COMPETITIVE STRATEGIES ADOPTED BY SMALL- SCALE ENTERPRISES IN EXHIBITION HALLS IN NAIROBI

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ABSTRACT

Small-scale enterprises within Nairobi have witnessed a dramatic change as a result of Business Clustering in premises commonly known as "exhibition halls". This study sought to establish the various competitive strategies adopted and to establish the relationship between factors determining their competitiveness. The firms were sole traders firms, partnerships and family business units. An analysis of the activities of small-scale enterprises revealed the various strategies and relationships that were the determinants of competition. The findings indicate that the enterprises use similar competitive strategies. The strategies adopted were related to pricing and cost management, product and marketing. This study has shed light on the competitive strategies adopted and has highlighted the factors that managers in this sector have to give great attention to for survival. We recommend extension and replication to test the results in other contexts in Kenya and other East African countries where the small-scale sector is becoming a key government policy issue.

Key words:
Small-Scale enterprises, Business Clusters, Competitive strategies, Exhibition halls.

INTRODUCTION

The debate on and scholarly interest in small-scale enterprises have recently picked up steam. Following structural adjustment programmes, many African countries have turned their attention to this sector which is seen to be the driver of the new economic order in poverty eradication campaigns. With the increasing complexity of the business environment, small enterprises are beginning to face the reality of competition. Since the introduction of liberalization in Kenya (GOK, 1992) firms in almost all sectors of the economy are now faced with increasing competition. Liberalization primarily involves a movement towards less control by the government of factor markets, financial markets and commodity markets. This has led to stiff competition in many sectors of the economy and has made firms change

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their strategies in order to survive. As observed by Kaplan and Norton (2008), all firms are environment dependent and changes in the environment shape the opportunities and challenges facing them. This understanding is important in defining firm's objectives and developing a competitive strategy that will ultimately result in competitive advantage (Theuri, 2003). Competition goes beyond the established industry rivals to include the four other competitive forces of customers, suppliers, entrants and substitutes (Porter, 2008). The extended rivalry results from the five forces defined by the industry structure.

In Kenya, exhibition halls are a model of business clusters. In the recent past there has been a rise in the number of exhibition halls within the central business district in Nairobi. Delago, Porter and Stern (2010) defined business clusters as geographic concentrations of interconnected companies, specialized suppliers, service providers and associated institutions in a particular field located in a specific place or region. They increase the productivity and service delivery of enterprises. The development of clusters is an important agenda for governments, companies, and other institutions. Cluster development initiatives have become an important new direction in economic policy, building on the earlier efforts of macroeconomic stabilization, privatization, and the opening up of markets, as well as reducing the costs of doing business (Delgado, Porter and Stern, 2010).

Moyi (2005) observed that small-scale enterprises in Kenya are survivalist rather than growth oriented in nature. This makes reliability of the sector rather precarious, yet the economic recovery strategy expects small-scale enterprises to contribute 88% of the total number of jobs per annum. In Kenya, small-scale enterprises generate 18.4% of the country's Gross Domestic Product, accounts for 75 % of all new jobs created per annum and contributes 76.5% of total employment (GOK, 2009). In addition, 30% of the Value Added Tax in the manufacturing and retail sector comes from small-scale enterprises (Economic Survey, 2009). In Kenya, public policy continues to place an overwhelming emphasis on small-scale enterprises as a pillar of economic growth and, wealth creation and as a means of eradicating poverty.

Despite the vast potential of small-scale enterprises, attempts by the government to formalize and grow the sector have yielded little fruit. Some local authorities have attempted to regulate the sector by restrictive licensing, which renders other small-scale enterprises illegal (Moyi 2005). Small-scale enterprises have remained invisible, both in legal and regulatory terms, although the sector is visibly present in both urban and rural areas in diverse manifestations.

