EFFECT OF COMPETITIVE STRATEGIES ON PERFORMANCE OF PUBLIC UNIVERSITIES IN KENYA

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DECLARATION

STUDENT'S DECLARATION

I declare that this is my original work and has not been presented for a degree in any other university.

Sign: ……………………………………….. Date: ………………………

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D53/OL/21153/2010

SUPERVISOR'S DECLARATION

This project has been submitted for examination with my approval as university supervisor

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DEDICATION

To the one who guides me, protects me, shows me the way, provides for me and has been with me every step of the way; my God.

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ABSTRACT

Companies need to learn to manage tomorrow's opportunities as competently as they manage today's businesses. Competitive strategies employed by firms in their operations vary widely. The current operational set-up in Kenya's universities is a turbulent one and highly competitive market condition. To ensure survival and sustainability in the market place the public universities require adopting a competitive strategy. The purpose of this study was to establish the effect of competitive strategies on the performance of public universities in Kenya. This research problem was studied using a descriptive survey design. The target population was 162 respondents from which 54 were chosen as the sample size. Stratified disproportionate sampling technique was used to select the sample. A structured questionnaire was used to collect primary data. Responses in the questionnaires were tabulated, coded and processed by use of a computer Statistical Package for Social Science (SPSS) version 17.0 programme to analyze the data using descriptive statistics. In addition, multiple regression analysis was conducted to establish the relationship between the competitive strategies and market sustainability. The findings were that economies of scale to a very great extent affect performance of universities. It was further established that capacity utilization of resources, reducing operations time and costs, efficiency and cost control, mass production and mass distribution as aspects of cost leadership affected performance in the university to great extent, differentiation based on product/service, differentiation based on promotion/ advertising campaign and differentiation based on personnel affected performance of the university and market focus affected performance of the university. The study concluded that cost leadership affects performance of universities in Kenya through achieving economies of scale, capacity utilization of resources, reducing operations time and costs, efficiency and cost control, mass production, forming linkages with service providers, suppliers and other supplementary institutions and mass distribution and that differentiation affect performance of the university through product/service, promotion/ advertising campaign, personnel differentiation. The study recommended that universities should embrace and invest in cost leadership strategies most especially forming linkages with service providers, suppliers and other supplementary institutions since it will enable them achieve competitive advantage as compared to other universities that are not investing in these strategies and that universities should first understand and know their motive and capability before adopting a certain competitive strategy for example market focus.

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OPERATIONAL DEFINITION OF TERMS

Competitive advantage: Competitive advantage is an advantage over competitors gained by offering consumers greater value either by means of lower prices or by providing benefits and services that justify higher prices (Thompson et al, 2007).

Competitive strategy: The three generic business strategies suggested by Michael Porter that could be adopted in order to gain competitive advantage. The four strategies relate to the extent to which the scope of businesses' activities are narrow versus broad and the extent to which a business seeks to differentiate its products.

Cost leadership: This strategy focuses on gaining competitive advantage by having the lowest cost in the industry (Porter, 1998). In order to achieve a low-cost advantage, an organization must have a low-cost leadership strategy, low-cost operations, and a workforce committed to the low-cost strategy (Malburg, 2000).

Differentiation: Clark (2007) defines a differentiation strategy as one in which a product is different from that of one or more competitors in a way that is valued by the customers or in some way affects customer's choice. A successful differentiation strategy allows firm to earn above the average returns.

Focus strategy: In this strategy the firm concentrates on a select few target markets (Porter, 1998). It is also called a focus strategy or niche strategy. It is hoped that by focusing your marketing efforts on one or two narrow market segments and tailoring your marketing mix to these specialized markets, you can better meet the needs of that target market.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Competitive strategies consist of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position. Competitive strategies are employed by firms within a particular Industry. The strategies adopted are expected to relate to performance of the company. From a scheme developed by Grant (2002), long term strategy should derive from a firms attempt to seek and sustain a competitive advantage based on one of the three generic strategies. These are cost leadership, differentiation and focus strategies

Cost leadership strategies depend on some fairly unique capabilities of the firm to achieve and sustain their low cost position within the industry of operation. Differentiation strategy refers to a firm striving to create a market unique product for varied customer groups. Competitive strategies dependent on differentiation are designed to appeal to customers with special sensitivity for a particular product attribute. Focus strategy is a marketing strategy in which an organization concentrates its resources on entering or expanding in a narrow market. It is usually employed where the company knows its segment and has products/services to competitively satisfy its needs.

Firms need competitive strategies to enable them overcome the competitive challenges they experience in the environment where they operate. A competitive strategy therefore enables a firm to gain a competitive advantage over its rivals and sustain its success in the market. A firm that does not have appropriate strategies cannot exploit the opportunities available in the market and will automatically fail. A company has a competitive advantage whenever it has an edge over its rivals in securing and defending against competitive forces (Thompson and Strickland, 2002).

Sustainable competitive advantage is born out of core competencies that yield long term benefit to the company. To succeed in building a sustainable competitive advantage, a firm must try to provide what buyers perceive as superior value. Competition is generally believed to reduce the amount of slack a manager can afford and to have a positive Influence on managerial effort. Competition affects the congruence of interests between the manager and the organization and through a reduction in profits that increases the likelihood of poor performance and through the associated threat to the manager's incumbency. At first strengthening of competition induces the manager to make decisions more in line with the interests of the organization, therefore leads to increased managerial autonomy as commonly argued.

A business external environment can be considered as those factors and conditions that are beyond the direct control and influence of a business. The factors depend on complexity and dynamism of the environment. According to peace and Robinson (2007), Strategic Responses are the set of decisions and actions that result in the formulation and Implementation of plans designed to achieve a firm's objectives. It's thus a reaction to what is happening in the organizations environment. According to Burns and Stalker (1998), when businesses see their environment as turbulent and complex they respond to align with the environment.

