

Strategies for Success: A Case Study of Food Processing Firms in Nairobi, Kenya¹

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The current development consensus informs us that sustained economic growth and employment are critical to development and poverty alleviation. Economic growth requires, structural transformation and formation of an industrial base. While several studies have discussed the regulatory constraints that hinder industrial development in SSA, very few studies focus on firm specific strategies in SSA. This paper turns the question on its head and asks – what can we learn from firms that have been successful in SSA? What strategies do they use for success in an often volatile market?

The paper focuses on the food processing industry in Nairobi as it has been recognized that this sector can harness developing countries' natural base in agriculture to reach the next level of competitiveness. The paper combines two data sets – one with quantitative data on firm performance and firm strategies and the second with qualitative in-depth case studies. The quantitative dataset is based on a survey of food-processing firms and provides a description of the most important strategies used by successful African firms. It shows that the most important strategies used are differentiation strategy (selling at premium), cost reduction strategy and niche strategy. The data shows that firms do not follow a single strategy but combine strategies, in some cases even strategies that may appear contradictory. The paper develops a typology to distinguish the types and combinations of strategies followed by firms. The qualitative in-depth case studies unpack the concept of differentiation strategy and what this means in the specific context of SSA. The case studies explore the specific research question - how does a differentiation strategy contribute to firm success?

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The paper will make recommendations for firm strategic management, private sector development policy and government industrial policy.