more refined to address the respective levels right up to functional level that is the lowest.

Competitive Strategy

Competition is healthy and makes the economy more robust and the consumers also benefit from fairly priced products and services. Competitive strategy is about being different by deliberately choosing to perform activities differently with the aim of delivering a unique mix of value (Porter, 1985). According to Thompson Jr, et al.(2005), an organization achieves sustainable competitive advantage when there is large number of buyers with preference for its products or services then for competitors and when the basis for this preference is durable. The housing market handles heterogeneous products based on consumers various needs and wants when looking for a house. Housing suppliers are aware of this and try and position their products most competitively to attract these consumers.
Generic Competitive Strategies

The generic strategies were developed by the Harvard strategy guru Michael Porter as an approach to outperform other firms in an industry. These strategies are overall cost leadership, differentiation and focus (both on cost and differentiation). Competitive strategies are also used by real estate developers to gain an edge in the real estate industry and these companies should adopt one of the generic strategies. The strategy used will affect the real estate developer’s ability to provide adequate housing solutions to meet its customer tastes and needs.

Cost Leadership Strategy

According to Thompson Jr et al.(2005), this strategy is where there are lower overall costs than those of the competitors and forms the basis for competitive advantage. These companies are exceptionally good at cost cutting and operating a lean outfit. To achieve a cost advantage the company must ensure their overall costs in the value chain are much lower than the competitors by improving efficiency within the value chain (Porter, 1985). The company here has a broad scope and this breadth is important to its cost advantage (Wit & Meyer, 2004). This strategy works best where most buyers use the product in the same way, are price sensitive buyers or where industry newcomers are penetrating the market and use introductory low prices to attract customers (Thompson Jr et al., 2005). They further stated that this strategy has its own pitfalls and if a company concentrates too much on cost cutting they will end up with lower instead of higher profit margins as low price alone is not always appealing to buyers or a company is unable to keep a sustainable cost advantage over its rivals if easy to imitate. Low cost leadership producers aim at

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increasing efficiency through cost reduction. They maximize economies of scale; implement cost cutting techniques, stress reductions in overheads and administrative expenditure, volume sales and use technology to propel them up the earning curve (Pearce II & Robinson Jr, 2009).

The nature of real estate and construction industry is that its capital intensive and thus achieving cost leadership will require more efficient processes within its value chain from sourcing of materials, professional services to sales and marketing. This will call for innovative practices to be utilized like pre-cast concrete slabs that save the real estate developer time and can be used in quickly constructing a mass housing project thus reducing labor costs and the man hours utilized as compared to masonary work.

Differentiation Strategy

This strategy occurs where buyers are offered something attractively different from their competitors. According to Porter (1985), the firm seeks to be unique in an industry by positioning itself to meet needs for important attributes valued by buyers and charge a premium price for this. He further states it’s peculiar to each industry and may be based on product, marketing approach, distribution system or a range of other factors. If this is done successively and sustained, the premium price already catapults the performance of the company and enables profitability.

According to Thompson Jr et al. (2005), differentiation strategy is attractive where there are diverse buyer needs and preferences that can not be fully satisfied by a standard product. The differentiating features should not be easy to duplicate otherwise a company would not achieve sustainable competitive advantage and its should not be too expensive.
otherwise the buyer may not want to pay the premium price for it. Differentiation strategies will appeal to the customer with special sensitivity for particular product attributes. These attributes will be unique and make the product stand out. It will be stressed more than other qualities to build customer loyalty and it results in customers paying a premium price for it (Pearce II & Robinson Jr, 2009).

In the real estate industry differentiation is experienced in the high end developments that target the upper market buyers. In Kenya this would be housing projects whose selling prices is above twenty five million Kenyan shillings and have unique features and are located in up-market neighborhoods, are less crowded and have stand-alone houses with spacious compounds which buyers will value and pay more for as they have a preference for this.

Focus Strategy

Focus strategy attends to the need of a particular market segment. Focus strategy has two variants of cost focus and differentiation focus. According to Wit and Meyer (2004), the cost focus exploits differences in cost behavior of some segments while the special needs of the buyers are exploited in the differentiation focus. They will target those who are usually ignored or untargeted. Focus firms profit from the willingness to serve the customer segments that may be ignored or underappreciated (Pearce II & Robinson Jr, 2009). According to Thompson Jr et al. (2005), the focused low cost is fairly common and occurs where there is lower overall cost than rivals in serving niche members and focused differentiation aims at securing competitive advantage by offering products whose attributes appeal to niche members and is suited to their unique preferences.
In real estate sector in Kenya, focused differentiation will be seen in the very high end expensive properties. The elite in society will be willing to pay a premium price for this type of residence. They would be willing to pay over fifty million Kenyan shillings for properties in Karen up-market area and up to one hundred million Kenyan shillings for beach properties that is equivalent to slightly over one million dollars, a truly premium price. Focused low cost strategy in Kenya’s real estate market will not be seen much as the industry is capital intensive and not many companies have ventured into this. However, Jamii Bora a microfinance institution in Kenya has ventured into this with a plan to build a new town with 2000 low cost homes targeting its members from the largest and poorest slums in Nairobi and will play the role of both real estate developer and mortgage provider (Zaidman et al., 2008).

![Figure 2. 2: Competitive Generic Strategies](image)

Source: Porter (1985)
Strategic Alliances

In strategic alliances the companies involved do not take an equity position in one another. This alliance is a partnership that exists for a defined period during which partners contribute their skills and expertise to a cooperative project (Thompson Jr et al., 2005). The authors further stated that the partnership is of a collaborative nature. This sort of partnership is an easier relationship to get into than a joint venture that is more formalized requiring a new corporate entity to be formed and would have more restrictions. Despite this, some alliances may break apart without reaching the strategic outcome because of friction and conflicts among the parties (Thompson Jr et al., 2005). Almost half of strategic alliances fail and thus require the risk associated with the failure to be well mitigated (Wit & Meyer, 2004). The attraction for the alliance is in the synergy from combined resources and competencies that are more valuable jointly than on an individual basis.

Business Performance

According to Teare, Costa, and Eccles (1998), strategic planning is assumed to be beneficial to an organization and aid performance despite literature not conclusively confirming this. They further state that there is however a positive relationship between strategic planning and performance. A common theme in literature is that an organization's performance should not be restricted to financial measures alone but expand to include other indicators of success and that non-financial measures are increasing in importance (Teare et al., 1998; Robinson et al., 2005; Srivastava & Sushil, 2013). They further stated that a well-run business key measure is consistent performance regardless of the trading
conditions. Thus, for real estate developers this would require performance to be maintained even in turbulent times of high inflation or stringent regulatory requirements.

Financial Measures

According to Robinson et al. (2005), the financial measures that can be used by an organization as short term indicators include profit, turnover, cashflow and share price. They further noted that whatever is measured gets attention particularly when rewards are linked to it. Srivastava and Sushil (2013) also supported similar financial performance measures such as revenue growth, market share, profitability and cost reduction. Financial measures are more commonly used and are more straightforward to understand. They make it easier in monitoring performance between comparative periods. High performance organizations will achieve stronger financial results than its peer and over an extended time period (de Waal, 2007)

Product Quality

Quality is the foundation to competitive advantage (Forker, Vickery, & Droge, 1996). According to Mokhtar (2013), product quality’s driving force is being customer focused and aiming for customer satisfaction as the product design will be aimed at meeting their needs and building a relationship with customer. The authors further stated that new products have a 40% failure rate because of inability of the operations function to meet customer requirements. Managers are including quality in their strategic planning because higher quality leads to profitability and is a pre-requisite for success (Forker et al., 1996; Kazan, Ozer, & Cetin, 2005; O’Gorman, 2001) High growth companies have superior
performance in product quality, premium pricing and the introduction of new products (O’Gorman, 2001).

Customer Satisfaction

Customer satisfaction is an important measure of performance and the survival of an organization is dependent on meeting customer needs (Mokhtar, 2013; Srivastava & Sushil, 2013). It was revealed by Mokhtar (2013), that customer focus had a statistically significant association with new product performance. A high performance organization has better performance than its peers and will have a higher number of satisfied customers over a longer period of time (de Waal, 2007). He claimed that this is achieved by maintaining an external orientation where customer is continuously focused on and strategy is aligned to customer needs. According to Robinson et al. (2005), performance measures should be able to link factors like increased customer satisfaction and financial results.

Strategies in Use by Real Estate Developers to Influence Business Performance

According to Stanyer (2010), real estate investments should only be undertaken if expected to yield better returns than government bonds that have a guaranteed yield. They are more advantageous over conventional investments of bonds because bonds can be eroded by sudden inflation that eats away any wealth gained and if the property was a rental investment the rent would move upwards with inflation thus benefiting the investor. The property market has its cycles and a market boom does occasionally exist but it’s slow to reach and quick to leave, thereby shortening the window period for land owner or developer can respond and make yields.
Off plan sales were introduced in Kenya from mid 1990s and are preferred as it reduces the developer’s capital contribution to the project or reliance on debt financing and presupposes the purchaser is liquid to make partial payments before the housing unit is complete (Hassanali, 2009). Off plan sales will therefore ultimately increase profitability for real estate developer as the cost to construct reduces with less financial charges from no or reduced loan requirements. Specific strategies have been employed by various real estate developers to influence their business performance as is discussed below.

Low Cost Housing

Affordable housing has been a common issue across developing countries and housing shortage is attributed to the lack of affordable housing. The key lies in the adoption of a low cost provider provision of low cost housing that is affordable to the majority. According to Kyessi and Furaha (2010) who carried out a study in Dar es Salaam, Tanzania to assess the viability of microfinance institutions (MFI) in financing housing for the urban poor, they found that an improvement on housing quality moves concurrently with an improvement in the level of income and economic development. Their findings showed that housing initiative done by the government and large financial institutions benefited the high and middle income segment. This was because of stringent conditions set that the urban poor could not meet as well as low affordability levels.

The study showed that MFI were more flexible and accommodated the urban poor style of developing their houses on an incremental basis with small parts of the houses being done as funds become available. This may be an avenue to be explored in Kenya to help close the housing supply deficit by having real estate developers partnering with some MFIs to
come up with a product for the urban poor with an incremental housing solution. This solution would be built in phases and will improve living conditions for the urban poor as they move away from informal settlements.

Another MFI, Jamii Bora has diversified from micro finance and ventured into real estate development by targeting its members who are low income earners from some of Nairobi’s largest and poorest slums. It will build 2000 homes on 293 acre site in a new town called Kaputiei located 60 kilometers south of the center of Nairobi. According to Christensen and Thomas (2008), this town will have eight autonomous neighborhoods of 250 families with social amenities like a primary school that can serve 480 students, banks, health center, markets, milk collection stations, fish sales and a police post. This product is definitely unique with a niche market for the very poor communities.

Market Niche Focus

Lodha Group a premium real estate developer was started in 1980, it’s original strategy was targeting a market niche of the most affluent people in India like chief executive officers, vice presidents and high profile individuals. It was known for its innovation, luxury residences and office spaces. This however, changed as the organization adapted to the changing times after a period of negative growth during the global economic crisis that hit in the third quarter of 2008 where it ventured into the mid income group segment that had more disposable income than the rich who were now more cautious (Mathur, 2009).
Innovation Strategies

This involves the application and adoption of new technologies that effectively serve to reduce costs. Innovation strategy is aimed at improving performance and gaining competitive advantage using new skills and technological know-how. This new technology will enable companies to run efficiently and keep their human resource lean and manage overhead costs. Innovation may appear risky but if carried out well can reap great rewards. Technology innovation hubs are springing up all over Africa with companies like IBM opening a research lab in Kenya which will have public sector solutions like water management that optimizes use, storage, safety and distribution of water and other solutions for transport that have predictive analytics that can manage traffic congestion (African Business, 2013).

South Africa have a mobile phone application, Markitshare, that assists estate agents to geolocate properties and public information relating to the property all aimed at assisting the real estate market (African Business, 2013). Lodha Group was able to quickly innovate and launch a housing product for new market segment that was a risky venture that was outside of their comfort zone but worked to their favor and averted a potential financial crisis (Mathur, 2009). Jamii Bora has utilized this strategy by innovatively providing a solution for affordable mortgages for its member households that targets the monthly repayment amounts to be equivalent to the typical rent in the slums which is a breakthrough in providing housing to extremely low-income communities (Zaidman et al., 2008). They further state that Jamii Bora has managed to keep the price of its houses affordable by keeping the construction costs low and using member labor as opposed to conventional
contractors. They also have a department in house consisting of professionals experts like architects and engineers (Christensen & Thomas, 2008).