1.1.1 Concept of Organizational Performance

The concept linking company competitive strategy to performance was introduced by Barney (2002). Their research and experience with clients demonstrated that what distinguishes high performers from their competitors is the consistent way they construct and maintain this competitive essence. While many companies compete on the basis of a single point of differentiation, the competitive essence of high performers is almost always achieved through the balance, alignment and renewal of what they identified as the three building blocks of high performance: Market focus position, distinctive capabilities and performance anatomy (Barney, 2002). According to porter (1998), the ability of a company to outperform its competitor depends on five major factors. The first four set the strategic direction for success. These are ability to take advantage of market Activity trends, ability to capture and protect unfair share of markets, ability to capture premium pricing, prudent creation and introduction of new products. This entails having people, processes and technology for execution excellence.

Firm's performance is the measure of standard or prescribed indicators of effectiveness, efficiency and environmental responsibility such as cycle time, productivity, waste reduction, and regulatory compliance. Performance also refers to the metrics relating to how a particular request is handled or the act performing: of doing something successfully, using knowledge as distinguished from merely possessing it. It is the outcome of all the organizations operations and strategies. It is also the extent to which an individual meets the expectations regarding how he should function or behave in a particular context, situation, job or circumstance. Noum (2007) is of the view that performance is what people do in relation to organizational roles. Since their inception, companies have used various yardsticks for measuring and reporting performance.

The two main items used to measure performance are the firms market share within the particular industry in which it operates and its profitability. Profitability is then used to measure the company return on capital employed hence value to its shareholders. Accountants and economists have derived and used various financial ratios to asses' company financial performance. These ratios mainly involve the company liquidity- cash flow ratio, debt management, financial leverage index, asset management-return on total assets, profitability-cash flow margin and finally return on investment –dividend yield.

Kaplan and Norton (2011) introduced the balanced score card as a more realistic measure of performance. The balance scorecard defines a strategy's cause and effect relationships and provides a framework to organizing strategic objectives into the financial perspective in line with the vision and mission. Key items linked are financials, customer service and satisfaction index, learning and growth within the organization and internal business processes. Internal business process is the path to achieving strong financial results and superior customer satisfaction.

Pearce and Robinson (2003) highlight three economic goals, which define a company's performance guided by strategic direction. These goals are survival in the market, growth and profitability. A firm's growth is tied inexplicitly to its survival and profitability. Survival means a long term strategy to remain in business and inability to do so mean the company is not capable of satisfying the stakeholder's aims. Although product impact market studies (PIMS) have shown that growth in the market share is correlated with profitability, other important forms of growth do exist. Growth in the number of markets served , in the variety of products offered, in the technologies that are used to provide goods or services frequently leads to improvements' in a firms competitive ability.

Growth means change and proactive change means change is essential in a dynamic business environment. Profitability is the main goal of a business organization. No matter how profit is measured or defined, profit over the long term is the clearest indication of a firm's ability to satisfy the principal claims, and desires of employees and stockholders. Decisions must be based on the long term as short term may produce misleading profit results which overlook the enduring concerns of customers, suppliers, creditors, ecologists and regulatory agents.

1.1.2 Public Universities in Kenya

A University is an institute of higher education and research, which grants academic degrees at all levels, (Bachelor, Master, doctorate, and diploma), in a variety of subjects as guided by the University statutes. A university provides both tertiary and quaternary education. In Kenya, Public Universities were created under the Act of parliament to carry out research using their variety of qualified staff in different disciplines. The primary purpose of research, outreach and extension constituted the basis on which research goals were set and measures by which fulfillment of these goals were established.

The privatization of Universities and liberazation of the Kenya economy in the 1990s changed the competitive environment in which the service industries operated. This contributed to the universities repositioning themselves for the challenge and development of both strategic and performance objectives. Public universities, as other government institutions operate within such an environment and are therefore environment dependent. As a result of the liberation, turbulence in the economy, and new government policies, public universities have been undergoing changes to survive and compete effectively (GoK, 2005). There are fifteen public universities in Kenya (Appendix V).

In almost all African countries, public universities receive financial assistance from the government. The result is that the level of higher education facilities in Kenya has for long depended on the soundness of the national economic performance. From the 1980s, most African countries experienced financial constraints due to poor economic performance and rapid population growth, added to the need to provide other services like primary education, food and shelter. University education therefore, has faced severe competition from other sector for limited government funds.

Many public universities are established and continue to be established in Kenya in order to improve the level of higher education, learning and absorption of swelling number of students from high schools. The rapid expansion of university education is a spontaneous response to the high demand. With the increasing large flows of students from schools, popular demand for higher education increased.

As a result of the liberation, turbulence in the economy, and new government policies, public universities have been undergoing changes to survive and compete effectively. To cope with the changes, public universities have utilized this need for education by students and expanded the capacity to handle extra students. They have also developed market customized courses to fit in the different market segments.

The universities have also formed linkages with other supplementary institutions such as middle level collages, hospitals and research institutions enhancing market sustainability and forming linkages with customers helps in increasing market growth and sustainability. Having a convenient location in most of the major towns in Kenya and a wide branch network increases market growth and sustainability. However, it is not clear how these competitive strategies have affected the performance of public universities in Kenya.

1.2 Statement of the Problem

Competitive strategies employed by firms in their operations vary widely depending on the operating environment. The current operational set up in Kenya's education sector is a dynamic one and highly competitive with the emergence of many private universities. The privatization of university education and liberazation of student selection since the formation of commission of University Education in 2012 changed the environment in which the public universities operated. To ensure survival and sustainability in the market place, the public universities need to adopt competitive strategies to ensure that they outperform their competitors. Public universities following competitive strategies may realize a performance advantage over competitors that pursue other generic strategy type or those that are stuck in the middle. The competitive strategies include marketing portfolios with adequate human and capital resources, social responsibility activities, brand images, convenience retailing, marketing share position and length of time in the industry.