It is against this background that this study was conducted to examine the competitive strategies adopted by small-scale enterprises, to establish the factors influencing the competitiveness of the enterprises and finally to establish the relationship between type of ownership and competitive strategies amongst small scale enterprises operating within exhibition halls in Nairobi's central business district. To get a deeper insight into these objectives and to derive empirical conclusions, the following hypotheses along with their attendant alternatives were tested.

H1: There is no significant level of competition among firms in the exhibition halls of Nairobi.

H2: There is no significant relationship between the capital at the start and the capital after four years of operation among the firms in exhibition halls.

H3: There is no significant relationship between pricing strategies, product strategies and marketing strategies adopted by firms in the exhibition halls of Nairobi.

H4: There has been no significant contribution of years of operation, ownership type and current capital to the competitive strategies adopted by firms in exhibition halls in Nairobi.

THEORETICAL BACKGROUND

Since the introduction of liberalization in Kenya (GOK, 1992), firms in almost all sectors of the economy are faced with competition. Liberalization primarily led to the critical demand for firms to change their strategies in order to survive. By the end of 1994, most sectors of the Kenyan economy had been opened up to market forces as the government had liberalized the domestic market. These changes in the external environment had both positive and negative implications for existing organizations (Murage, 2001). Since firms are environment dependent and changes in the environment shape the opportunities and challenges facing them, they had to develop competitive strategies to align to contextual reality. Further changes in the economy resulted from the infamous structural adjustment programmes that involved, among other issues, civil service restructuring programmes and the liberalization of the economy. These developments led to retrenchment in both the private and public sector (National Development Plan, 2002 - 2007). In an effort to find alternative means of livelihood, most retrenched employees established micro and small-scale enterprise.

The small-scale enterprises operating in Nairobi have witnessed tremendous changes that have affected the state of competition among them. The emergence of business clusters and the introduction of exhibition halls in Nairobi have heightened the state of competition. According to Churchill (1991), business clustering is the grouping of business ventures in a specific geographic location, while an exhibition hall is a public display of works, manufactured articles and other natural products. Over the past years, business exhibition halls have stirred a latent but now thriving small-scale sector in Kenya.

Small-scale enterprises have been the subject of discussion for a long time in many forums all over the world. Small-scale enterprises have been viewed as the last survival option after all other options have failed (Omuyitsi, 2003). In the past, owners of these businesses were viewed as failures in society. Worth noting is the fact that some people take on small-scale enterprises as a supplementary source of income. However, negative attitudes to entrepreneurship development are changing fast. Realizing that small-scale enterprises play a vital role in national development has greatly contributed to this change. Entrepreneurship as a subject has been incorporated into school syllabus and is now being offered in most training institutions. Some people with unique business ideas are even quitting formal employment to take up careers in the operation of small enterprises. This calls for the formalization of how things are done in small-scale enterprises, including the formation and implementation of viable competitive strategies.

Small-scale enterprises

Small-scale enterprises are those which employ between 1-99 employees (Mulhern 1995). The government of Kenya defines a small business as one employing between 1-50 employees (GOK, 2009). A small business is one that is actively managed by its owner(s), is highly personalized, largely local in its area of operation and largely dependent on internal sources of capital to finance its growth (Banmback, 1988). There are three lines of argument that explain the origin and growth of small-scale enterprises. Proponents of the first school of thought argue that small-scale enterprises being representative of the informal sector is symptomatic of the contraction in aggregate demand or demand that has stagnated within a sustained increase in labour supply. Secondly, the informal sector grows out of disequilibrium in factor markets and hence disappears when the modern sector grows and absorbs surplus labour. Lastly, when the government fails to adequately provide for its people by neglecting certain sectors and service delivery, small-scale enterprises emerge as part of the reaction to the market demand of consumers (Moyi, 2005).