Jamii Bora have innovatively developed processes for mass manufacture of building parts and used local “green” materials all aimed at managing the housing construction costs (Zaidman et al., 2008). According to Arvanitis (2009), building solutions like pre-fabricated houses can be more cost effective and reduce construction time. Another innovative solution that Jamii Bora did was developed by their planning team in an effort to manage sewer challenges and waste water management where they came up with a recycling method of the waste that cleaned the sewer water for reuse in the town (Christensen & Thomas, 2008).

Best Cost Provider

This aims at giving more value to customers by combing excellent product attributes at a lower cost than rivals (Thompson Jr et al., 2005). Real estate developers who use the best cost provider strategy when providing housing solutions for the low and middle class will arrive at a win-win solution for all concerned.

In Ghana, the residential market development has certain unique characteristics that have a strong impact on the house pricing and rent. These features are location, number of storey’s, the presence of garage and outhouse, detached (stand-alone) units, good quality landscaping and plot size (Anim-Odame, Key, & Stevenson, 2010). Ghana is in sub-Saharan Africa just like Kenya and the features mentioned above are therefore applicable in Kenya. Real estate developers in providing housing solutions for the low and middle class will need to find a balance between the features mentioned and pricing to provide attractive
products at affordable prices. Home buyers are sensitive to price and property developers are out to make profits and thus must strike the balance of which pricing is attractive enough to the buyers and still profitable for them.

The Indian real estate firm Lodha Group noticed it had a unique opportunity to meet the demands of the new demographic of middle income earners by providing luxurious family homes with modern designs at an affordable price (Mathur, 2009). He further explained the firm was able to successively pull off this new market segment without jeopardizing the existing segment by having a meticulous well executed branding strategy.

Diversification

Real estate developers have diversified into other areas to build on competitive advantage. Diversification is not only about spreading business risk across various industries but increasing shareholder value (Thompson Jr et al., 2005). They further posit that an industry must be attractive, have a modest cost of entry and promise better performance to justify a diversification move can bring added value to shareholders.

Jamii Bora case discussed in the preceeding sections is another example of diversification of an organization to an unrelated field, ie. From micro finance banking to real estate development. In Dubai, the large conglomerates used this strategy to increase their presence in the real estate sector and they are the force behind international urbanization (Buckley & Hanieh, 2013). They have used backward integration to diversify into related industries of construction raw materials provision and also diversified into unrelated industries like the banking industry. This has seen an improved performance on eight of the conglomerates listed on the Dubai stock exchange market over the period 2002 and
Backward integration has also been used as a means of diversification by some of the big developers in Hong Kong. Cheung Kong Holdings and Sun Hung Kai Properties have their own subsidiaries for the supply of their construction materials (Hui, Yu, & Lam, 2010).

**Role of Government**

**Private Sector Partnerships**

Public Private partnerships (PPPs) are encouraged as a means to achieving sustainable development because of the benefits like cost savings, output based contracts that encourage innovation, long term delivery of projects in phases that allows for economies of scale, risk sharing, on-time delivery, enhanced public management, improved levels of service and last but not least there is an increased availability of infrastructure funds. (UN Habitat, 2011). These PPPs are a form of strategic alliance as it many be difficult for a company or government to try and reach their housing supply objective alone. Since the housing boom in 2000, China has been successfully using PPPs (Shen & Wu, 2011).

Vision 2030 private sector partnership projects like the newly launched Garden city mall project with its green features and large size will be one of the biggest and most innovative real estate developments in recent times. This project will represent a holistic urban model in line with the economic and social pillars of Vision 2030 (Vision 2030, 2013). Other PPP under Vision 2030 include 2009 Kibera slum upgrading project that aimed to build 300 units and Kibera people settlement development targetting to build 912 units (Jiwaji, 2013).

According to UNHabitat (2007), a proven way to address safety issues in a city without relying on public budget is through sponsorships as witnessed by the Nairobi Adopt-a-light
initiative that commenced in 2002 and has seen private sector investing in street lighting through advertisements put up on the streetlights. This is part of a bigger umbrella body of safer Nairobi initiative that targets to manage feelings of insecurity and poor street lighting. UN Habitat had first launched this program in 1996 for safer cities in key African cities (Johannesburg, Durban, Abidjan, Antananariv, Dakar, Yaounde, Douala and Nairobi) with aim of tackling crime and violence as issues of good urban governance (UNHabitat, 2007).

There are parastatals like National Housing Corporation (NHC) formed after the post colonial era to be the arm of government that provides public housing but its housing delivery has been slow and its target of low income earners is not reached because the houses built are still too expensive for them to afford resulting in the mushrooming of slums (Hassanali, 2009). She further states that the solution lies in PPP with organizations like Kenya Private Sector Alliance (KEPSA) or Kenya Property Developers Association (KPDA) where some African countries have used such bodies to facilitate joint ventures arrangements between government and private developers. According to Ochieng (2007), the government is no longer a housing provider but an enabler, partner and catalyst to housing delivery.

Land Scarcity

Land is a finite resource and thus is scarce. Land owners may have land but because of lack of resources are not able to utilize it. They may hesitate to sell because of sentimental value or lack of title deeds. Guy and Henneberry (2002) suggested that owners of land with development potential need to decide when if at all they will develop the land or sell it and
also how to manage this land prior to development. Large real estate developers enjoy better economies of scale and can maximize land development potential more than their smaller counterparts (Hui, Yu, & Lam, 2010). The land policy issues need to be enacted upon as an intervention to housing and shelter in the country (Central Bank of Kenya, 2008). UN Habitat (2010) further stated that public authorities further worsen the housing crisis with lack of land titles or forms of secure tenure, inability to intervene in the market to control land speculation and lack of reserving tracts of land earmarked for low income projects. If some of these were carried out the housing shortage crisis would be eased up.

According to Tesfaye (2007), there exists an imbalance between housing demand and supply of housing units in Addis Abba and prices have skyrocketed because of scarcity of residential land. He further states that the best way to overcome this housing problem is with combined efforts of the government of Ethiopia regional administrations and donor agencies to improve the conditions of housing demand, housing supply and institutional framework. Nigeria has also experienced similar challenges like other developing countries. There is need for the Nigerian government to provide an enabling environment for urban residential housing so as to promote increased access to land, credit and affordable housing for low income (Onu & Onu, 2012).

Tax and Other Incentives

China has also had housing supply challenges for the lower income families but the government has had supporting programs to alleviate this problem. They have had affordable housing programs that supported families to buy homes at controlled prices that are 40% below market level (Niu, 2008). The author further explained that the way house
prices are controlled is by free allocation of land by government, administrative fees waived, half of taxes are waived and profit margin is fixed to 3%. Kenyan government can borrow a leaf from China and this would boost real estate developers’ reduction in construction costs and they in turn could pass the benefit to the customers. This would provide affordable housing to the lower income earners.

The Kenyan government needs to introduce more tax incentives that will attract more real estate developers into provision of low cost housing. This is because the current houses developed under the scheme of being low cost are still far from the reach from the average Kenyan. Sakina Hassanali, the head of marketing and research at Hassconsult (a property research company) says the new changes in 2013 on Value Added Tax (VAT) regulations is exerting negative pressure on businesses and affecting the lower and middle income earners (Jiwaji, 2013). Increasing tax rates on product may appear attractive at first as it increases revenue collection, but in the long run will be detrimental to the tax base as substitute goods become more affordable and are consumed instead (Karingi et al., 2004).

The government may need to relook into such new laws to better regulate taxation in the country to spur economic growth by having a good fiscal policy and tight enforcement measures. Fiscal policy refers to “actions by the government to spend money or collect money in the form of taxes with aim of influencing the level of economic activity” (Mudida, 2009, p. 491). To spur economic growth in Kenya, the government should consider reducing corporation tax which will encourage more investments and higher revenue collection in the long run (Karingi et al., 2004).
Urban Planning

There is need to conduct housing census on a regular basis to keep up with the statistics around housing and aid in planning especially in developing countries. A housing census refers to “the total process of collecting, compiling, evaluating, analyzing and publishing or otherwise disseminating statistical data pertaining, at a specified time, to all living quarters and occupants thereof in a country or in a well delimited part of a country” (United Nations, 2008, p. 7). Kenya does decennial census and thus should continue keeping track of the housing figures to aid in urban planning. Kenya’s population was 7 million at the time of independence and four decades later in 2004 was estimated as almost having increased five fold to 33 million (Williams, 2005).

City wide surveys would also be an important tool to provide information on the state of the infrastructure to facilitate upgrade projects (UNHabitat, 2006). These were successfully carried out in Thailand where survey done on low income household revealed challenges in housing security, land ownership, infrastructure problems among others and an upgrade was planned for under government funded development initiatives targeted to take 3 to 4 years. UN Habitat further indicated that South Africa also carried out surveys on a house model targeting the urban poor and built a life size model of the ideal house and feedback received helped the design team to factor in appropriate size and costs.

Slums are often viewed as a problem of poor planning for population growth in major cities but UNHabitat (2008) argued that cities of all sizes struggle with inability to provide adequate and affordable housing. The UNHabitat further stated that it is easier to tackle the challenge in smaller cities as there fewer barriers and its easier to coordinate. Irrespective
of size of city the slum dwellers lives will only be improved if they have well paying jobs and there are formal housing policies with a structured mortgage system to support them. The poor service delivery in urban centers has been the main problem of governance and seen the mushrooming of resident associations that are self help efforts aimed at accessing the needed services that central government ignores (Chitere & Ombati, 2004).

According to the National housing policy for Kenya (2004), 85% of Kenyan households in the urban centers are renters as opposed to home owners. The housing policy issues need to be enacted upon as an intervention to housing and shelter in the country (Central Bank of Kenya, 2008). Planning and collection of statistics enables the government to make the appropriate measures to plan for growth. Lagos, like other cities in developing countries is continually growing with a spiralling population that extends its boundary to an ever changing skyline and if it continues without attempts to channel it appropriately, then it will become a rational liability hence the urgent need for appropriate planning by governments (Aluko, 2010). In Ghana the failure of government policy interventions have led to the problem of inadequacy of housing (Boamah, 2010).

Challenges Faced by Real Estate Developers

Developing countries like Kenya are riddled with a myriad of challenges such as poor infrastructure, inflationary pressures and poor industry regulations. These impact the players in the various industries where they face many hurdles in the course of conducting their business. The construction industry is no exception and real estate developers who are one of the main players have to overcome these numerous challenges as is expounded below.
Poor Infrastructure

Kenya on average has better infrastructure than it did a decade ago and thus there has been some improvements but a large fraction of the population does not have adequate water, sanitation and electricity (World Bank, 2013). Road transport is the most widely used means of transport in Africa (Wasike, 2001). The author further argued that more emphasis is given to building new roads and not the maintenance of existing roads whose recurrent expenditure is not adequately budgeted for, resulting in over 50% of paved roads in Africa being in a poor state.

Real estate developers who begin pioneer projects in remote areas will experience infrastructure challenges as did Jamii Bora with challenges of no water, electricity, roads, sewers and in particular wastewater treatment (Christensen & Thomas, 2008). They further stated that some of these challenges have been overcome subsequently with drilling of boreholes, use of generators and solar panels linked to low wattage light-emitting diode (LED) lighting. Land with infrastructure is worth up to 40% more value than the land without any infrastructure on it (Ochieng, 2009).

According to Hassanali (2009), there are a lot of informal settlements in Kenya and this poor housing leads to an increase in health issues, crime rate increase because of strain on the police force in the area and strains educational amenities. Poor infrastructure of roads, security concerns, insufficient water and sewerage inhibit the construction of affordable housing (Hassanali, 2009; Arvanitis 2013). According to the World Bank (2013), the Kenya government can promote private sector led growth by investing in infrastructure. Wasike (2001) supported this view of private sector participation and proposes a
concession or tax incentive offered to attract private investors and incorporate infrastructure in real estate development projects to address the challenge from the onset.