In recent years, government and international donors have challenged universities in Africa to justify their existence and their claims to the massive funds allocated to them. This has resulted in a sharp increase in cumulative recurrent deficits from Ksh. 22,705,554 in 1991 to Ksh. 503,280,937 in 2006 and then to Ksh. 1,336,099,937 in 2012 (Mwiria, Ng'ethe and Ngome, 2013). This is as a result of demand posed by the increasing number of students over the years.

A number of studies have been done on competitive strategies but under different contexts in Kenya. Gathoga (2011) focused on competitive strategies by commercial banks in Kenya. The study revealed that banks in Kenya use various means in order to remain competitive. He also concluded that expansion into other areas by opening new branches has also been used as a strategy; Karanja (2002) did a survey of competitive strategies of real estate firms in the perspective of Porters generic model. These studies reveal that firms in different industries adopt different competitive strategies which are unique in each context. Despite this background, limited studies have been done to determine the effect of competitive strategies on public universities in Kenya as they operate within such an environment. As a result of the liberation, turbulence in the economy, new government policies and sprouting of many private universities, public universities have been undergoing changes to survive and compete effectively as more and more technical colleges were awarded charters to become fully fledged universities. The proposed study has been motivated by the need to fill this gap in knowledge. The study therefore sought to establish the effect of competitive strategies on performance of public universities in Kenya.

1.3 Objectives of the Study

1.3.1. General Objective

The general objective of the study was to establish the effect of competitive strategies on performance of public universities in Kenya.

1.3.2 Specific objectives

The specific objectives of this study were:

i. To establish the effect of cost leadership strategies on performance of public universities in Kenya.
ii. To determine the effect of differentiation strategy on performance of public universities in Kenya.
iii. To establish the effect of focus strategies on performance of public universities in Kenya

1.4 Research Questions

This study sought to respond to the following questions:-

i. What are the effects of cost leadership strategies on performance of public universities in Kenya?
ii. How does differentiation strategy affect performance of public universities in Kenya?
iii. To what extent does focus strategy affect performance of public universities in Kenya?

1.5 Significance of the Study

This study would be important to the policy makers in the public universities as they would be able to know for certain what competitive strategies play a role in shaping their operations and how they affect performance and at the same time they would know which competitive strategies to use in order to remain competitive.

The government as the regulator of firms in the education sector would benefit with the findings of this study as it would be enlightened on the various competitive strategies that institutions can adopt to influence their performance. Information gathered through this study would help the government to formulate policies beneficial in the best competitive strategies in the various sectors in Kenya.

The results of this study would also be valuable to researchers and scholars, as it would form a basis of further research. The students and academicians would use this study as a basis for discussions on competitive strategies. This study would be a source of reference material for future researchers on other related topics; it would also help other academicians who undertake the same topic in their studies.

1.6 Scope of the Study

The study was about the competitive strategies adopted by firms in Kenya. The study focused on application of competitive strategies in the public universities in Kenya and how they affect the universities performance. This study was limited to the public universities in Nairobi and its environs. This involved collecting information from the management staff. This was relevant in collecting the data required as time and distance were the limiting factors that inhibited collecting the data from all the institutions of higher learning across the country.

1.7 Assumptions of the Study

The researcher predicted that employees were willing to give true correct information when collecting data and that the authorities granted permission to the researcher for data collection.

The researcher assumed that the country was stable and that everything was normal without interruptions hence the time frame for data collection was as stipulated.

The researcher assumed that she got the resources intended to facilitate data collection, and that the information collected was a representation of the whole sector for inference.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the information from other researchers who have carried out their research in the same field of study. The specific areas covered here are theoretical orientation, empirical review, conceptualization and operationalization.

2.2 Theoretical Review

2.2.1 Porter's Five Forces Model

Porter (2008) identifies five forces of competition as fierce rivalry, threat to entry, threat to substitutes, power of suppliers and power of buyers. He upholds that understanding the forces that shape a sectors competition is the basis for developing a strategy. Generic strategies can be effectively correlated to organizational performance by using key strategic practices. Porter posits that if the forces are extreme, no organization earns striking returns on investment and if the forces are benign, most of the companies are profitable. The composition of the five forces varies by industry and that an organization needs a separate strategy for every distinct industry such as the public universities. Porter's (1998) generic strategies comprise of low cost, differentiation, focus and combination strategies. These are commonly conventional as a strategic typology for all organizations.

Porter (1985) asserts that an organization is mostly concerned with the amount of competition within its industry. He asserts that low cost and differentiation are distinct ends of a continuum and that may for no reason be related to one another has sparked a great deal of theoretical debate and empirical research. This debate may have been partly encouraged by the absence of conceptual building blocks supporting his value system theory. Scholars have since postulated theories that argue against Porter’s point of view, proposing that low cost and differentiation may really be independent dimensions that should be strongly pursued concurrently (Fournier, 2008). Empirical research using the MIS database by Miller & Dess (2010) suggests that the generic strategy framework could be enhanced by viewing cost, differentiation and focus as three dimensions of strategic positioning other than as three discrete strategies. The idea that pursuing multiple sources of competitive advantage is both feasible and desirable has also been supported by other researchers (White, 2008). Thus, the research in strategic management following from Porter does not provide explicit support for Porter's original formulation.

Porter's model is an influential tool for methodically diagnosing the main competitive pressures in a market and assessing how strong and significant each one is. Kitoto (2005) observed that a correct analysis of the five forces will assist a firm choose one of the generic strategies that will successfully enable the organization to compete profitably in an industry. Managers in the public universities therefore can only develop and choose winning strategies by first identifying the competitive pressures that exists, measuring the virtual strength of each and gaining a profound understanding of the sector's whole competitive structure.