Small-scale enterprises operating in business clusters are faced with various market challenges. They face the need to use competitive strategies in order to survive. Davidson et al (1984) argue that competition remains one of the major challenges facing small-scale enterprises which are basically retail outlets. Kotler (1999) defines retailing as all the activities involved in selling goods and services to the final consumer. Davidson et al (1984) further argue that retail businesses are highly competitive in nature. This is compounded by various customer expectations. Other things being equal, consumers need to spend the least amount time of getting to the retail stores, the days and hours of operation need to be convenient to the shopper, the atmosphere in the stores need to be appropriate, a variety of merchandise is essential and above all security in retail stores is paramount.

In developing countries, the informal sector employs a considerable part of the urban labour force, estimated to fluctuate between 30% and 80%. In Asia, the informal sector absorbs between 40% and 50% per cent of the urban labour force. However, there are variations in different countries and labour absorption is estimated at between 10% and 65 % (Onkarnath, 2005). In Kenya 98% all the businesses are small-scale in nature (Moyi, 2005). There is worldwide concern that small-scale enterprises operate in poor working conditions and do not offer labour protection schemes for their employees (ILO, 1996-2010). Given the above concern, the question that remains is whether small-scale enterprises can respond positively to an enhanced policy environment to deliver the employment goals expected. Both the economic recovery strategy for wealth and employment creation (2003-2007), as well as the session paper no.2 of 2005 on the development of micro and small enterprises for wealth creation and poverty reduction, underline the multiple roles of small-scale enterprises. According to the two papers, small-scale enterprises stimulate economic growth, enhance equitable income distribution, allow the productive and efficient use of resources, enhance the regional dispersion of industries and develop a vibrant private sector. The above arguments provide compelling reasons for the government to take an active interest in the growth and expansion of this sector.

The concept of business clusters

Recent literature on business clusters suggests that the grouping of enterprises into sectoral and geographic clusters gives rise to a certain collective efficiency that can enhance competitiveness and foster industrialization (McCormick, 1998). Porter (1990) uses the term cluster to designate groups of firms engaged in similar or related activities within a national economy. According to Schmitz (1992), a cluster is characterized by the geographic and sectoral agglomeration of enterprises. While extending the definition of business clusters, Delgado, Porter and Stern (2010) noted that clusters are geographic concentrations of interconnected companies, specialized suppliers, service providers, and associated institutions in a particular field that are present in a nation or region. They observed that the development of clusters is an important agenda for governments, companies, and other institutions. The initiative is an important direction in economic policy, building on earlier efforts aimed at macroeconomic stabilization, privatization, the opening up of markets, and reducing the cost of doing business.

In cluster operations geographic proximity appears to be particularly important in developing countries, where poor infrastructure, weak information systems and cultures that place high value on face-to-face communication are the norm. In his analysis Schmitz (1992) concluded that enterprise clustering can affect industrialization by making it easier for specialization and differentiation to take place. Clusters can also be understood by examining their different patterns of specialization and co-operation. Pedersen (1997), from a preliminary analysis of African clusters, identifies four general types, namely, the diversified industrial cluster, the sub-contractor cluster, the market town or distribution centre and the specialized petty commodity cluster. This breakdown has obvious roots in African reality and, as Pedersen's conclusion shows it is useful for tailoring policy to a particular setting. When firms undertake related activities in close geographic proximity, both the immediate environment and the firms themselves are likely to change. McCormick (1998) concurs and stresses this point of view. The environment begins to adapt to the presence of firms by attracting customers, traders, workers with related skills, individuals and firms waiting to offer services and still more enterprises anxious to benefit from the markets being created. This promotes networking, a key component in firm and industrial growth (Payne, 1998).