Building Regulations

In 2009, the Queensland state of the government of Australia enacted a new requirement for mandatory disclosure of environmental and social sustainability features fitted in residential houses that were for sale such as energy, water and safety features (Bryant & Eves, 2012). This requirement becomes a challenge to real estate developers because of cost implications as they now have to incorporate the new features and may not necessarily pass down the costs to the buyers by increasing the selling prices.

The Kenyan building code or building by-laws were devised in 1968 soon after the country’s independence. They are therefore outdated and in need of an overhaul. There have been unsuccessful attempts to amend the building code. The building code is not strictly adhered to because they have impractical requirements that buildings must be built of stone, have at least two bedrooms measuring a minimum size of seven square metres and a separate cooking area which makes the selling price of the house beyond the reach of the poor and some middle income families (Hassanali, 2009).

Financial institutions gain assurance when certified professionals are used in projects they finance to and require durable materials like stone to be used that can last fifty to seventy five years which provide measures to risk mitigation to loss (Ochieng, 2009). The Land policy issues need to be enacted upon as an intervention to housing and shelter in the country (Central Bank of Kenya, 2008).
High Financing and Construction Costs

According to Mudida (2009), interest rates in Kenya were liberalised in 1991 and were left to be determined by market forces of supply and demand. Prior to liberalization the financial market was constrained with slow growth in savings and investments and competition was curtailed (Ngugi & Wambua, 2004). The author’s further state that liberation brought genuine competition as savers got the best returns on their savings while borrowers got appropriate lending rates though these lending rates tend to be more volatile.

The Central Bank of Kenya is the monetary authority that caters for financial sectors development goals for the economy and use appropriate monetary policy for this. Mudida (2009, p. 306) defined monetary policy as “actions by the Central Bank and the government which influences the quantity, cost and availability of money and credit in the economy”. Monetary policy is used to manage interest rates through tools like discounted rates, overnight lending and interbank rates (Ngugi & Wambua, 2004). During the Economic Recovery Strategy of 2003, government aim was to maintain interest rates at level that would promote financial saving and banks were encouraged to lower lending rates to the private sector and relax on entry barriers to have more banked Kenyans (Ngugi, 2004). Kenyan commercial banking sector can be described as oligopolistic as only 9 of the 43 banks control 74% of the total assets in the sector and of the 9, the government has shareholding in 5 of them (Williams, 2005).

Kenya experienced historic trends in the year of 2011 with a volatile Kenyan shilling and high inflation rates in the double digit region. According to the World Bank (2013), the average rate of inflation in 2011 rose to 14% up from a favorable rate of 4% in 2010. This
saw the cost of living rise and the financial institutions interest rates recorded an all-time high of almost 30% for mortgage facilities. The level of expenditure in the average home increased substantially and saw a strain on overall spending not only for individual household items but also housing purchase. The cost of financing is very high and mortgage institutions are not accessible to the urban poor because of lack of collateral, unstable income and lack of information on borrowers (Erhard, 1999). In Kenya, access to finance is easier for real estate developers who get construction loans repayable in two to three years and long term loans to individuals through mortgage institutions while Ethiopians, are not able to enjoy this. (Tesfaye, 2007).

Reforms are needed in the financial sector so more Kenyan citizens can access affordable services and products at financial institutions (Ochieng, 2009). Other african countries like Ghana, commercial banks have had little contribution in housing delivery via mortgages and prefer to invest in other financial instruments (Boamah, 2010). The mortgage rates in Kenya are not very pocket friendly and hence the reason many shy away from using them. According to the Mortgage Company (2013), the third quarter of 2013 experienced Kenya’s lending rate at approximately 16%. South Africas rate was around 9%, United Kingdom was around 6% and United States of America was the lowest at around 4%. Carol Kariuki, the managing director of the Mortgage Company states there are only 20,000 mortgages in the country against a population of 40 million (Jiwaji, 2013). This is a paltry 0.05% of the total population and is not ideal, the Central Bank of Kenya needs to look into its monetary policy to improve this situation. William (2005) found that the housing finance institutions dropped from over 20 providers between 1980s and 1990s to only 5 in recent times, futher supporting the case for monetary policy action.
William (2005) continued to say that mortgage interest rates in the 1980s were as high as 30% proving to be out of reach for individual borrowers. This may have resulted in the collapse of the housing finance institution under such tough confines. Inflation has been a major contributor of the high construction costs experienced by real estate developers. This translates to higher construction costs. In Ghana, the high level of the rate of unemployment leads to low income levels high house prices and rental levels has seen a poor state of housing delivery (Boamah, 2010).

Resistance to Change

Real estate developers may experience resistance to change while undertaking a housing project. This opposition may come from the neighboring communities who resist the new housing project for whatever reason. Jamii Bora housing project is one that experienced this opposition. According to Christensen and Thomas (2008), this opposition arose from a coalition of the neighboring Maasai community and two non-governmental organizations (NGOs) after the purchase of the land. They claimed the development would destroy the traditional way of life of the Maasai, block a corridor of animal migration and increase the crime rate in the area. This tussle continued from a vocal one to a legal battle that lasted from January 2005 to early 2007 with appeals and counter-appeals to judges in a national environmental tribunal which finally concluded in favor of Jamii Bora and construction commenced in May of 2007 (Christensen & Thomas, 2008).

Empirical Literature Review

Hassanali (2009) carried out a study to understand why there is a reduced participation of the private sector in low cost housing delivery in Nairobi. Her findings revealed that the
government has not provided an enabling environment to spur growth or manage challenges of escalated costs and poor infrastructure. It emerged that there were also more incentives to the real estate developers like off plan sales in the middle and upper market segments. The low income market are not able to buy off plan and rely heavily on debt financing. Hassanali research confirmed that the debt financing to low income market was an inhibitor to both potential buyers as its expensive and the real estate developer as more of their capital is tied down on financing the project. Possible solutions to this problem lies in revision of the old building code and sourcing cheaper financing.

Housing delivery in Nairobi as argued by Ochieng (2007) has different actors involved in the process. Ochieng’s study confirmed that affordable housing remains a challenge to the lower income earners segment and remains out of the reach of many of them. His study revealed that the government does play a role in housing delivery but mainly supports non-conventional systems of housing delivery that are done with organizations such as National Cooperative Housing Union (NACHU). Ochieng’s findings revealed the government concentrates here in slums and informal settlements because it is where the sociological disadvantaged communities live. The study recommends that a developing city must encourage private sector investing in housing for the different socio economic groups to ensure a larger percentage of the population have housing (Ochieng, 2007).

Ochieng’s (2009) study on housing finance in Kenya focused on how financial institutions manage the risk around new house lending and the building process within it. The study confirmed the notion that new housing finance is faced by the challenge of risk and how to quantify and manage this risk. The findings revealed that the mitigation of risk is best done using long term security for loan and working with construction professionals.
Ochieng (2009) suggested the government should implement reforms in finance sector and building industry. These reforms will aid the government in playing a stronger role in risk mitigation.

Omboi and Kigige’s (2011) study concentrated in Meru municipality and looked into the factors influencing real estate property prices. These factors include location of the property, demand and income of real estate investors. The findings revealed that biggest influencer of real estate property prices was the level of income of the investor. Further investigation was proposed to investigate why location and realtors were not a significant factor.

![Conceptual Framework](image)

*Figure 2. 3: Conceptual Framework*

*Source: Researcher (2014)*
Discussion

The independent variables in this study are the three generic strategies of low cost provider strategy, focus strategy and differentiation strategy as well as other strategies like innovation, diversification, strategic alliances and best cost provider strategies. The intervening variables are two; firstly, economic factors like high interest rates, inflation and scarcity of land. Secondly, political factors like government regulations and political instability as was experienced in the 2007/2008 post-election violence. Finally, the dependent variable is a variable that is measured (Chatburn, 2011) and in this study it is improved business performance of the real estate developer company. This performance can be measured from looking at revenue increase, enhanced product quality product and customer satisfaction. Satisfied customers lead to referrals of the product to others that ultimately leads to improved business performance of the company.

Knowledge Gap

Real estate developers need to be in tune and strategically provide suitable housing solutions to meet the housing supply deficit and provide affordable housing for the population in Nairobi county while maintaining good financial performance for sustainability. The empirical studies highlighted in the preceding section indicate a lot of literature on affordable housing challenges in developing countries. The literature available also relates to the developed countries and some African countries. However, the perspective of a real estate developer is given in only very few instances and more especially relating to Kenyan real estate developer. This lack of research in this area is the reason why the researcher undertook this study.
Summary

This chapter began with an overview of what strategy is and the meaning of competitive strategies. The researcher has also discussed Porter’s generic strategies and other strategies like offensive, defensive and strategic alliances. The strategies used by real estate developers and challenges they face are discussed as well as the role of the Government. The theoretical framework and conceptual framework are discussed to conclude on where the knowledge gap exists. The following chapter will discuss the research methodology used for data collection and analysis.
CHAPTER THREE

RESEARCH METHODOLOGY

Introduction

Research in simple terms refers to a search for knowledge. According to Kothari (2004), research is the pursuit for truth through study and systematic problem resolution. Saunders, Lewis, and Thornhill (2003) defined research as “something that people undertake in order to find out things in a systematic way, thereby increasing their knowledge” (p. 3). Research is not done haphazardly but in an orderly and systematic manner. Research methodology relates to the finer details of how the research will be conducted, the actual details of procedure used (Mugenda & Mugenda, 2003). This chapter highlights the type of research design that will be applied for the study. It explains the population, sample, sample size and the sampling technique to be used. The various data collection techniques and instruments will be explained and the data analysis procedures. It will conclude with the ethical considerations.

Research Design

Research design is defined as the “blueprint for fulfilling research objectives and answering questions” (Cooper & Schindler, 2006, p. 716). Kothari (2004) also described it as blueprint containing an outline for data collection, measurement and analysis. Research design gives an outline of what the researcher would do. A good research design specifies the source and type of information relevant for the research, specifies which approach will be used for gathering and analyzing data and also includes the time and cost budget. According to Kothari (2004), there are various categorizes of research designs like...
exploratory or formulative research, descriptive and experimental or hypothesis testing research.

Descriptive research deals with a study that will describe the characteristics of a particular phenomenon, individual or group and must clearly define what is to be measured, collected and must be properly planned for (Kothari, 2004). The author further stated that this design is rigid as the outcome should have protection from bias and maximize reliability. According to Saunders et al. (2003), its important to have a clear picture of research phenomena prior to collection of data to ensure accuracy. Descriptive research determines and reports things the way they are (Mugenda & Mugenda, 2003). This means the results will not be manipulated but presented as per the findings.

Exploratory studies are also known as formulative studies as it focuses on formulating a problem for more precise investigation and flexibility where there is an emphasis on the discovery of ideas and insights (Kothari, 2004). It defers from descriptive research in that it is not rigid and allows for flexibility in the process of conducting the research so all angles of the problem come to the attention of the researcher who can then adapt to changes. According to Saunders et al. (2003), this type of study is flexible but not without direction and starts broadly then progressively narrows as the research progresses.

Experimental research is also known as hypothesis testing research. It focuses on the design of experiments to be conducted where researcher may test the hypotheses of variables causal relationships to reduce bias, increase reliability as well as permit inferences to be drawn (Kothari, 2004). According to Saunders et al. (2003), experimental research typically involves use of hypothesis, use of variables and selection of samples from known
populations and then subjecting them to different experiments. For the purpose of this study, descriptive research design was used. This design is preferred because it enables direct generation of information and creates an opportunity for in depth responses that will provide a better understanding of current strategies in use by real estate developers.

Population of the Study
Population refers to “the complete set of cases or group members” (Saunders, Lewis, & Thornhill, 2003, p. 485). Population is also defined as “that group (usually of people) about whom we want to draw conclusions” (Babbie, 2010, p. 116). Mugenda and Mugenda (2003) described population as the entire group of individuals or items under consideration in any field of inquiry and have a common attribute. The total population (N) in this study was 71 which consists of all registered members of KPDA. The list of the KPDA members can be found in Appendix B.