Porter's value chain approach allows for the determination of the attractiveness of the industry. With the knowledge about intensity and power of competitive forces, universities can then develop options to influence them in a way that improves their own competitive position. To survive, the universities must adapt their strategies to suit the dynamic market place. The winning strategy selected can change the impact of competitive forces on the firm. The aim is to decrease the power of competitive forces. Although numerous companies pursuing cost and differentiation concurrently may become trapped in the middle, there is patent evidence to suggest that at least some companies have been triumphant in achieving higher economic performance by pursuing both advantages (Bresnahan and Reiss, 2010).

2.2.2 Resource Based View

From a resource based view of the firm, it is of high importance to take a close look at the internal organization of a company and its resources in order to understand how competitive advantage is determined within firms (Wernerfelt, 1984). In other words, the central premise of RBV addresses the fundamental question of why firms are different and how firms achieve and sustain competitive advantage by deploying their resources (Kostopoulos et al, 2002).

The resource based perspective of firms is based on the concept of economic rent and the notion of an organization as a collection of capabilities (Kay, 2000). Whereas traditional strategy models focus on the organization's external competitive environment, the RBV accentuates the need for a fit between the external market context in which a firm operates and its internal capabilities. From this perspective the internal environment of an organization, in terms of its resources and capabilities, is the critical factor for the determination of strategic action (Hint et al, 2004).

The original idea of viewing a firm as a bundle of resources can be traced back to Penrose (1959), who argues that it is the heterogeneity, not the homogeneity, of the productive services available from its resources that give each company its unique character. The view of the firm's resources heterogeneity is the basis of the RBV and was advanced by Wernerfelt (1984), suggesting that the evaluation of companies in terms of their disposable resources could lead to different insights from traditional perspectives that view competitive advantage as a rather external paradigm and argue that the alignment of a firm to its external environment is the main determining factor for a firm's profitability (Andrews, 1987; Porter, 1985). Barney (1991) developed a framework for the identification of the properties of firm resources needed for the generation of a sustainable competitive advantage. The properties include whether resources are valuable, rare among a firm's current and potential competitors, immitable, and non-substitutable. If resources have these characteristics they can be seen as strategic assets. Subsequently, this notion has been adopted by many researchers (Amit &Schoemaker, 2010; Peteraf, 2010) and expanded to include the properties of resource durability, non-tradability, and idiosyncratic nature of resources.

The RBV can be depicted as an "inside out" process of strategy formulation. A central thrust is the contribution of core competencies as strategic assets, which will be the continuing source of new products and services through whatever future developments may take place in the market, which by their nature, are not known (Connor, 2002). The emphasis of the RBV approach to strategic management decision-making is on the strategic capabilities as basis for superiority of the firm rather than attempting to constantly ensure a perfect environmental fit.

Resources are the specific physical, human, and organizational assets that can be used to implement value-creating strategies. Capabilities present the capacity for a team of resources to perform a task or activity (Grant, 1991a). In other words, capabilities present complex bundles of accumulated knowledge and skills that are exercised through organizational processes, which enable companies to coordinate their activities and make use of their assets (Day, 1994).

According to Collis (1994), capabilities are always vulnerable to be competed away by a competitor's higher order capability amongst other limitations such as erosion or substitution. Intangible assets are central to the RBV approach to understanding competitive advantage since they cannot easily be acquired or imitated, in contrast to tangible assets. Hall (1992) identified the relevant intangible assets as know-how, product reputation, culture and networks as main contributing factors to the overall success of a firm. Thus, the asymmetric performances between heterogeneous companies are very much driven by the intangible strategic assets.

Adding to this notion, Lovas & Goshal (2000) conclude that firms have to achieve a synergy between exploitation and creation of human and social capital as intangible assets in order to obtain better performances in the long run. Grant developed a practical framework for a resource-based approach to strategy consisting of the identification of resources and capabilities, their potential for achieving competitive advantage with appropriable return, the strategy selection and the consequent identification of resource gaps.

Differentiation supports and sustains competitive advantage, but conformity to institutional pressures provides legitimacy, resources, and competitive advantage. In contexts where institutional and competitive pressures exert strong influences, the strategic decisions of managers result both in conformity to institutional pressures, which leads to isomorphism and legitimacy, and in differentiation, which, following the resource-based view of the firm, can increase the possibility of creating a competitive advantage through heterogeneity in resources and capabilities. Although both alternatives have an effect on performance of public universities and the creation and maintenance of dominant market positions, little attention has been paid to the analysis of the effects of conformity on performance of public universities and competitive advantage.

Differentiation tends to reduce rivalry, increasing the possibility of building competitive advantages, whereas conformity improves the social support of stakeholders and therefore the legitimacy of the firm. Differentiation reduces competitiveness and the fight for scarce resources, thereby improving performance of public universities; but on the other hand, conformity makes all organizations similar and, therefore, the competitive pressures are stronger. Differentiation will create benefits and dominant positions that will last until competitors imitate a firm's key resources, and will be restored through the creation of new opportunities that result in a new competitive advantage and new entry barriers (Ogbonna and Harris, 2003). The new lines of institutional thinking answer this question and establish a point of connection with the resources-based view.

2.2.3 Theory of Strategic Balancing

Strategic balancing is founded on the premise that the strategy of an organization is partly comparable to the strategy of an individual. Certainly, the performance of organizations is affected by the actors' behavior, such as the system of leaders' values (Collins et al., 2009). An organization wavers between many antagonistic poles that signify cooperation and competition. This allows for existence of various configurations of alliances that disappear only if the alliance swings in the direction of a mainstream of poles of confrontation.

Strategic balancing is comprised of three models which include: relational, symbiotic and deployment models. Competition attests to be part of the relational model and the model of deployment. It can be liable to undulation between the two aggressive strategies, one being primarily cooperative as depicted by the relational model and the other being predominantly competing as exemplified by the model of deployment. The organization can then take turns in adopting the two strategies so as to keep their relationship balanced. This argument is very close to that of Belsley et al, (1980). According to Belsley et al, (1980), there are three types of competitive relationships: competition-dominated, cooperation-dominated, and equal relationships. The latter is also comparable to the fluctuation between the relational model and the model of deployment as described by Barney (2002).