McCormick (1998) further states that, at its basic level, clustering encourages information sharing, fosters networking and problem-solving skills and enhances opportunities for learning new technologies and designs. One firm may specialize in the production process while another turns from production to trade in inputs or final products and still another may develop links with traders who visit the cluster. Thus clustering appears to have the potential to enable African countries to overcome the barriers to industrial development. This is through increasing market access, fostering communication and information sharing, increasing efficiency and contributing to the development of supportive institutions. In this way, clustering provides gains not easily available to dispersed enterprises. Theuri (2002) states that knowledge of an underlying source of competitive pressure highlights the critical strengths and weaknesses of a company, animates its positioning in the industry, clarifies areas where strategic changes are required and points to areas where industry trends have greater significance. Schmitz (1997) maintains that local external economies are necessary for the development of a strong cluster. However, he further argues that consciously pursued joint action must also be present for industrial clusters to flourish. The emphasis on the "Joint Action" aspect of collective efficiency underscores the importance of inter-firm linkages and networks. One can identify categories of joint action in clusters based on both horizontal and vertical dimensions.

While examining the economic performance of regions, Porter (2003) established that the performance of regional economies varied and was strongly influenced by the strength of local clusters, and the vitality and plurality of innovations being used. Through clusters, local companies complement one another in a specific location (Delgado, Porter and Stern 2010). Building on Porter (1998, 2003), Delgado, Porter and Stern (2010) developed a systematic empirical framework to identify the role of regional clusters. After controlling for the impact of convergence at the narrowest unit of analysis, they established that there is significant evidence for cluster-driven agglomeration. They observed that industries participating in strong clusters registered higher employment growth as well as a higher growth in wages, together with the number of establishments and patents. Industry and cluster level growth also increased with the strength of related clusters in the region and with the strength of similar clusters in adjacent regions. Importantly, they found out that new industries emerge where there is a strong cluster environment. This finding partially supported Mintzberg's (1987) conclusions on the value of strategy.

Competitive Strategies of Small-scale Enterprises

Reid (1993) noted that Porter's framework applies to large firms. To be able to transfer this framework from large enterprises to small firms, one has to be aware of two crucial modifications. Small firms display the behaviour of large firms in their early life cycle. Efforts are devoted to the establishment by discovery or the creation of a competitive niche and little effort is directed at defending and blocking. Large corporations are in a much more mature phase of development. A second modification requires Porter's framework to take a market segment rather than the market as a whole. Earlier studies focused on the corporate strategies of large enterprises (Johnson & Scholes, 2005, Ansoff, 1988) but expansion in the small business sector has now attracted a new debate to ascertain the strategic decisions of small businesses.

In small-scale Enterprises, strategic targets are market segments with a niche that can be exploited. Reid (1993) further argues that when the owner-manager of small-scale enterprises talks about "market", he usually means a segment of the much larger generic market. On the other hand, when a manager of a large corporation talks about market he surely means the whole market. Porter's generic strategies involve cost leadership, differentiation and focus. Cost leadership strategy and differentiation strategy are not feasible for small enterprises because they aim at the industry as a whole (Reid 1993). What is more appropriate to small-scale enterprises is the focus strategy, combining elements of cost leadership and product differentiation directed at a specific market segment. Therefore, a focus strategy, aimed at a specific market segment seems most likely to offer small businesses a competitive advantage (Needham and Dramsfield, 2004).

In his findings, Rothschild (1994) noted that, given the competitive pressure under which all small firms operate, there is always pressure to control costs. An important discovery cutting across several of these categories of competitive focus is the role of experience. A small-scale enterprise has a steep learning curve after inception but the experience gained is readily translated into competitive advantage for the enterprise.

Challenges facing Small-Scale Enterprises

Nelson and Mwaura (1997) in their study of business strategies of medium-sized enterprises in Kenya found out that firms suffered a serious deficiency in marketing and customer-related skills. Some firms were forced by competition to divest or invest in other product lines where competition was less severe. Poor quality business support programmes by both the government and non-governmental organizations have led to the duplication of activities and over-concentration on one aspect of business support activities to the detriment of others. This has been due to lack of coordination between agencies and entrepreneurs. According to GOK (1992), lack of credit facilities remains the most noteworthy challenge to small-scale enterprises. It has received great attention in terms of research and development assistance. However, researchers in past studies have noted that respondents tend to attribute all their problems to the lack of credit facilities. This has led to over-concentration on credit assistance at the expense of other important non-financial support services. This had led to mass failure of small-scale enterprises. Kibera (1996) noted that most people who start small-scale businesses lack the professional skills needed to run their businesses. The chances of such businesses developing into successful enterprises remain minimal. To eliminate this challenge, entrepreneurship and related courses are being incorporated into the teaching syllabus from primary school level.