According to Mugenda and Mugenda (2003), the target population is the population where the researcher wants to generalize results of a study. KPDA membership consists of not only real estate developers but financial institutions, insurance companies and law firms as well. As a result of this, the target of this study will focus on only the members of KPDA who are real estate developers and these are 40 companies.

Sample Size
Mugenda and Mugenda (2003) defined a sample to be a smaller group obtained from the target population and where each member or case in this sample is called a subject. Chatburn (2011) simplified this further by claiming a sample is a subset of the population. Mugenda and Mugenda further stated that the sample size depends on numbers of variables.
in the study, the research design, method of data analysis and the size of the group. A sample is therefore a sub-group carefully selected so as to be representative of the population. In this study, the target population of 40 KPDA members was small and thus a census approach was adopted, where all the target population formed the sample size.

Sampling Techniques

The sampling technique or design “deals with the method of selecting items to be observed for the given study.” (Kothari, 2004, p. 31). There are various sampling methods that can be used which fall under the two broad categories of probabilistic sampling or non-probabilistic sampling. The census method does not fall in either of these as it includes a count of all the elements in a population and is best used where the population is small and variable i.e. if a sample is drawn it may not give a good representation (Cooper & Schindler, 2006).

Probability Sampling

Probability sampling method is based on the concept of random or chance selection where every item has an equal chance of selection and where all choices are independent of each other (Kothari, 2004). Probability sampling techniques include simple random, systematic, stratified random and cluster sampling (Saunders et al., 2003). They further state that probability sampling is commonly associated with survey-based research where inferences must be made about a population in answer to the research objective.
Non-Probability Sampling

Non-probability sampling method is based on the concept of non-random sampling which contains no basis for estimating the probability of selection of an item from a sample. (Kothari, 2004). Non-probability sampling techniques include purposive or judgemental sampling, quota sampling, snowball, self-selection and convenience (Saunders et al., 2003)

This study used the census method because the target population was small and drawing a sample would not be representative for making statistical inference. The census involved the 40 companies that made up the target population.

Types of Data

Data is categorized into either primary or secondary data. Primary data is data that is original and collected for the first time while secondary data is data which has been collected by another person or that has been processed through the statistical process (Kothari, 2004). The nature of data can also be categorized as quantitative data and qualitative data. According to Saunders et al. (2003), quantitative data refers to numerical data or data that can be quantified to answer your research problem and ranges from simple frequency counts to complex test scores. Qualitative data is based on meanings expressed through words and result in collection of non-standardized data requiring classification.
Data Collection Instruments

Data collection methods available include observation, questionnaires and interview method (Kothari, 2004). Of these methods, the qualitative ones are interview and observations.

Observation method is the simplest method of data collection and easily carried out. It is not normally scientific unless an experimental research is being carried out and it has limitations of being expensive and provides restricted information (Kothari, 2004). According to Saunders et al. (2003), observation is systematic and involves recording, describing and analysing and interpreting people’s behaviour. They further state that it may be participant observation that is qualitative or structured observation that is quantitative.

Interview method may be done personally or via the telephone. Personal interviews are done face to face where questions are asked directly and telephone interviews are carried over a phone call and are not common unless where industry surveys are being carried out in developed countries (Kothari, 2004). An interview is a face to face, orally administered schedule or questionnaire (Mugenda & Mugenda, 2003). Interview is advantageous. The interviews may be structured, semi-structured or unstructured. Structured interviews are standardised and may use questionnaires or list of the same set of questions for all the interviewees (Saunders et al., 2003). The authors similarly stated that semi structured and unstructured interviews are non-standardized with the latter being informal. Semi structured interviews will vary from interview to interview depending on the uniqueness of the context and so will the order or flow of questions. A questionnaire is a common method that can be used and easily be conducted simultaneously over a large geographic area making it a low cost method (Kothari, 2004). Mugenda and Mugenda (2003) stated
that each item in the questionnaire is developed to answer a specific objective, a research question or hypothesis of the study. According to Saunders et al. (2003), the questionnaire collects data by administering the same set of questions to different people and then the collected data is codified and analysed by computer. A mix of open ended and closed ended questions can be used. Closed ended questions are easier to analyse and use less time or money (Mugenda & Mugenda, 2003). The questions asked should be influenced by the research objective to ensure the data sought by researcher is collected.

Data Collection Procedures

Data collection started by seeking an introduction letter from Daystar University and a research permit from the Kenya National Council of Science Technology and Innovation (NACOSTI). The questionnaires were physically delivered to the offices of the real estate companies in Nairobi or via email where the respondent is accessible on email. The respondents were allowed time to fill the questionnaires, after which they were collected for analysis after confirming their completeness.

Pretesting

According to Saunders et al. (2003), the questionnaire must be pre-tested prior to data collection to ensure validity and reliability of the questions. The pre-testing ensured any ambiguous questions were addressed and the document flowed logically. Kothari (2004) explains that pre-testing the questionnaire enables the researcher to find out if the questions are measuring what they intended to measure, clarity, all the questions are interpreted in the same way by respondents, response is provoked and if there is any research bias. The results of pretesting allowed for refining of the questionnaires. For this study, the researcher
used three questionnaires for pretesting from non-members of KPDA as they did not participate in the study.

Data Analysis Plan

Data processing refers to “editing, coding, classification and tabulation of collected data so that they are amenable to analysis” (Kothari, 2004, p. 122). Analysis on the other hand “refers to computation of certain measures along with searching for patterns of relationship that exist among data-groups” (Kothari, 2004, p. 122). According to Babbie (2010), content analysis is a qualitative technique of data analysis which involves the attempt of discovering patterns and meanings by counting the number of times certain terms or phrases appear in qualitative data. Qualitative data involves the collection of non-standardised data that requires classifications and recognizing relationships within categories of data to draw meaningful conclusions (Saunders et al., 2003). They further stated that the coding of data should be done for all data values including missing data.

The data collected in this study was both qualitative and quantitative and was coded and then keyed into a computer aided statistical program called Stata. The system analyzed and descriptive statistics was utilized to summarize the findings. The data was then presented in frequency tables, charts and graphs.

Ethical Considerations

The researcher will remain ethical during the process. The researcher will first seek approval from the Head of Department, School of Business and Economics, Daystar
University, to carry out the research as well as obtain a permit, to conduct the research, from The National Council of Science and Technology.

In addition, the researcher will ensure confidentiality, anonymity, informed consent and voluntary participation of the respondents. Mugenda and Mugenda (2003) noted that respondents ought to be protected by keeping the information given confidential. This study ensured that the questions asked did not cause any fear or anxiety among the respondents. Moreover, the respondents’ names remained anonymous.

The research findings were not be altered and were reported as gathered from the field. Lastly, the collected information was used for academic purposes for which it was collected. Further, the findings were shared with various stakeholders like government, university colleagues, real estate developers and KPDA.

Summary

This chapter has described the research methodology and has outlined various kinds of research designs. The research design used was descriptive. The chapter has also described the population, target population, sampling techniques, data collection methods, pre-testing, data analysis and ethical consideration.
CHAPTER FOUR
DATA PRESENTATION, ANALYSIS AND INTERPRETATION

Introduction
This chapter covers the data presentation, analysis and interpretation of the research findings. The data from the completed questionnaires was analyzed using Strata statistical software and interpretation made. The key findings are subsequently presented. This research aimed to evaluate how the use of strategies by Kenyan real estate developers influenced their business performance with a focus of those developing in Nairobi County. The research established the strategies in use and those that led to better performance as well as challenges experienced by the real estate developers.

Presentation, Analysis and Interpretation

Response Rate
A total of 40 questionnaires were administered for data collection out of which 26 were filled and returned resulting in a response rate of 65%. According to Mugenda and Mugenda (2003), a response rate of 50% is adequate for analysis and reporting, while a response rate of 60% is good. Thus, this response rate of 65% was well within the acceptable range.

The next section delves into analysis and interpretation of the data. The analysis addresses the general information of respondents, strategies, business performance and challenges faced by real estate developers in Nairobi.
Demographic Information

Gender of Respondents

The research sought to find out the gender distribution of the research respondents. The results are shown in Figures 4.1.

![Gender Distribution Chart]

*Figure 4.1: Gender of the Respondents*

The findings show that 58% of the respondents were male, whereas the female were 42%. This outcome is not surprising as the real estate and construction industry is mainly associated with the male gender. According to Fielden et al. (2000), construction continues to be the most male dominated of all the major industrial groups.

Age of Respondents

The research sought to find out the age distribution of the research respondents. The results are shown in Figure 4.2.
The findings revealed that the majority of the respondents at 46% were aged between 30 to 39 years old. The age group of 40-49 years had 6(23%) respondents. The age group of between 20-29 years had 6(23%) respondents and lastly, the age group of over 50 years had the 8% of the respondents. This indicates that the majority of the respondents at 69% fell into the category of 30-49 years, which according to Gawalt (2008) is the most productive age group.

Staff Departments and Management Level

The research sought to find out the distribution of the staff across departments and management level as shown in Table 4.1. Most respondents (85%) came from senior management and only 15% came from middle management. The departmental breakdown consisted of mainly sales and marketing staff at 38% and CEOs at 23%. The other departments were Construction and Projects at 15%, Finance and Administration at 12%, Technical at 8% respondents and Business development at 4% of the respondents.
Table 4.1: Staff Department and Management Level

<table>
<thead>
<tr>
<th>Department</th>
<th>middle</th>
<th>senior</th>
<th>Freq.</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales and Marketing</td>
<td>3</td>
<td>7</td>
<td>10</td>
<td>38%</td>
</tr>
<tr>
<td>CEO</td>
<td>-</td>
<td>6</td>
<td>6</td>
<td>23%</td>
</tr>
<tr>
<td>Construction &amp; Projects</td>
<td>-</td>
<td>4</td>
<td>4</td>
<td>15%</td>
</tr>
<tr>
<td>Finance &amp; Administration</td>
<td>-</td>
<td>3</td>
<td>3</td>
<td>12%</td>
</tr>
<tr>
<td>Technical</td>
<td>-</td>
<td>2</td>
<td>2</td>
<td>8%</td>
</tr>
<tr>
<td>Business Development</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4</td>
<td>22</td>
<td>26</td>
<td>100%</td>
</tr>
</tbody>
</table>

Senior management is charged with the responsibility to ensure the organization has a strategy in place (Carmichael et al., 2011). Senior management role is to set the direction for the organization to follow and thus are in charge of the overall business strategy (Wheelwright & Clark, 2007). As a result, this study was targeting respondents in management level as they are aware of organizational strategy and the above representation of 85% senior management was adequate for the this research.

Years of Service

The research sought to find out the distribution of the years of service of the respondents in their organization. The results are shown in Table 4.2. This shows that the majority of the respondents (73%) had worked in the organizations for less than 6 years, those who had worked for the organization for 6 to 10 years were 19% and those who had worked for over 11 years were 8%.
Table 4. 2: Years of Service

<table>
<thead>
<tr>
<th>Years of Service</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-5years</td>
<td>19</td>
<td>73%</td>
</tr>
<tr>
<td>6-10years</td>
<td>5</td>
<td>19%</td>
</tr>
<tr>
<td>over 11years</td>
<td>2</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>26</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Size of Organization

The research sought to find out the distribution of the size of the organization in terms of employee base by determining the number of permanent employees. The results are shown in Table 4.3.

Table 4. 3: Size of Organization by Employees

<table>
<thead>
<tr>
<th>Number of staff</th>
<th>Freq.</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-20 people</td>
<td>14</td>
<td>53%</td>
</tr>
<tr>
<td>21-40 people</td>
<td>7</td>
<td>27%</td>
</tr>
<tr>
<td>41-60 people</td>
<td>2</td>
<td>8%</td>
</tr>
<tr>
<td>over 61 people</td>
<td>3</td>
<td>12%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>26</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

This shows a majority of the respondents at 53% belonged to organizations with 0-20 people, 27% respondents belonged to organizations with 21-40 people, 8% respondents belonged to organizations with 41-60 people and 12% respondents belonged to organizations with over 61 people. Despite most of the respondents’ organizations being established, they only kept a few critical number of employees of 40 and below. Companies are increasingly changing the way they do things like outsourcing everything to only own a few assets that in turn leads to the earning of extraordinary rates of return (Kotler, 2003).
Assessment of Strategies in use by Real Estate Developers

The researcher sought to find out which strategies were used by real estate developers. The result of this is represented below in the various tables.