Competitive strategies, should concentrate on the management-needs recognition process. A number of Universities have achieved this. Hammer and Champy (2010) used the key intelligence topics (KIT) process to identify and prioritize the major intelligence needs of senior management and the organization itself. This made sure that intelligence operations were successful and suitable intelligence was produced. Their approach is valuable since it allows corporate intelligence staff to recognize strategic issues and as a result senior management can guarantee that action is taken regarding the results given. The additional advantages are that an early warning system can be created and this will allow possible threats to the organization and major players in the industry are identified and monitored.

2.2.4 Mathematical Theory of Games

The mathematical theory of games was invented by Deschamps and Nayak (2008). Game theory is the study of the ways in which strategic interactions among rational players produce outcomes with respect to the preferences (or utilities) of those players, none of which might have been intended by any of them. Game theorists, like economists and philosophers studying rational decision-making, describe these by means of an abstract concept called utility. This refers to the amount of ‘welfare’ an agent derives from an object or an event. Welfare refers to some normative index of relative well-being, justified by reference to some background framework. In the case of people, it is most typical in economics and applications of game theory to evaluate their relative welfare by reference to their own implicit or explicit judgments of it Mintzberg (1973)

Brands, as a result of innovations and differentiation, can be considered as a method of signaling quality and other product characteristics to consumers. This allows various models developed in game theory to be applied, such as Akerlof (1970) classic “market for lemons” model in which price signals quality. The “hidden” value that may be uncovered by applying game theory is the deterrence value of investments in intellectual capital. As is well known, patents and copyrights add value by deterring competitors from making use of the same work and allow the patent or copyright holder to enjoy exclusive use of the intellectual work for a limited time. However, game theory shows that such a deterrence effect can also occur in the absence of patents and copyrights. The simplest scenario is where the market is limited and there is overcapacity in the industry. In such a scenario, an incumbent that makes a pre-emptive move by making a large investment may deter new entrants if the entrant believes that the incumbent will react aggressively to entry, or if the move allows the incumbent to move so far down the learning curve that it is difficult for new entrants to catch up. The mere fact of making a large investment may be enough to deter entry even if there is no patent or copyright protection. Most of the examples that can be quoted are practical benefits of applying game theory in the valuation of intellectual capital. However, game theory provides additional benefits in allowing one to draw insights about how to gain strategic value from intellectual capital. The conventional strategic management wisdom expounded by many authors (Grant, 2002) is that, in order for a firm's resources (including intellectual capital) to lead to a sustainable competitive advantage, they must be difficult to replicate, durable and imperfectly mobile or not easily traded.

2.3 Conceptual Review

2.3.1 Cost Leadership Strategy

This is Porter's generic strategy known as cost leadership (Malburg, 2000). This strategy focuses on gaining competitive advantage by having the lowest cost in the industry (cost advantages). In order to achieve a low-cost advantage, public universities must have a low-cost leadership strategy, low-cost operations with integrated sections/business units, and a workforce committed to the low-cost strategy. The public universities must be willing to discontinue any activities in which they do not have a cost advantage and should consider outsourcing activities to other public universities with a cost advantage. For an effective cost leadership strategy, public universities must have a large market share. There are many areas to achieve cost leadership such as mass production, mass distribution, economies of scale, technology, services and products design, input cost and capacity utilization of resources. Porter (1998) purports only one firm in an industry can be the cost leader and if this is the only difference between a public university and competitors, the best strategic choice is the low cost leadership role (Malburg, 2000).

Lower costs and cost advantages result from process innovations, learning curve benefits, and economics of scale, services and products designs reducing operations time and costs, and reengineering activities. A low-cost or cost leadership strategy is effectively implemented when the business designs, produces, and markets comparable services and produces more efficiently than its competitors. The public university may have access to cheap materials or superior proprietary technology which helps to lower costs. Public universities do not have to sacrifice revenue to be the cost leader since high revenue is achieved through obtaining a large market share (Porter, 1998). Lower prices lead to higher demand and, therefore, to a larger market share. As a low cost leader, public universities can present barriers against new market entrants who would need large amounts of capital to enter the market. The leader then is somewhat insulated from industry wide price reductions (Malburg, 2000). The cost leadership strategy does have disadvantages. It creates little customer loyalty and if a public university lowers prices too much, it may lose revenues.

This generic strategy calls for being the low cost producer in an industry for a given level of quality. The firm sells its services and products either at average industry prices to earn a profit higher than that of rivals, or below the average industry prices to gain market share. In the event of a price war, the public university can maintain some profitability while the competitor suffers losses. Even without a price war, as the industry matures and prices decline, the public universities that can produce more cheaply will remain profitable for a longer period of time. The cost leadership strategy usually targets a broad market (David, 2011).

Cost leadership is based on lower overall costs than competitors. Public universities that achieve low cost leadership generally make low cost relative to competitors the theme of their business strategy. The public university opens up a sustainable cost advantage over competitors and uses that lower cost as a basis for either under pricing the competitors and gaining a larger market share at their expense or earning a higher profit margin by selling at the going price. A low cost leader's basis for competitive advantage is lower overall costs than competitors. This requires the public university to: be better than rivals on efficiency and cost control and continuously seek creative and innovative ways of cutting costs. Successful low cost producers achieve cost advantages by exhaustively pursuing cost savings throughout the activity cost chain. A cost leadership strategy is designed to produce goods or services more cheaply than competitors by stressing efficient scale of operation. When a public university designs, produces, and sells a comparable service and product more efficiently than its competitors as well as its market scope, it means that the public university is carrying out the cost leadership strategy successfully (Brooks, 2010).

Public universities often drive their cost lower through investments in efficient-scale facilities, tight cost and overhead control, and cost minimizations in such areas as service, selling and advertising (Porter, 1998). They often sell no-frills, standardized services and products to the most typical customers in the industry. Thus, the primary thing for a public university seeking a competitively valuable way by reducing cost is to concentrate on maintaining efficiency through all activities in order to effectively control every expense and find new sources of potential cost reduction.