There is a need to link financial services to skill development by providing extension services, especially in the areas of marketing and technology. Entrepreneurs should have tailor-made training packages, and access to information on business opportunities, customer trends and general market tends (GOK, 2001). Poor infrastructure has been for a long time a major challenge to the development and operation of small-scale enterprises (Omuyitsi, 2003). This is a great hindrance especially when considering the prospects for linkages between rural and urban enterprises. The movement of products from urban areas to rural areas is exceptionally costly, owing to the poor state of the roads, sparse banking facilities in rural areas, and the high cost of telecommunication services. Other challenges include instability in the political environment, and the ever changing economic policies and business regulations, which include bureaucratic procedures for obtaining a trading licence, high tax rates and stamp duty and the corrupt nature of city council employees and the Kenya police force.

Another major constraint facing small-scale businesses is their inability to keep records. Hailes (1983) argued that good record keeping by a business is not only wise but also a requirement by many laws. Various agencies like banks, the tax department or accountants require records for different reasons. The inability to produce proper records may raise legal and financial questions. These questions can be accurately answered when written records of business proceedings are kept. Hailes (1993) further states that by recording the daily transactions of a business the owner can learn from past mistakes and avoid errors in the future. A record of all transactions in a business permits proper evaluation, so that there is a good chance of it improving and developing.

RESEARCH METHODOLOGY

This study employed cross-sectional approach that was quantitative in nature. This approach was used to enable the researchers to derive a descriptive and analytical analysis of the phenomenon (Nachmias & Nachmias, 1996). The focus of the study was small-scale enterprises operating within exhibition halls. The firms were stratified according to the major characteristics of ownership and sector. Random sampling was then employed to get the actual firms and respondents in each stratum. A list of the 102 exhibition halls within the central business district in Nairobi city was obtained. The exhibition halls were grouped according to sectors to ensure good representation. These yielded four main clusters, namely Clothing, Electronics, Shoes/Bags and Kitchen appliances. A total of 40 firms were randomly sampled for the study. However, data was obtained from 30, giving a 75% response rate of the firms. The other firms did not cooperate in the study, with some providing partial information.

Primary data was collected using a structured questionnaire with both open-ended and closed questions. The questionnaire was designed using a 5-point likert scale to measure respondents' attitudes to the items. For reliability of the questionnaire items, a Cronbach alpha test was done. Tests for individual sections all yielded alphas of above the recommended .70. The overall value obtained was .976, which was quite high to proceed with data collection. Internal validity of the instrument was taken care of through seeking the opinions of expert colleagues in a doctoral study group of strategic management. The questionnaires were administered through the drop-and-pick up method by one of the authors. The personal interview method was chosen because it yields the highest quality and quantity of data compared with other methods (Cooper and Schindler, 1998). This method combined with data from questionnaires enabled the study to draw conclusions. Data was analyzed both qualitatively and quantitatively. The SPSS computer software was used for the quantitative analysis. Descriptive statistics, frequency tables, percentages and mean scores were derived. Tests of significance provided key decisions on the hypotheses to draw conclusions. The unit of analysis was firms within the exhibition halls, whose competitive strategies adopted, and analyzed to ascertain the comparative efforts.