Overall Low Cost Provider Strategy

The study sought to establish whether the real estate developers used this strategy of targeting to be the overall lowest cost provider. To achieve a cost advantage the company must ensure their overall costs in the value chain are much lower than the competitors by improving efficiency within the value chain (Porter, 1985). Firms pursuing this strategy must be good at tasks such as purchasing and engineering to ensure they achieve the lowest production and distribution costs (Kotler, 2003).

The findings revealed an overall mean score of 2.96 of the respondents had varied responses across the scale as evidenced by the large standard deviation of 1.48. Those that strongly agreed were 19%, those that agreed 23%, neutral respondents were 15%, those that disagreed were 19% and those that strongly disagreed were 23%. The summary is in Table 4.4. This means that the strategy is not particularly popular with a majority (58%) disagreeing or remaining neutral to this and another group 42% agreeing. According to Kotler (2003), this strategy has the challenge of not being full proof and other firms can still come and charge a lower cost and hurt the firm that has fully relied on costs, hence, the lack of a strong inclination for this strategy.
Table 4.4: Summary for Overall Low Cost Provider Strategy

<table>
<thead>
<tr>
<th>Overall low cost provider strategy</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-Strongly Agree</td>
<td>5</td>
<td>19%</td>
</tr>
<tr>
<td>4-Agree</td>
<td>6</td>
<td>23%</td>
</tr>
<tr>
<td>3-Neutral</td>
<td>4</td>
<td>15%</td>
</tr>
<tr>
<td>2-Disagree</td>
<td>5</td>
<td>19%</td>
</tr>
<tr>
<td>1-Strongly Disagree</td>
<td>6</td>
<td>23%</td>
</tr>
<tr>
<td>Total</td>
<td>26</td>
<td>100%</td>
</tr>
<tr>
<td>Mean 2.96</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standard Deviation 1.48</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Differentiation Strategy

According to Thompson et al. (2005), differentiation strategy is attractive where there are diverse buyer needs and preferences that can not be fully satisfied by a standard product. This is common in the real estate sector with housing preferences varying widely. This was also evidenced by Table 4.5 which indicates that 73% of the respondents strongly agreed using this strategy, 23% agreed and only 4% of the respondents were in regard to using this strategy. Overall the mean score was 4.69 that was skewed towards strongly agreeing to this strategy. The standard deviation was also small at 0.55.

Table 4.5: Summary for Differentiation Strategy

<table>
<thead>
<tr>
<th>Differentiation Strategy</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-Strongly Agree</td>
<td>19</td>
<td>73%</td>
</tr>
<tr>
<td>4-Agree</td>
<td>6</td>
<td>23%</td>
</tr>
<tr>
<td>3-Neutral</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td>Total</td>
<td>26</td>
<td>100%</td>
</tr>
<tr>
<td>Mean 4.69</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standard Deviation 0.55</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The above findings means that real estate developers are strongly using this strategy as it has been linked to increased customer loyalty than in turn reduces competitor rivalry because the customers are loyal to the company brand (Daft, 2003).
Focus Strategy

This strategy of targeting a niche market proved fairly common among real estate developers as evidenced by Table 4.6. The findings revealed that 42% of the respondents strongly agreed to using this strategy, 19% agreed and 38% were neutral to using this strategy. Overall, the mean score was 4.04 that is a skewed towards agreement to this strategy and a standard deviation was 0.92. This strategy is suitable where the focus is on one or more narrow market segments. The real estate developers get to understand and know the market segments intimately with the intention to satisfy these needs in the most efficient way compared to its competitors (Kotler, 2003).

<table>
<thead>
<tr>
<th>Focus Strategy</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-Strongly Agree</td>
<td>11</td>
<td>42%</td>
</tr>
<tr>
<td>4-Agree</td>
<td>5</td>
<td>19%</td>
</tr>
<tr>
<td>3-Neutral</td>
<td>10</td>
<td>38%</td>
</tr>
<tr>
<td>Total</td>
<td>26</td>
<td>100%</td>
</tr>
<tr>
<td>Mean 4.04</td>
<td>Standard Deviation 0.92</td>
<td></td>
</tr>
</tbody>
</table>

Strategic Alliances

Strategic alliance is a collaborative partnership that exists for a defined period during which partners contribute their skills and expertise to a cooperative project (Thompson, et al., 2005). The respondents who strongly agreed to using this strategy were 50%, those that agreed were 27%, 12% respondents were neutral and another 12% of the respondents disagreed to using this strategy. The mean score was 4.15, which shows that most respondents agreed to the use of this strategy. Table 4.7 summarizes the results. There is an increasing need for strategic partners if the companies hope to be effective (Kotler,
2003). It has become a way of life among companies of all sizes with the aim to promote innovation, expand markets and pursue joint goals (Daft, 2003).

**Table 4.7: Summary for Strategic Alliances**

<table>
<thead>
<tr>
<th>Strategic Alliances</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-Strongly Agree</td>
<td>13</td>
<td>50%</td>
</tr>
<tr>
<td>4-Agree</td>
<td>7</td>
<td>27%</td>
</tr>
<tr>
<td>3-Neutral</td>
<td>3</td>
<td>12%</td>
</tr>
<tr>
<td>2-Disagree</td>
<td>3</td>
<td>12%</td>
</tr>
<tr>
<td>Total</td>
<td>26</td>
<td>100%</td>
</tr>
<tr>
<td>Mean 4.15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>1.05</td>
<td></td>
</tr>
</tbody>
</table>

**Innovation Strategy**

The researcher sought to find out how many respondents used innovation strategy. The strategy involves the application and adoption of new technologies that effectively serve to reduce costs. According to Kotler (2003), innovation is any good, service or idea that is perceived to be new and some of these innovations catch on more quickly than others.

This strategy slowly evolves over time as ideas take shape and crystallize and become viable (Wit & Meyer, 2004). The results are summarized in Table 4.8. At 69%, respondents strongly agreed to using this strategy, 23% agreed and 8% remained neutral. The mean score was 4.62 which show most respondents strongly agreed to use this strategy and this is also evidenced by the small standard deviation of 0.64.

This strategy is strongly agreed to as innovation leads to better quality that in turn leads to increase in return on investment (Daft, 2003). Real estate developers are constantly on the offensive which requires them to continuously improve and innovate in all ways (Thompson et al., 2005). Total quality management, a Japanese management tool enables organizations to continuously improve the quality of their processes, products and services.
while gaining market share and profitability. It focuses on teamwork, increased customer satisfaction and reduced costs (Daft, 2003; Kotler, 2003).

### Table 4.8: Summary for Innovation Strategy

<table>
<thead>
<tr>
<th>Innovation Strategy</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-Strongly Agree</td>
<td>18</td>
<td>69%</td>
</tr>
<tr>
<td>4-Agree</td>
<td>6</td>
<td>23%</td>
</tr>
<tr>
<td>3-Neutral</td>
<td>2</td>
<td>8%</td>
</tr>
<tr>
<td>Total</td>
<td>26</td>
<td>100%</td>
</tr>
<tr>
<td>Mean</td>
<td>4.62</td>
<td>Standard Deviation: 0.64</td>
</tr>
</tbody>
</table>

Best Cost Provider Strategy

This aims at giving more value to customers by combing excellent product attributes at a lower cost than rivals (Thompson Jr et al., 2005). At 46%, respondents strongly agreed to using this strategy, 27% agreed, 19% remained neutral and 8% respondents disagreed to using this strategy. The mean score was 4.12 with a standard deviation of 0.99 which shows most respondents agreed to using this strategy. The results are summarized in Table 4.9.

This means the real estate developers were using a mix of combining excellent product attributes bearing in mind costs. If the real estate developers are stuck in the middle where they don’t use any strategy, they will be sure to get below average performance compared to rivals but if they employ the generic strategies or a mix of them, they will be sure to experience improved performance and profitability (Wit & Meyer, 2004).

### Table 4.9: Summary for Best Cost Provider Strategy

<table>
<thead>
<tr>
<th>Best Cost Provider Strategy</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-Strongly Agree</td>
<td>12</td>
<td>46%</td>
</tr>
<tr>
<td>4-Agree</td>
<td>7</td>
<td>27%</td>
</tr>
<tr>
<td>3-Neutral</td>
<td>5</td>
<td>19%</td>
</tr>
<tr>
<td>2-Disagree</td>
<td>2</td>
<td>8%</td>
</tr>
<tr>
<td>Total</td>
<td>26</td>
<td>100%</td>
</tr>
<tr>
<td>Mean</td>
<td>4.12</td>
<td>Standard Deviation: 0.99</td>
</tr>
</tbody>
</table>
Diversification Strategy

The researcher sought to establish if diversification was a strategy used by real estate developers. This would be in cases where organizations have diversified into other areas to build on competitive advantage, spread business risk across various industries with an aim to increase shareholder value (Thompson Jr et al., 2005).

The findings revealed that 42% of the respondents strongly agreed to using this strategy, 35% of the respondents agreed, 19% remained neutral and 4% disagreed to using this strategy. The mean score was 4.15 with a standard deviation of 0.88 which shows most respondents agreed to using this strategy as evidenced by a total of 77% of the respondents who either agreed or strongly agreed to using this strategy. The results are summarized in Table 4.10.

The findings confirm that there are good opportunities outside the present businesses and real estate developers want to spread their risk and thus diversify (Kotler, 2003). The diversification can take three forms. It can seek new products that have technological or marketing synergies, it can search for new products that appeal to current customers or carefully harvest or divest old businesses that are hemorrhaging and focus on growth opportunities instead (Kotler, 2003).

<table>
<thead>
<tr>
<th>Diversification Strategy</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-Strongly Agree</td>
<td>11</td>
<td>42%</td>
</tr>
<tr>
<td>4-Agree</td>
<td>9</td>
<td>35%</td>
</tr>
<tr>
<td>3-Neutral</td>
<td>5</td>
<td>19%</td>
</tr>
<tr>
<td>2-Disagree</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td>Total</td>
<td>26</td>
<td>100%</td>
</tr>
</tbody>
</table>

Mean 4.15 Standard Deviation 0.88
Other Strategies in Use by Real Estate Developers

Strategy consists of the management’s game plan to grow the business and has a long term perspective with a focus to improve organizations performance and gain competitive advantage (Thompson Jr et al., 2005). The strategies in use by real estate developers were not restricted to the Michael Porter’s generic strategies or to strategic alliances, innovation and diversification; respondents confirmed the use of other strategies. These other strategies are summarized in Table 4.11.

At 27%, respondents said that having a customer focus in all their activities and ensuring customer needs are the constant driving force is important for them. Furthers, 23% of the respondents did not use any other additional strategy, 12% indicated that having a strong brand had helped them and made them trusted in the market, 12% stated that conducting market research and analysis before embarking on new products had aided them immensely, while 12% stated that vertically integrating both backwards with suppliers and forwards with sales and marketing had proved a strong strategy. Another 12% of the respondents said that having a high quality product had aided them and 4% indicated that economies of scale had been of use. This means most developers were aggressively employing not one but many strategies to ensure competitive advantage.

<table>
<thead>
<tr>
<th>Other Strategies</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>customer focus</td>
<td>7</td>
<td>27%</td>
</tr>
<tr>
<td>No response</td>
<td>6</td>
<td>23%</td>
</tr>
<tr>
<td>strong brand</td>
<td>3</td>
<td>12%</td>
</tr>
<tr>
<td>market research &amp; analysis</td>
<td>3</td>
<td>12%</td>
</tr>
<tr>
<td>vertical integration</td>
<td>3</td>
<td>12%</td>
</tr>
<tr>
<td>High quality product</td>
<td>3</td>
<td>12%</td>
</tr>
<tr>
<td>economies of scale</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>26</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
Assessment of Business Performance among Real Estate Developers

The use of strategies has had an impact on overall business performance. An organization’s performance should not be restricted to financial measures alone but expand to include other indicators of success and that non-financial measures are increasing in importance (Teare et al., 1998; Robinson et al., 2005; Srivastava & Sushil, 2013).