Lestor (2009) argues that the main dimension of the cost leadership strategy is efficiency, the degree to which inputs per unit of output are low. Efficiency can be subdivided into two categories: cost efficiency which measures the degree to which costs per unit of output are low, and asset parsimony which measures the degree to which assets per unit of output are low. Together, cost efficiency and asset parsimony, capture a public university's cost leadership orientation. To the extent that public universities following an efficiency strategy succeed in deploying the minimum amount of operating costs and assets needed to achieve the desired sales, they would be able to improve their performance of public universities (Porter, 1998). Such public universities pay great attention to asset use, employee productivity and discretionary overhead. Their customers buy their services and products primarily because they are priced below their competitors' equivalent services and products, an advantage achieved through minimizing costs and assets per unit of output (Lestor, 2009). To the extent that a cost leadership strategy is built on such generic solutions related to operational efficiency, we expect that such a strategy would be more susceptible to imitation by competitors and peers, implying that the comparative cost advantages would dissipate over time.

It is therefore clear that the universities are maximizing on capacity utilization and observing economies of scale. They are also forming linkages with service providers, suppliers and other supplementary institutions. The public universities enter into long term partnership with their agencies and use many suppliers to hedge on cost exploitation (David, 2011). Moreover, the public universities give a lot of attention to individuals who want to be developed and outsource distribution and some services to cut on operation cost.

2.3.2 Market Focus Strategy

The focuser's basis for competitive advantage is either lower costs than competitors serving that market segment or an ability to offer niche members something different from competitors. Focusing is based on selecting a market niche where buyers have distinctive preferences. The niche is defined by geographical uniqueness, specialized requirements in using the services based on a certain physiological aspects or by special attributes that appeal to members of a certain social class (Stone, 2008).

A focus strategy based on low cost depends on there being a buyer segment whose needs are less costly to satisfy than the rest of the market based on their income levels. On the other hand, a focus strategy based on differentiation depends on there being a buyer segment that demands unique services and products attributes. In the focus strategy, a public university targets a specific segment of the market (Porter, 1998). The public university can choose to focus on a select customer group, services and products range, geographical area, or service line (Stone, 2008). Focus also is based on adopting a narrow competitive scope within an industry.

Focus aims at growing market share through operating in a niche market or in markets either not attractive to, or overlooked by, larger competitors. These niches arise from a number of factors including geography, buyer characteristics, and services and products specifications or requirements. A successful focus strategy (Porter, 1998) depends upon an industry segment large enough to have good growth potential but not of key importance to other major competitors. Market penetration or market development can be an important focus strategy. Midsize and large public universities use focus-based strategies but only in conjunction with differentiation or cost leadership generic strategies. But, focus strategies are most effective when consumers have distinct preferences and when the niche has not been pursued by rival public universities.

2.3.3 Differentiation Strategy

Differentiation strategy is a marketing technique used by a public university to establish strong identity in a specific market. Using this strategy, a public university will introduce different varieties of the same basic service and product under the same name into a particular services and products category and thus cover the range of services and products available in that category. Differentiation strategy can also be defined as positioning a brand in such a way as to differentiate it from the competition and establish an image that is unique (Davison 2011).

Differentiation strategy is an approach under which a public university aims to develop and market unique services and products for different customer segments. Usually employed where a public university has clear competitive advantages, and can sustain an expensive advertising campaign. It is one of three generic marketing strategies that can be adopted by any public university. To maintain this strategy the public university should have: strong research and development skills, strong services and products engineering skills, strong creativity skills, good cooperation with distribution channels, strong marketing skills, and incentives based largely on subjective measures, be able to communicate the importance of the differentiating services and products characteristics, stress continuous improvement and innovation and attract highly skilled, creative personnel. Research within service sector (Prescott, 2008), concludes that services and product differentiation is a common way of differentiating the public university's offerings from those of its competitors.

A differentiation strategy calls for the development of a services and products or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the services and products of the competition. The value added by the uniqueness of the services and products may allow the public university to charge a premium price for it. The public university hopes that the higher price will more than cover the extra costs incurred in offering the unique services and products. Because of the services and products' unique attributes, if suppliers increase their prices the public university may be able to pass along the costs to its customers who cannot find substitute services and products easily (Porter, 1998).

Public universities that succeed in a differentiation strategy often have access to leading scientific research, highly skilled and creative services and products development team, strong sales team with the ability to successfully communicate the perceived strengths of the services and products and corporate reputation for quality and innovation (Prescott, 1998). Successful differentiation is based on a study of buyers from different places needs and behaviour in order to learn what they consider important and valuable. The desired features are then incorporated into the services and products to encourage buyer preference for the services and products. The basis for competitive advantage is a services and products whose attributes differ significantly from rivals' services and products. Efforts to differentiate often result in higher costs. Profitable differentiation is achieved by either keeping the cost of differentiation below the price premium that the differentiating features command, or by offsetting the lower profit margins through more sales volumes (Grant, 2002).

With the differentiation strategy, on the other hand, the unique attributes or perceptions of uniqueness and characteristics of a public university's services and products other than cost provide value to customers. The public university pursuing differentiation seeks to be unique in its industry along some dimension that is valued by customers, which means investing in services and products, R and D and marketing (Porter, 1980). It is the ability to sell its differentiated services and products at a price that exceeds what was spent to create it that allows the public university to outperform its rivals and earn above-average returns (Dess and Davis, 1984).

A service and a product can be differentiated in various ways. Unusual features, responsive customer service, rapid services and products innovations and technological leadership, perceived prestige and status, different tastes, and engineering design and performance are examples of approaches to differentiation (Porter, 1998). Rather than cost reduction, a public university using the differentiation strategy needs to concentrate on investing in and developing such things that are distinguishable and customers will perceive. Overall, the essential success factor of differentiation in terms of strategy implementation is to develop and maintain innovativeness, creativeness, and organizational learning within a public university.