ANALYSIS OF RESULTS AND DISCUSSION

Years of operation, Capital status and ownership effect

The number of years these small-scale enterprises had operated was found to be important in understanding their characteristics. The majority had operated for a period of one to two years. Very few had gone beyond 5 years and none exceeded ten. This finding confirms anecdotal evidence that there is a high mortality rate among small-scale firms, which is in concert with our concern of what and why competitive strategies are adopted. Regarding the establishment of branch networks, only 20% of the surveyed firms that had operated for one year had branches; only among those older than four years had branch networks become a predominant competitive strategy. The issue of capital investment poses a dilemma for both practitioners and academics. The need for capital is a major constraint to many would-be small-scale enterprises. The decision by new entrants to set up operations in an industry is largely determined by capital outlay, which outlay was found to be as little as Ksh.50,000, mainly raised by individual entrepreneurs or from friends and family sources. 43.3% of the small-scale enterprises studied had start-up capital of less than Kshs.100,000. On the other hand, 36.7% of the enterprises had current capital of between Kshs.100,000 and 200,000, which implied some progress in capital creation. Only 10% of the enterprises currently had capital of less than Kshs.50,000. Regarding ownership type, which has an impact on the strategies adopted, we established that 60% of the firms were sole traders, while partnerships and family businesses amounted to 20%. We contend that these findings have a bearing on the competitive strategies adopted by the firms, as well as on their mode of operation.

Our study found that firms in the exhibition halls had adopted various competitive strategies that we categorized as pricing, product and marketing strategies (Pearce & Robinson, 2000). We thus proceeded to analyze these findings by testing the hypotheses to discern the behaviour of our respondent firms.

Testing for the level of competitiveness.

H1: There is no significant level of competition among firms in the exhibition halls of Nairobi.

H1 sought to statistically test whether there is a significant level of competition among the firms. This was tested using the perceived level of competition as the predictor variable against the competitive strategies that the firms had adopted.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.775[a]	.601	.586	.308

a. Predictors: (Constant), Competitive strategies

The R^2 of the model was .601. This means that 60% of the variations in the level of competition, which was rated on a scale as being stiff, fairly stiff or not stiff, is a result of the pricing, product and marketing strategies being undertaken by the firms in the exhibition halls. The 40% difference is due to factors not predicted in this model and was taken care of by the error term. Given this moderately strong model we tested whether there is a strong empirical ground to conclude that the competition level is significant.

From the results we have the unstandardized coefficient at Beta= .086 and SE=.013. The calculated value obtained was 6.615. The sample size was 30, we used the t statistic which is given as 6.489 in the table of values. Because our calculated value of 6.615 is greater than the t-statistic of 6.489, we reject the hypothesis. Thus H1 is rejected and we conclude that there is a significant level of competition among firms in the exhibition halls of Nairobi. The firms are indeed involved in using various competitive strategies. The results indicate that in the exhibition halls there is a high level of competition among firms, thus driving our focus to find out what competitive strategies they use to survive in the sector.

Testing whether competition is a growth factor

We then proceeded to test the relationship between start-up capital and current capital to determine whether the significant level of competition is a growth factor.

H2: There is no significant relationship between the capital at the start and the capital after four years of operation among the firms in exhibition halls.

The correlation coefficient between the two indices was .813 at the .01 level of significance. This is a very high coefficient, indicating that start-up capital and current capital are highly correlated. We then tested H2 for the significance level to draw an informed conclusion.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.813[a]	.661	.649	1.151

a. Predictors: (Constant), Startup capital

The R^2 from this test is .661 meaning that 66% of the variation in current capital results from the start-up capital. The remaining 36% is due to other factors not tested in this model.

From ANOVA we have a p-value of .000. At .05 level of significance under the decision rule to reject the hypothesis if the p-value is less than .05, H2 is rejected. We conclude that there is a significant relationship between start-up capital and current capital among firms in the exhibition halls of Nairobi. This implies that capital at the start has a bearing on the status of capital at a given stage in the growth of a firm. Capital level can be used as an index to assess the growth pattern of firms for economic planning. We tested for capital after four years of operation, having been limited by the finding in our descriptive analysis that none of the firms had operated for up to ten years. The basis of four years was an average indicator of the optimal life span of a business.