Strategies Impact on Business Performance

The research sought to find out whether the use of strategies had a positive or negative impact on the business performance areas of turnover, product quality and customer satisfaction. All the respondents confirmed that the use of strategies had a positive impact on their product quality and customer satisfaction as seen in Table 4.12. This concurs with Mokhtar (2013) findings and de Waal (2007) who found that having customer focus has been linked with better performance and a higher number of satisfied customers over a longer period of time. O’Gorman’s (2001) findings associated having superior product quality to organizations with high growth.

For the impact of strategies on increasing revenue, 88% of the respondents felt that the strategies had a positive impact, 8% felt that the impact was negative, while 4% of the respondents did not respond.

Table 4.12: Impact of the Use of Strategies

<table>
<thead>
<tr>
<th></th>
<th>Positive Impact</th>
<th>Negative Impact</th>
<th>No Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Increase</td>
<td>23(88%)</td>
<td>2(8%)</td>
<td>1(4%)</td>
</tr>
<tr>
<td>Enhanced Product Quality</td>
<td>26(100%)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>26(100%)</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
Strategy with the Strongest Positive Impact

The research sought to find out which strategy had the strongest impact for the various real estate developers. The findings revealed that differentiation strategy was ranked strongest by 27% of the respondents. Strategic Alliances had 15% of the respondents. Brand and product quality had 12% of the respondents. Innovation strategy and focus strategy was favored by 13% of the respondents. Best cost provider strategy was favored by 8% of the respondents. Customer focus, niche marketing, vertical integration and diversification strategy all tied with 4% of the respondents each rating them as strongest. The results were presented in the Table 4.13. According to Kotler (2003), private firms should not aim for profits alone but rather to achieve profits as a consequence of creating superior customer value which is evidenced by the order of listing in table 4.13 below. He further says all companies strive to build a strong and favorable brand image and thus employ these strategies for competitive advantage.

Table 4.13: Strategies with the Strongest Impact

<table>
<thead>
<tr>
<th>Strategy with the strongest impact</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differentiation strategy</td>
<td>7</td>
<td>27%</td>
</tr>
<tr>
<td>Strategic Alliances</td>
<td>4</td>
<td>15%</td>
</tr>
<tr>
<td>Long term brand &amp; Product quality</td>
<td>3</td>
<td>12%</td>
</tr>
<tr>
<td>Innovation Strategy</td>
<td>3</td>
<td>12%</td>
</tr>
<tr>
<td>Focus Strategy</td>
<td>3</td>
<td>12%</td>
</tr>
<tr>
<td>Best cost provider Strategy</td>
<td>2</td>
<td>8%</td>
</tr>
<tr>
<td>Customer focus</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td>Niche marketing</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td>Vertical Integration</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td>Diversification Strategy</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td>Total</td>
<td>26</td>
<td>100%</td>
</tr>
</tbody>
</table>
Economic and Political Factors Effect on Business Performance

The findings revealed that economic factors affected companies’ business performance to the greatest extent with a mean score of 4.4 and a standard deviation of 0.9. A majority of the respondents (65%) ranked economic factors that affected company’s business performance to the greatest extent which also led to the overall weighting. Political factors had a mean score of 3.7 with a standard deviation of 1.1 which was leaning towards the factors having an overall moderate extent on business performance. For political factors, 6(23%) respondents ranked at greatest extent. At 35% and 31%, respondents ranked these factors to a great extent and moderate extent respectively in regard to their companies business performance.

![Bar chart showing percentage of respondents by extent of economic and political factors on business performance](image)

Table 4. 14: Effects of Political and Economic Factors on Business Performance

Reasons for Economic and Political Factors Effect on Business Performance

The respondents gave various reasons for explaining the effect of economic and political factors on their company’s business performance. The results are summarized in Table...
4.14. At 52%, respondents stated that high interest rates proved expensive and directly affected the business performance, 16% said that housing being a basic need was not majorly affected by political factors as homes will keep on being purchased to meet the demand deficit regardless of the political situation in Kenya, 13% stated that political instability would greatly affect the return on investment for any company as well as the new county tax regimes that have been introduced, 6% felt that bureaucracy and corruption affected business performance.

Another 6% of the respondents felt that political factors occurred less frequently and therefore had a lesser impact, 3% felt that the industry had resilience to economic variables and bounced back pretty fast. Lastly, another 3% of the respondent said that the two factors had a neutral effect for their organizations as they would conservatively take care of the effects through sensitivity analysis to cover for any fluctuations on a regular basis.

Table 4.15: Explanations on Effect of Economic and Political Factors

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>High interest rates are expensive &amp; affects business performance</td>
<td>16</td>
</tr>
<tr>
<td>2</td>
<td>Housing is a basic needs and buyers are constantly looking for homes despite political factors</td>
<td>5</td>
</tr>
<tr>
<td>3</td>
<td>Political instability will affect ROI and county government changes</td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td>Bureaucracy &amp; corruption delays from lands office affect completion of property sales</td>
<td>2</td>
</tr>
<tr>
<td>5</td>
<td>Political factors occur less frequently and have a lesser impact</td>
<td>2</td>
</tr>
<tr>
<td>6</td>
<td>Resilience to economic variables</td>
<td>1</td>
</tr>
<tr>
<td>7</td>
<td>Sensitivity analysis is done with worstcase scenario taken to cover for any fluctuations</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>100%</td>
</tr>
</tbody>
</table>
Kenya’s lending rate is high compared to other major countries at approximately 16% in the third quarter of 2013, South Africa’s rate was around 9%, United Kingdom was around 6% and United States of America was the lowest at around 4%. (Mortgage Company, 2013). This high rate was also evidenced by a low mortgage uptake of only 20,000 mortgages in the country against a population of 40 million (Jiwaji, 2013).

Analysis of Competition in the Real Estate Industry

The research sought to find out the nature of the real estate industry rivalry. The findings of this are shown in Figure 4.4. At 85%, the respondents felt there was strong competition, while only 15% felt that the competition was weak. This means that the majority felt that real estate sector was very competitive. According to Michael Porter’s (1980) Five Forces Framework, if the forces are very strong for industry members they nearly always drive profitability downwards and for company whose resilience is not strong may end up being forced out of business.

![Diagram showing competition levels: strong, 85%; weak, 15%]

*Table 4.16: Real Estate Industry Competitions*
Analysis of the House Pricing Brackets Catered for in Nairobi County

The research sought to find out which housing price bracket real estate developers supplied versus which category was highly demanded. The findings revealed the hugest disparity was in the low cost housing of houses prices below 5 million Kenyan shillings. At 33%, respondents revealed that low cost housing category had the greatest demand yet those that supplied that category was only 14% of the respondents. The next category with huge disparity was houses prices between 21 and 30million Kenyan shillings that had a demand of only 9% of the respondents versus a supply of 24% of the respondents. The high end homes of houses priced over 30million Kenyan shillings were supplied by 17% of the respondents, while the demand for this was low at only 9% of the respondents. The categories where the demand and supply were not far apart were in the mid ranges of houses between 5 and 20million Kenyan shillings. The 2 brackets of 5 to 10million Kenyan shillings and 11 to 20 million Kenya shillings both had a demand by 24% of the respondents and a supply by 22% of the respondents. These findings are summarized in Figure 4.5.

These findings concur with the numerous studies done on low cost housing and the unending housing supply deficit where the findings in this study show the demand for the three lowest housing brackets is higher than the supply provided by real estate developers (Hassanali, 2009; Ochieng, 2007). The findings also support Hassanali’s (2009) study on the reduced private sector participation in low cost housing.
Table 4.17: Housing Prices Supplied and Demanded

Analysis of Revenue Growth Over the Last Three Years

The research sought to find out if the real estate companies had recorded revenue growth over the last three years (2013 to 2011). The results are shown in Table 4.15, where 4% of the respondents in 2013 and 8% of the respondents in 2012 and 2011 said that being startups, revenue growth was not applicable. Further, 8% of the respondents claimed a negative growth on revenue for the last three years (2011-2013). For the year 2013, 65% of the respondents claimed a revenue growth rate ranging between 0 to 100% and in 2012 and 2011 an equal number of 58% of the respondents claimed revenue growth of 0-100%. Revenue growth rate of 101% to 200% was recorded by 8% of respondents in 2013, 15% of respondents in 2012 and 4% of respondents in 2011. Only 4% of the respondent recorded revenue growth of over 200% and this was in the year 2013, 12% of the respondents did not give responses for revenue growth for the years 2013 and 2012, while 23% of the respondents did not respond for the year 2011.
Table 4.18: Revenue Growths for Last Three Years

<table>
<thead>
<tr>
<th>Revenue Growth</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not Applicable</td>
<td>1(4%)</td>
<td>2(8%)</td>
<td>2(8%)</td>
</tr>
<tr>
<td>Below 0%</td>
<td>2(8%)</td>
<td>2(8%)</td>
<td>2(8%)</td>
</tr>
<tr>
<td>0-100%</td>
<td>17(65%)</td>
<td>15(58%)</td>
<td>15(58%)</td>
</tr>
<tr>
<td>101-200%</td>
<td>2(8%)</td>
<td>4(15%)</td>
<td>1(4%)</td>
</tr>
<tr>
<td>Over 200%</td>
<td>1(4%)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>No Response</td>
<td>3(12%)</td>
<td>3(12%)</td>
<td>6(23%)</td>
</tr>
<tr>
<td>Total</td>
<td>26(100%)</td>
<td>26(100%)</td>
<td>26(100%)</td>
</tr>
</tbody>
</table>

Assessment of the Challenges Faced by Real Estate Developers

The construction industry in Kenya is riddled with a myriad of challenges such as poor infrastructure, inflationary pressures and poor industry regulations. These impact the players in the various industries where they face many hurdles in the course of conducting their business. The researcher sought to establish which challenges were faced by real estate developers.

Analysis of Biggest Challenges Faced by Real Estate Developers

The research sought to find out the biggest challenges faced by real estate developers from a list of five options. These were government restrictions, high financing costs, high inflation, poor infrastructure and scarcity of land. The results are tabulated below in Table 4.16. The biggest challenge was ranked as high inflation and construction material costs with a mean score of 4.6 and standard deviation of 0.71, this was followed by high financing costs with a mean score of 4.58 and lowest standard deviation of 0.64, government regulatory restrictions had a mean score of 4.08. Poor infrastructure was ranked at 3.92 and lowest ranking was scarcity of land which was not seen as a major challenge compared to the rest scored 3.88 and had a standard deviation of 1.31. The cost of financing is very high and mortgage institutions are not accessible to the urban poor.
because of lack of collateral, unstable income and lack of information on borrowers (Erhard, 1999).

Table 4.19: Challenges Faced by Real Estate Developers

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>High financing costs</td>
<td>4.60</td>
<td>0.71</td>
</tr>
<tr>
<td>High inflation &amp; construction materials pricing</td>
<td>4.58</td>
<td>0.64</td>
</tr>
<tr>
<td>Government &amp; regulatory restrictions</td>
<td>4.08</td>
<td>0.93</td>
</tr>
<tr>
<td>Poor infrastructure</td>
<td>3.92</td>
<td>1.09</td>
</tr>
<tr>
<td>Scarcity of Land in Nairobi County</td>
<td>3.88</td>
<td>1.31</td>
</tr>
</tbody>
</table>

Analysis of Additional Challenges Faced by Real Estate Developers

The research sought to find out which other major challenges were faced by the real estate developers that had not been captured previously. Corruption and delays in the lands office was cited by 40% of the respondents as being a major challenge, 16% of the respondents stated that the construction industry lacked reliable and qualified consultants like engineers and contractors, 12% cited expensive mortgages to their prospective customers as a challenge, 8% stated that land was overpriced and 4% of the respondent said that the outdated building code was a major challenge for them. At 4%, the respondent said that there was a lack of industry information that was readily available, 4% said that they had a problem with theft of building materials, 4% indicated that the banks’ rigidity was a challenge. Another 4% of the respondent said weather was a challenge that caused projects to delay and lastly, 4% of the respondent had a challenge with the judicial process of settling land disputes that took long and grossly delayed their project commencement. The results are shown in Table 4.17.
Table 4.20: Additional Challenges Faced by Real Estate Developers

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corruption &amp; Delays in lands office</td>
<td>10</td>
<td>40%</td>
</tr>
<tr>
<td>Lack of reliable &amp; qualified consultants</td>
<td>4</td>
<td>16%</td>
</tr>
<tr>
<td>Expensive mortgage products for customers</td>
<td>3</td>
<td>12%</td>
</tr>
<tr>
<td>Overpriced land &amp; county taxes</td>
<td>2</td>
<td>8%</td>
</tr>
<tr>
<td>Outdated building code regulations</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td>Lack of accessible industry information</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td>Theft of building materials</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td>Rigid nature of banks</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td>Delays in construction due to weather</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td>Slow court process for land disputes</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>25</strong></td>
<td></td>
</tr>
</tbody>
</table>

These challenges are widely varied but some are consistent with findings of past studies where Jamii Bora project experienced a 2 year delay in project commencement because of a long pending court case (Christensen & Thomas, 2008). Findings in Erhard (1999) study also confirmed expensive mortgage products to be a challenge.