Hyatt (2011) insists that anything that a public university can do to create buyer value represents a potential basis for differentiation. Once it finds a good source of buyer value, it must build the value, creating attributes into its services and products at an acceptable cost.

These attributes may raise the services and products' performance or make it more economical to use. Differentiation possibilities can grow out of possibilities performed anywhere in the activity cost chain.

Porter (1998) posited that a public university may obtain a competitive advantage by creating a higher value for its customers than the cost of creating it, either by adopting a differentiation strategy or an efficiency strategy. Public university's pursuing a differentiation strategy attempt to differentiate themselves from their rivals using a variety of sales, marketing and other related services or product and technology innovations. Differentiation relates to the degree to which a services and products and its enhancements are perceived as unique. A public university adopting a differentiation strategy command above-market prices made possible by the customers' perception of the services and products being special in some way. Oakland (1999) noted that there are at least two different types of differentiation strategy: those based on services and products innovation and those based on intensive marketing and image management. The key success factors which contribute to the profitability of a differentiator include creative flair, strong basic research services and products engineering (Malburg; 2000; Porter, 1998).

2.3.4 University Performance

University performance comprises the actual output (or goals and objectives). Specialists in many fields are concerned with University performance including strategic planners, operations, and finance, legal and organizational development. In recent years many public universities have attempted to manage University performance using the balance scorecard methodology where performance in tracked and measured in multiple dimensions such as: Financial performance (e.g. shareholders return) employee stewardship (Wikipedia, 2009) performance improvement is the concept of measuring the output of a particular process or procedure, then modifying the process or procedures in order to increase the output, efficiency or effectiveness of the process or procedure.

Performance improvement is the concept of the organizational change in which the managers and governing body of the University put into place and manage a programme which measures the current level of performance of the University and then generates ideas for modifying University behaviors and infrastructure which are put into place in order to achieve a better level of output. The primary goals of University improvement are to improve University effectiveness and University efficiency in order to improve the ability of the

University to deliver its services and prosper in the market places in which the University competes (Ramarapu, and Lado 1997).

A third area of improvement which is sometimes targeted for improvement is the University efficacy which involves the process of setting organizational goals and objectives (Casale, 1996; crane, 1999; Quinn, 2000). At the University level, performance improvement usually involves softer forms of measurement such as customer satisfaction surveys which are used to obtain qualitative information about performance from the view point of customers (Wikipedia, 2009).

According to the Bossert,(2006); Barrat and whitehead, (2004) performance monitoring and assessment of third party service providers is a function that is core to a University and in fact a prerequisite to related activities such as supplies is a fundamental aspect of contract management. Purchasing professionals should perceive performance monitoring as a two-way process and be open to feed back and suggestions for improvement from service providers. The increasing uses of outsourcing arrangements, as well as the unfamiliar complexity, suggest that there is need to know more about how to effectively utilize this strategy (Lau & Hurley, 1997). Consequently more information is needed to understand successfully outsourcing and problems encountered in outsourcing activities and its effects on overall Universty performance (Mulling & Grant, 1996).

University Performance includes multiple activities that help in establishing the goals of the University, and monitor the progress towards the target. It is used to make adjustments to accomplish goals more efficiently and effectively (Raelin, 2003).These days several techniques have been developed to help detect and enhance University performance. Business scorecards are one of the methods whereby the activities of a University are measured against its visions and mission. Other methods include time management. By managing time and regulating targets and deadlines a University will grow and make profits.

University Performance can be achieved by using these approaches which if used with a strong focus, comprehensively, on achieving the results of the University, could increase the performance of the University. Best Practices, Quality circles and Process control can also be used to achieve similar goals (Raelin, 2003).

2.4 Empirical Review

The management literature relieves how it has been recognized, that performance of public universities requires well formalized competitive strategies. Szalkai (2003) in a study of sustainable customer relationship in Deutschland berg found that it is often discussed whether traditional marketing concept is an appropriate philosophy in an age of environmental deterioration, resource shortage, explosive population growth and world poverty. Recent marketing paradigms, such as the sustainable marketing concept, state that the survival and the continuing profitability of a public university depends upon its ability to strategically fulfill economic, environmental and social purpose. In setting their strategy and marketing policy, public universities should balance company profits, consumer want satisfaction and public interest. Moreover, they should achieve their objectives in cooperation with stakeholders.

Pimtong, Hanqin and Hailin (2012) investigated the influence of competitive strategies and organizational structure on hotel performance and to explore whether organizational structure has a moderating effect on the relationship between competitive strategies and hotel performance. This study employed a causal and descriptive research design to determine the cause-and-effect relationships among competitive strategies, organizational structure, and hotel performance based on previous studies. A 28-question self-administered questionnaire comprising three sections was employed. The target population for this study was US hotel owners and general and executive managers whose e-mail addresses were listed on a publicly available database. A census survey was carried out and e-mails were sent to all of the hoteliers listed in the database. The results show a competitive human resources (HR) strategy to have a direct impact on a hotel's behavioral performance, and a competitive IT strategy to have a direct impact on a hotel's financial performance. Organizational structure is found to have a moderating effect on the relationship between both of these strategies and behavioral performance. However, the results of the current study show that organizational structure has no influence on the relationship between a brand image strategy and a hotel's behavioral performance, nor does it have any moderating effect on the relationship between a hotel's financial performance and its competitive brand image, HR or IT strategy.

Timberblake (2002) in his study on the business case for sustainable development: making a difference toward the earth found that on the level of marketing sustainability, the aspects of competitive advantage are becoming the most stressed issues. Earlier, and for most public universities even today, legal and social pressures played a primordial importance for thinking about and acting in sustainability matter. Nowadays, an increasing number of public universities realize the need to implement corporate sustainability for maintaining competitiveness. Sustainability issues are increasingly integrated into overall company strategy, into strategy of business units and into that of different company's functions as well, such as innovation, purchasing, marketing, human resource management, and so on. Moreover, performance of public universities-oriented competitive strategies have been identified and elaborated.