Competitive environment

The study revealed that small-scale enterprises operate in a very competitive environment. All the respondents who were interviewed concurred that the competition was very stiff. The respondents gave various reasons why they viewed competition as stiff within exhibition halls. These included similarities in products, huge discounts offered, availability of low quality goods that are sold cheaply, ever changing customer preferences, mushrooming of exhibition halls and the soaring rate of unemployment in Kenya.

To compete effectively in the market, respondents observed that firms used various strategies in order to gain a competitive edge over their competitors. These included credit facilities, a variety of products, discounts and payment by installments. We summarized competitive strategies into three, namely, pricing strategies, product and marketing. In the analysis of the enterprises in the study, product strategies included dealing in products not offered by their competitors, with an emphasis on quality and the arrangement for special deliveries so as to gain competitive advantage. In relation to marketing strategies, firms focused on promotions, relationship marketing, distribution and customer preferences, while pricing-related strategies were the more dominant in the exhibition halls. They included pricing levels, discounts and payment by installments.

With this descriptive analysis we tested for the relationship among the strategies adopted by the firms. This was stated in H3.

H3: There is no significant relationship between pricing strategies, product strategies and marketing strategies adopted by firms in the exhibition halls of Nairobi.

Correlations

		1	**2**	**3**
1.Product strategies	Pearson Correlation	1		
2.Pricing strategies	Pearson Correlation	.843**	1	
3.Marketing strategies	Pearson Correlation	.892**	.945**	1

**. Correlation is significant at the 0.01 level (2-tailed).

The results indicate that the strategies are highly correlated at the .01 level of significance. The highest correlation is between pricing and marketing strategies at .945, while the lowest is between pricing and product strategies at .843. Having established the correlations we ran a linear regression analysis to determine the R-square change against the level of competition. The result was R^2=.653. This meant that the 65.3% variation in the level of competition can be attributed to the three strategies adopted by the firms. The rest of the variations, equal to 34.7%, are due to other factors we did not predict in this study, accounted for by the error term.

We then tested H3 where the p-value obtained was .000. at the .05 level of significance. The p-value being less than .05, we rejected H3 and confirmed the alternative that there is a significant relationship between the pricing strategies, product strategies and marketing strategies used by the firms in the exhibition halls in Nairobi. The relationship between the strategies found out points to a key fact that these are small-scale firms that have been in business for a few years. Their approaches are similar and so are their individual strategies. The relationship between the strategies shows the coherence of their actions an attempt to keep ahead of the others. This finding is in concert with earlier studies reviewed in the conceptual analysis.

Model for competitive strategies and determinants of competition

We ended our analysis by testing for the relationship between the determinants of competition among the firms, namely, years of operation, current capital levels and ownership type, and their competitive strategies. We predicted this using a simple linear equation model stated as,

$$\mathbf{Y = \alpha_0 + \alpha_1 X1 + \alpha_2 X_2 + \alpha_3 X_3 + €}$$

Where Y=firm competitive strategies
X_1= years of business
X_2 = current capital
X_3 = ownership type
€ = error term
The following were the results of this model

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.028	.576		3.521	.002
	Number of years operating	2.330	.517	.800	4.508	.000
	Current capital	.666	.407	.301	1.639	.113
	Ownership type	-.796	.799	-.151	-.996	.328

a. Dependent Variable: Competitive strategies

We thus represent firm competitive strategies as,
$\mathbf{Y}= 2.028 + 2.330X_1 -.796X_2 +.666X_3$

SE (.576) (0.517) (.799) (0.407)

In interpreting the elasticity of this model we note that the intercept (constant) is relatively low at 2.028, meaning that our predictor variables are strong elements in determining competitive strategies. A unit variation in years of operation and current capital causes a positive change in competitive strategies. An unexpected result concerned ownership type in that a change in ownership type of sole trader, partnership or family business would have a negative effect on competitive strategies. This agrees with the earlier analysis where there was significant relationship between the strategies adopted by the firms.

With these interesting coefficients we proceeded to test H4.