Analysis of Overcoming Challenges

The research sought to find out from the respondents, how best the highlighted challenges could be overcome. The results are summarized below in table 4.18. At 26%, respondents stated that there was need for government intervention to overhaul the ministry of lands and computerize systems in that office to improve efficiency and transparency, 23% felt that the government incentives were needed to lower taxes, costs of land and construction as well as infrastructure improvement needed on roads and sewerage systems, 14% felt the lowering of interest rates and introduction of attractive mortgage products was needed.

Further, 14% of the respondents stated that real estate stakeholders needed to converge and discuss improvements in the industry for the mutual benefit of all, 9% felt that there was a need to increase the local capacity of reliable and qualified consultants, 9% stated that there
is need for a revision in the building code which was outdated and the use of modern building practice was needed. At 3%, respondent felt backward integration was a solution while another 3% of the respondent felt that judicial reforms were needed to hasten the turnaround times on land dispute resolution. Vertical integration often lowers cost and gains on the value added stream (Kotler, 2003).

**Table 4.21: Overcoming Challenges Faced by Real Estate Developers**

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government intervention to overhaul the ministry of lands office and computerize</td>
<td>9</td>
<td>26%</td>
</tr>
<tr>
<td>Government incentives to lower taxes, land and construction costs &amp; improve infrastructure</td>
<td>8</td>
<td>23%</td>
</tr>
<tr>
<td>Lowering of interest rates and introduction of attractive mortgage products</td>
<td>5</td>
<td>14%</td>
</tr>
<tr>
<td>Real estate stakeholders need to come together to discuss for industry benefit</td>
<td>5</td>
<td>14%</td>
</tr>
<tr>
<td>Increase local capacity for reliable &amp; qualified consultants</td>
<td>3</td>
<td>9%</td>
</tr>
<tr>
<td>Revise building code regulations &amp; modern building practice</td>
<td>3</td>
<td>9%</td>
</tr>
<tr>
<td>Backward integration with importers</td>
<td>1</td>
<td>3%</td>
</tr>
<tr>
<td>Judicial reforms to turnover time of land dispute cases</td>
<td>1</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Analysis of Recommended Best Practice Standards for Real Estate Developers

The research sought to find out from the respondents, what best practice standards they would recommend in the industry. The results are summarized below in table 4.19, where 31% of the respondents recommended an ethical code of conduct to be followed and the need for developers to keep their promises to customers, 21% of the respondents felt that conducting a market research would be helpful to ensure the product they offered was affordable, 17% recommended the use of professional consultants who are well trained to
ensure high product quality and 14% of the respondents recommended the use of innovation and modern building technology as well as green housing. Similarly, 10% of the respondents recommended the use of other alternative sources of financing and 7% recommended policy making to be guided by the relevant consultants in the industry.

According to Kotler (2003), using total quality management and benchmarking that adopts world class performance and adopts best practice is what companies are now doing. Real estate developers are recognizing this from the suggestions given

Table 4.22: Recommended Best Practice Standards

<table>
<thead>
<tr>
<th>Recommended Standard</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethical code of conduct to be followed &amp; promises to customers kept</td>
<td>9</td>
<td>31%</td>
</tr>
<tr>
<td>Market research to meet needs at affordable prices</td>
<td>6</td>
<td>21%</td>
</tr>
<tr>
<td>Use professional consultants who are well trained for higher quality housing product</td>
<td>5</td>
<td>17%</td>
</tr>
<tr>
<td>Use innovation, modern building technology and green housing</td>
<td>4</td>
<td>14%</td>
</tr>
<tr>
<td>Opt for Long Term financing, alternative financing or other private investors</td>
<td>3</td>
<td>10%</td>
</tr>
<tr>
<td>Consultants in real estate to guide policy making</td>
<td>2</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>29</strong></td>
<td></td>
</tr>
</tbody>
</table>

Summary of Key Findings

Strategies Used By Real Estate Developers in Nairobi County

The top 2 strategies used by real estate developers in Nairobi County were differentiation strategy (mean score of 4.69) and Innovation strategy (mean score 4.62). The next 2 common strategies in use by real estate developers was a tie between Strategic Alliances and Diversification (both had a mean score of 4.15). Best cost provider strategy followed at mean of 4.12 and Focus strategy had a mean of 4.04. The least common strategy used
was Overall low cost provider strategy with a mean of 2.96. Among the additional strategies listed as being used by real estate developers that was highly used was having a customer focused strategy that ranked highest at 27% of respondents.

The Strategies that Lead to Better Business Performance
The strategy listed as having the most impact in the organization was differentiation strategy that was ranked by 27% of respondents. This was followed by strategic alliances by 15% of respondents and a tie between innovation strategy, focus strategy and branding and product quality which 12% of the respondents had selected. 85% of respondents felt the competition was strong in this industry. Despite this strong competition, 77% recorded revenue growth in 2013, 73% recorded growth in 2012 while 62% recorded growth in 2011.

The most common housing price bracket supplied was for houses priced between 21 to 30 million Kenyan shillings and this was by 15(24%) respondents but the demand for this category was only at 9%. The housing bracket with the largest disparity between supply and demand was for houses priced below 5 million Kenyan shillings that had a demand of 33% versus a supply of only 14%.

Challenges Faced by Real Estate Developers
The two main challenges highlighted in this study was high inflation and construction material costs with a mean score of 4.6 and this was followed by high financing costs with a mean score of 4.58. Other key challenges that came to light were corruption and delays in the lands office that was cited by 40% of the respondents and 16% of the respondents
cited the construction industry lacked reliable and qualified consultants like engineers and contractors.

The key recommended ways to overcome these challenges that 26% of the respondents stated was a need for government intervention to overhaul the ministry of lands and computerize systems in that office to improve efficiency. The other key way 23% of the respondents felt would help overcome challenges was for government incentives to lower taxes, costs of land and construction as well as infrastructure improvement needed on roads and sewerage systems. Other recommended ways to overcome challenges was to lower interest rates and introduction of attractive mortgage products by 14% of the respondents. Another 14% of the respondents recommended that real estate stakeholders need to converge together in round table discussions for industry benefit.

The top three best practice standards recommended was firstly, having an ethical code of conduct followed and the need for developers to keep their promises to customers, this was proposed by 31% of the respondents. Secondly, was the need to conduct a market research to ensure the product developers’ offer is affordable and this was proposed by 21% of the respondents. Thirdly, the other top best practice was by 17% of the respondents, who felt using professional trained building consultants improved product quality.
CHAPTER FIVE

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

Introduction
This chapter gives a summary of the findings that emerged in the research. The chapter also summarizes the results of the findings from the questionnaires and interprets the results and draws conclusions as well as making recommendations on the research objectives.

Discussions
This section discusses the findings in order of the specific objectives of the study. The discussion begins with establishing the strategies in use by real estate developers. Next, the discussion moves to establishing which of those strategies led to better performance. Finally, the challenges experienced by the real estate developers are discussed.

Strategies in Use by Real Estate Developers

The first objective of this study sought to find out which strategies were used by real estate developers. The findings revealed the top 2 strategies used by real estate developers in Nairobi Country were differentiation strategy (mean score of 4.69) and Innovation strategy (mean score 4.62). This implies real estate developers mainly worked to ensuring they had a well differentiated product that offered something attractive and an innovative product in the market. This concurs to the Hedonic pricing model that says extra features to the housing product leads to an increase in pricing which translates to better performance (Osland, 2013). Differentiation erects entry barriers in the form of loyalty that give new entrants a difficult time overcoming (Daft, 2003). The logic of differentiation expects the
firm to be truly unique or perceived so if they expect to maintain the premium pricing (Wit & Meyer, 2004).

The least common strategy used was overall low cost provider with a mean score below the neutral region at 2.96. Linked to that finding, the housing bracket with the largest disparity between supply and demand was for houses priced below 5million Kenyan shillings that had a demand of 33% versus a supply of only 14%. Hassanali (2009) carried out a study to understand why there is a reduced participation of the private sector in low cost housing delivery in Nairobi.

Real estate developers are out to be profitable and thus are not attracted to the lower bracket housing as the inputs and construction costs would be almost similar as the upper market housing but the margins lower, hence the shying away from this particular strategy. Among the additional strategies listed as being used by real estate developers, having a customer focused strategy ranked highest at 27% of respondents. Michael Porters (1980) five forces framework cited that buyers bargaining power is weak where there are high switching costs or a high propensity to substitute the product. This is not the case here because of the strategy of high customer focus and the nature of the large housing supply deficit.

Strategies that Have Led to Better Performance

The second objective of this study sought to find out which strategies had led to better performance for the real estate developers. The findings revealed that the top strategy with the most impact in the organization was differentiation strategy that was ranked by 27% of respondents. This was followed by strategic alliances by 15% of respondents and a tie
between innovation strategy, focus strategy and branding and product quality which 12% of the respondents had selected.

This implied that innovation strategy despite being the second most commonly used, was not highly ranked as having a strong impact on performance. Instead, it was differentiation strategy that was highly used and also had highest impact. The strategies that were least selected as having a high impact was being customer focused, niche marketing, diversification and vertical integration.

About 85% of respondents felt the competition was strong in this industry. The five forces framework was developed to analyze where the competitive power lies in a business situation and if the intensity is too strong may lead to a decline in business performance (Porter, 1980). The findings in this study revealed that despite this strong competition, 77% recorded revenue growth in 2013, 73% recorded growth in 2012 while 62% recorded growth in 2011.

The most common housing price bracket supplied was for houses priced between 21 to 30million Kenyan shillings and this was by 24% of the respondents but the demand for this category was only at 9%. This category is geared towards the upper market and according to the Hedonic house price model, the extra features a house has leads to a high price (Rosen, 1974). Hassanali (2009) study revealed that there were also more incentives to the real estate developers like off plan sales in the middle and upper market segments.
Challenges Experienced by Real Estate Developers

The third and last objective of this study sought to find out which challenges were faced by real estate developers. The findings revealed the main challenges to be high inflation and construction material costs with a mean score of 4.6 and this was followed by high financing costs with a mean score of 4.58. Other challenges included government regulatory restrictions had a mean score of 4.08. Poor infrastructure was ranked at 3.92 and lowest ranking was scarcity of land which was not seen as a major challenge compared to the rest scored 3.88.

According to Molotch (1976), growth machine theory, urbanization is a sign of successful growth but it comes with challenges of increased pollution, traffic, population density and quality of life because of a strain on resources. The growth machine theory greatly benefits and produces wealth for those in power. Other key challenges that came to light were corruption and delays in the lands office that was cited by 10(40%) respondents and 16% of the respondents cited the construction industry lacked reliable and qualified consultants like engineers and contractors.

Conclusions

This study concluded that innovation and differentiation strategies were the top 2 strategies in use. This was followed by Strategic Alliances and Best cost provider strategy followed and Focus strategy. Overall low cost provider strategy was the least common strategy used among the developers.

This study further concluded that the strategy that led to better performance for the real estate developers and had the highest impact was differentiation strategy. This was
followed by Strategic Alliances and a tie between Innovation strategy, Focus strategy and Branding and product quality. The strategies that were least selected as having a high impact was being customer focused, niche marketing, diversification and vertical integration.

The study finally concluded that the main challenge experienced by real estate developers was high inflation and high construction material costs. The other major challenge identified was high financing costs. Suggestions to overcome these challenges revolve around government intervention on land policy matters, improving infrastructure and better regulation of interest rates.