H4: There is no significant contributions of years of operation, ownership type and current capital to the competitive strategies adopted by firms in exhibition halls in Nairobi.

This was made possible by determining the contribution of each factor using its coefficient and standard error. We thus get H4a, H4b and H4c.

> *H4a: Years of operation do not make a significant contribution to competitive strategies*
> *H4b: Current capital does not make a significant contribution to competitive strategies*
> *H4c: Ownership type does not make a significant contribution to competitive strategies*

Model testing	Calculated t statistic	N=30, used t	Decision rule, accept if calculated > t
H4a: $\mathbf{Y \neq \alpha_1 X1}$ $\mathbf{Y = \alpha_1 X1}$	2.330/0.517 =4.533	4.508	Reject hypothesis
H4b: $\mathbf{Y \neq \alpha_2 X2}$ $\mathbf{Y = \alpha_2 X2}$	.-796/.799 =0.996	-.996	Reject hypothesis
H4c: $\mathbf{Y \neq \alpha_3 X3}$ $\mathbf{Y = \alpha_3 X3}$	.666/.407 =1.636	1.639	Accept hypothesis

The determining factors, namely years of operation and current capital, were found to have made a significant contribution to the competitive strategies adopted by the firms. However, the hypothesis concerning ownership type was accepted, meaning that it does not make a significant contribution to the strategies adopted. This finding confirms our earlier assessment of the factors and patterns of behaviour of the strategies. The years of operation and capital invested are key factors that drive firms of any size. Ownership type is unique to this sector since firms in big industrial settings would not have this as a variation.

CONCLUSIONS

There is a significant level of competition among small-scale firms in exhibition halls in Nairobi. These enterprises regard competitive strategies as an important aspect of survival. The strategies adopted were found to differ according to ownership type, years of operation and current capital level and were clustered as product, price and marketing strategies. It is agreed that a firm's survival depends on its ability to design strategies that enable it to have a competitive edge against rival firms. Firms being in close proximity to exhibition halls are forced to adopt numerous strategies to edge out competitors. This study has attempted to empirically document their competitive behaviour. The results show that the strategies firms adopt are not significantly different. The factors of competition, which include years a firm has been operating, ownership type and current capital level, were all statistically significant. Managers of small-scale enterprises must keenly assess the activities of their rivals and be able to adjust their own responses within the sector. Exhibition halls provide the opportunities for firms to attract many customers, but their survival depends on each manager's business acumen. Operating in such clusters has a major implication for policy makers. Confirming the findings of the literature, clusters lead to competitiveness, collective efficiency and may foster quick industrialization.

Policy Implications

Governments can use these findings for policy formulation. It is the established interest of the Kenyan government and sister states in the region to promote the small and medium-scale sectors as new economic development drivers. Firms operating in clusters ease the planning for the provision of common services like security, roads, water and power supply. Specialization patterns are important to show to policy makers what key products and services are in the market. This could facilitate the setting up of clear business zones for market segments with suitable infrastructure to enhance business growth. For the academic community this study has extended the debate on the growing interest of research into what was formerly known as the informal sector by economic analysts. To discern empirically that exhibition halls are a positive setting for business activities and that firms are indeed focusing on competitive strategies is refreshing for research projects in developing countries. We recommend replication and extension studies to build on our findings. Empirical studies in similar settings in other cities in Kenya and neighbouring countries will provide a strong basis for national planning and policy development.

Limitations of the Study

This study may not have provided a comprehensive view of the behaviour of firms in exhibition halls that could be generalized to other business clusters. The study was constrained by lack of cooperation, leading to the findings being based on responses from 30 enterprises. Even better results could have been obtained if we had had a large sample covering those outside the central business district. The study also suffered from the general problems associated with the questionnaire data collection method, like misunderstanding of the questions and willfully giving misleading information where suspicion became a major issue. However we attempted to mitigate these foreseeable limitations and have thus provided an empirical basis upon which the behaviour of selected firms can be predicted.

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