**Recommendations**

The researcher makes the following recommendations:

1. Real estate developers should continue using Differentiation Strategy as it has the highest impact on business performance for those in Nairobi County. Strategic alliances and Innovation strategies were also strong strategies in use and should continue to be used.

2. Diversification strategy and Best cost provider should be used less as they have a lower impact on business performance and instead real estate developers in Nairobi County should embrace on the 2 strategies of Focus and work on strengthening their brand as they had stronger impact on performance.

3. The government should act on challenges faced by real estate developers in Nairobi County and should overhaul the land registry office and uproot the corrupt officials to communicate a tough stance of tolerating zero corruption.
processes in the lands office should also be done to improve efficiency and increase transparency. The monetary policy in the country should be revised to enhance mortgage uptakes from the current 20,000 to increase tenfold and spur more borrowing by real estate developers to increase the housing supply in Kenya.

4. The pool of professional consultants in the construction industry should be increased through creating public awareness among students of acute shortage of these professionals and having incentives for learning. There should also be strong regulations around those setting up such practices to ensure they comply with education and professional standards and regular peer reviews to be done and spot checks on quality before license renewals to ensure standards are maintained.

Recommendations for Further Studies

There is need to establish whether green housing is a viable option for real estate developers in Kenya to embrace as they work to towards being environmentally friendly and reducing their carbon emissions yet while still maintaining profitability. Innovation came out as a highly used strategy but it didn’t translate to having a high impact on business performance. Thus, there is a need to study modern building technology and how companies can leverage on this for better performance.
REFERENCES


APPENDICES

Appendix A: Questionnaire

Dear Respondent,

My name is Elizabeth Kiarie. I am a Master of Business Administration (Strategy Management concentration) student at the Daystar University undertaking a research on the factors affecting real estate developers’ supply of housing for low and middle class in Nairobi County. Kindly take a few minutes to fill this questionnaire. Your response will be treated with utmost confidentiality and will only be used for the purpose of this study.

The questionnaire has four sections, Section A is the introduction and looks at respondent’s demographics, Section B focuses on strategies and business performance, Section C looks at the strategies your organization uses and Section D looks at the challenges faced in real estate development. Any information you share will remain confidential. Thank you for your time and cooperation.

Section A – BACKGROUND INFORMATION

Please tick appropriately

1. What is your gender?
   ☐ Male ☐ Female

2. What is your age?
   ☐ Below 20 years
   ☐ 20-29 years ☐ 40-49 years
   ☐ 30-39 years ☐ 50 years and above

3. Which department are you working in?
   ☐ Technical
   ☐ Sales & Marketing
   ☐ Finance & Administration
   ☐ Other (Specify) ___________________________________

4. At what management level are you serving at?
   ☐ Senior Management
   ☐ Middle management
5. How long have you worked in the company?

- 0-5 years
- 6-10 years
- 11 years & above

6. How many members of staff are employed under permanent basis in your company?

- 1-20 people
- 21-40 people
- 41-60 people
- 61 people & above

Section B – STRATEGIES AND BUSINESS PERFORMANCE

7. Which of the strategies below is used by your company?

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall low cost provider</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(lower overall costs than those of the competitors)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Differentiation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(buyers are offered something attractively different from their competitors)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Focus</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(profit from the willingness to serve market niche of customer segments that may be ignored or underappreciated either from a cost or differentiation perspective)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic Alliances</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
(partnership that exists for a defined period during which partners contribute their skills and expertise to a cooperative project)

Innovation
(apply and adopt new technologies that effectively serve to reduce costs)

Best Cost Provider
(give more value to customers by combing excellent product attributes at a lower cost than rivals)

Diversification
(aim to increase sales volume from new products and new markets)

8. Which other strategy does your company use that is not listed above?
__________________________________________________________________
__________________________________________________________________
__________________________________________________________________

Section C – BUSINESS PERFORMANCE MEASUREMENT

9. How would you rate the impact of the strategies listed above on the company’s business performance?

<table>
<thead>
<tr>
<th></th>
<th>Positive Impact</th>
<th>Negative Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue increase</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product Quality</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
10. Of the strategies listed in 7 & 8 above which ONE strategy in your opinion has had the strongest positive impact in your company
__________________________________________________________________
__________________________________________________________________

11. To what extent do the following variables affect your company’s business performance? Use a scale of 1-5, where 1=greatest extent and 5= least extent

<table>
<thead>
<tr>
<th></th>
<th>Greatest Extent</th>
<th>Great Extent</th>
<th>Moderate Extent</th>
<th>Little Extent</th>
<th>Least Extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic factors (inflation, taxation, bank interest rates)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Political factors (political stability, governance and governmental regulations)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

12. Kindly explain your response above
__________________________________________________________________
__________________________________________________________________
__________________________________________________________________

13. How do you describe competition in your industry?

- Weak competition [ ]
- Strong competition [ ]
- No competition [ ]

14. Which house pricing bracket are do you cater for? Tick as many that apply

- Houses priced below Ksh 5 million [ ]
- Houses priced Ksh 5-10 million [ ]
- Houses priced Ksh 11 -20 million [ ]
- Houses priced Ksh 21 -30 million [ ]
- Houses priced over Ksh 30 million [ ]
15. Of the 5 pricing categories above which have you seen has the greatest demand in Nairobi County?

__________________________________________________________________

__________________________________________________________________

16. What has been your revenue growth in percentages for the last three years.

<table>
<thead>
<tr>
<th></th>
<th>Below 0%</th>
<th>0-100%</th>
<th>101-200%</th>
<th>Over 200%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year ago (2013)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 years ago (2012)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 years ago (2011)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Section D - CHALLENGES FACED IN REAL ESTATE DEVELOPMENT

17. What is the biggest challenge you have faced in real estate development

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
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<tr>
<td>Government and regulatory restrictions</td>
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<td>High financing costs from the banks</td>
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<td>High inflation rates that affected pricing of construction materials</td>
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<tr>
<td>Poor infrastructure</td>
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<tr>
<td>Scarcity of land for real estate development in Nairobi county</td>
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</tbody>
</table>
18. Which additional major challenge have you faced that is not listed above? Give a brief explanation.

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19. In your opinion, how best can these challenges be overcome? Give a brief explanation.

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20. Are there any best practice standards that you could recommend to real estate developers?

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Thank you for your cooperation

======END======

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Appendix B: Kenya Property Developers Association Member Listing

<table>
<thead>
<tr>
<th></th>
<th>Name</th>
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<tbody>
<tr>
<td>1</td>
<td>Acorn Management Limited</td>
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<tr>
<td>2</td>
<td>Africa REIT Limited / hardy projects</td>
</tr>
<tr>
<td>3</td>
<td>Ali &amp; Associates, Property Showcase</td>
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<tr>
<td>4</td>
<td>AMS Properties</td>
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<tr>
<td>5</td>
<td>Anfield Holdings</td>
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<td>6</td>
<td>Anjarwalla &amp; Khanna</td>
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<td>7</td>
<td>Argos Group Limited</td>
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<td>8</td>
<td>Ark Consult</td>
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<td>9</td>
<td>Bahati Ridge</td>
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<tr>
<td>10</td>
<td>Bluebell Properties</td>
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<td>11</td>
<td>Blueline Properties</td>
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<td>12</td>
<td>BRITAK</td>
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<td>13</td>
<td>Broll Property Group</td>
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<tr>
<td>14</td>
<td>Centum Investment Company Limited</td>
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<td>15</td>
<td>Chigwell Holdings Limited</td>
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<tr>
<td>16</td>
<td>Collaborations Engineering Solutions &amp; Products</td>
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<tr>
<td>17</td>
<td>Contemporary Electrical Enterprises Limited</td>
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<tr>
<td>18</td>
<td>County Home Developers</td>
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<tr>
<td>19</td>
<td>East African Cables</td>
</tr>
<tr>
<td>20</td>
<td>Edifice Limited</td>
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<tr>
<td>21</td>
<td>Eldon Properties</td>
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<tr>
<td>22</td>
<td>Englishpoint Marina / Pearl Beach Hotels Limited</td>
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<tr>
<td>23</td>
<td>Equity Bank</td>
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<tr>
<td>24</td>
<td>Fedha Management Limited</td>
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<td>25</td>
<td>First Licentiate</td>
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<td>26</td>
<td>Fort Properties</td>
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<td>27</td>
<td>Guestcare Ideal Homes Limited</td>
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<td>28</td>
<td>Hass Consult Limited</td>
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<td>29</td>
<td>Home Afrika Limited</td>
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<tr>
<td>30</td>
<td>Housing Finance Company of Kenya</td>
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<tr>
<td>31</td>
<td>In-Time insurers</td>
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<tr>
<td>32</td>
<td>J.D Murimi &amp; Co. Advocates</td>
</tr>
<tr>
<td>33</td>
<td>Karibu Homes</td>
</tr>
<tr>
<td>34</td>
<td>Kzanaka Limited</td>
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<tr>
<td>35</td>
<td>Lantana Homes</td>
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<tr>
<td>36</td>
<td>Limojade management</td>
</tr>
<tr>
<td>37</td>
<td>Lordship Africa/Epix Investments Limited</td>
</tr>
</tbody>
</table>
38 Magnolia Development Company
39 Mamicha and Company Associates
40 Manrik Group
41 Marlborough Properties Limited
42 Mauncho advocates
43 Mentor Group Limited
44 Ministry of Housing
45 Mumbi Mionki & Co. Advocates
46 Mwafa Court
47 My Space Properties
48 Mzima Development Limited
49 National Housing Corporation
50 Ndatani Enterprises Company Limited
51 Oak Park Properties
52 Optiven Enterprises
53 Otic Investments
54 Paragon Group
55 Phatisa's Pan African Housing Fund (PAHF)
56 PMG Property
57 Proxima Properties
58 Questworks
59 RE/MAX Kenya
60 runda view
61 Sandalwood Developer
62 Scion Real Investment Company
63 Shabaha Institute
64 SJR Properties Limited / Sky management Ltd
65 Solfin Solutions
66 Superior Homes
67 Tamarind Properties
68 Tiara Properties
69 Trident Estates Limited
70 Westlands Pride Developers
71 Windsor palace
Appendix C: Daystar Introduction Letter

2nd April 2014

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

RE: Elizabeth Kiarie - STUDENT NO. 11-1582

Elizabeth is a fully registered student in the School of Business & Economics at Daystar University. She has completed her course work towards a Masters of Business Administration (MBA) degree. She is now working on the research for her thesis.

Elizabeth’s thesis topic is “An evaluation of strategies influencing real estate developers business performance in Nairobi County.”

The purpose of my writing is to request that you give Elizabeth the necessary assistance to enable her to complete this important academic exercise.

We assure you that any information collected will be used strictly for academic purposes and will remain absolutely confidential. Upon completion of the research, her thesis will be available at our library.

We appreciate your support for our student towards the successful completion of her thesis research.

Sincerely,

[Signature]

Thomas Koyler
HOD, COMMERCE
Appendix D: KPDA Letter

Dear KPDA Member,

As you may be aware we recently released the first comprehensive industry report in Kenya, The State of Development Report in conjunction with Hass Consult. (Information about the report can be found on our website). This is inside of our commitment to making more data about the industry available for greater transparency.

We are expanding our research both in-house and in partnership with others and your business knowledge is crucial for real understanding of industry considerations, challenges and costs. Please make your information available by completing this brief survey. The results will be shared with you and others for industry benefit.

Thanks,

Robyn T. Emerson, CEO
Kenya Property Developers Association
Appendix E: Research Permit

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Date: 6th May, 2014

Ref. No. NACOSTI/P/14/4889/1395

Elizabeth Wairimu Kiirie
Daystar University
P.O.Box 44400-00100
NAIROBI

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on “An evaluation of strategies influencing real estate developers’ business performance in Nairobi County, Kenya,” I am pleased to inform you that you have been authorized to undertake research in Nairobi County for a period ending 30th June, 2014.

You are advised to report to the County Commissioner and the County Director of Education, Nairobi County before embarking on the research project.

On completion of the research, you are expected to submit two hard copies and one soft copy in pdf of the research report/thesis to our office.

S.M. HUSSEIN
FOR: SECRETARY/CEO

Copy to:

The County Commissioner
The County Director of Education
Nairobi County.