Gloria and Ding (2005) investigated the mediating effects of a firm's competitive strategy in the market orientation-performance relationship. Based on a sample of 371 operations firms in China, evidence was found that the three dimensions of market orientation exert different effects on competitive strategy and performance. Among them, customer orientation has the strongest association with competitive strategy and market performance. This lends credence to a component wise approach on the study of the relationship between market orientation and performance. The results of structural equation analyses indicate that the mediating effect of competitive strategy is mainly revealed in innovation strategy, the most vital factor in creating superior value for the company in the emerging market.

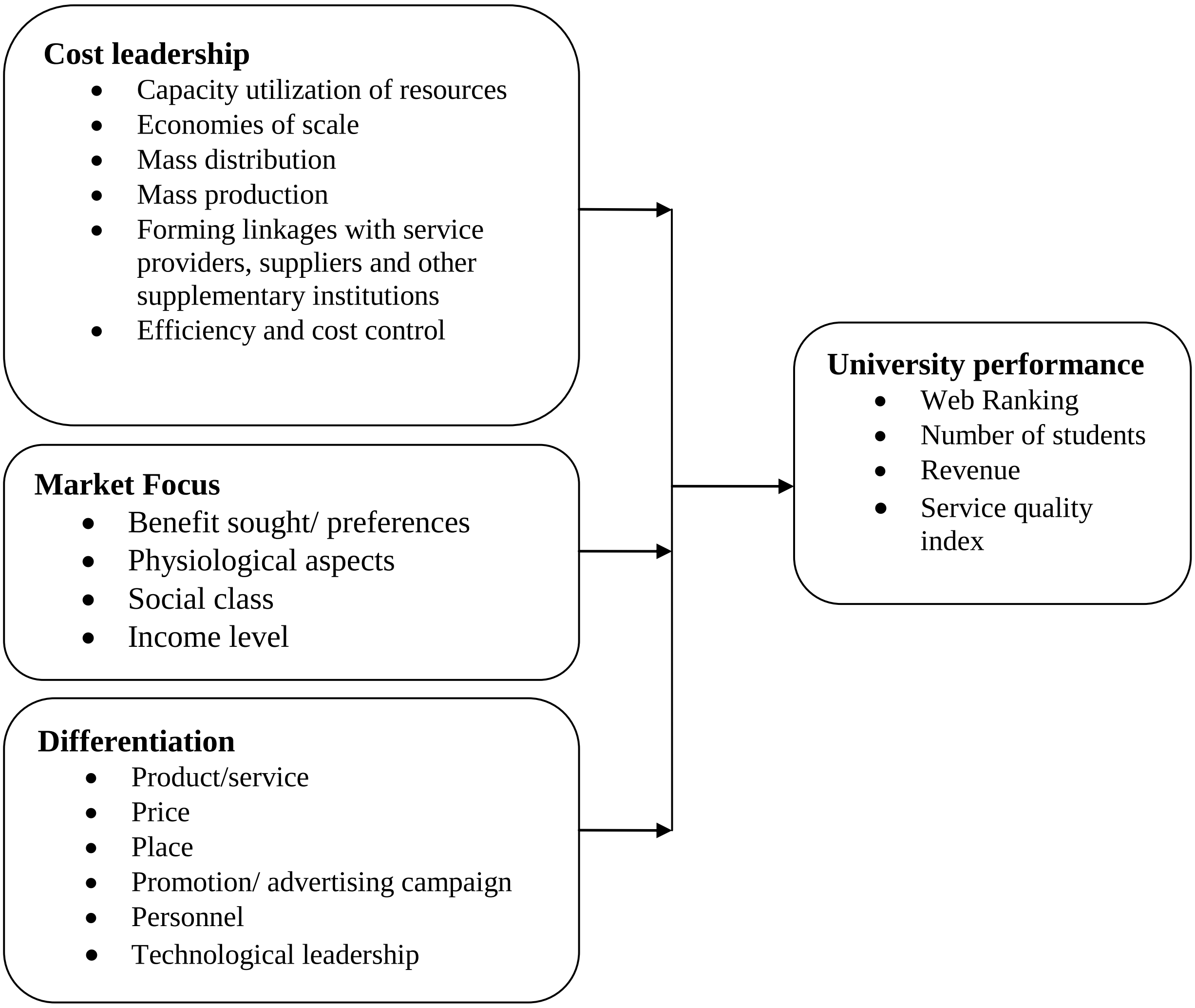
Analyzing success factors of leading public universities in new product development Deschamps and Nayak (2008) found, that big public universities seem particularly adept and translate societal improvements, and ideas of their new products often come from analysis of social trends, especially environment trends or interest in healthier eating. However, a range of research reports and management publications admit that an increasing number of public universities is becoming involved in sustainability concerns, but relatively few public universities have adapted corporate sustainability principles and actions as an integrated system. Just so-called 'high performance businesses' serve as examples and may be submitted to benchmark and follow leading practice.

A number of studies have been done on competitive strategies but under different contexts in Kenya. Murage (2011) analyzed the competitive strategies in the petroleum industry and found that service stations use differentiation as a method of obtaining competitive advantage over other service stations. Gathoga (2011) focused on competitive strategies by commercial banks in Kenya. The study revealed that banks in Kenya use various means in order to remain competitive, he also concluded that expansion into other areas by opening new branches has also, been used as a strategy.

Kimotho (2012) did a study on the impact of competitive strategies on the financial performance of CFC Stanbic Bank Limited. The link between these competitive strategies and the financial performance of commercial banks form the framework of the study. A case study approach was employed to determine the impact of competitive strategies on the financial performance of commercial banks specifically focussing on CfC Stanbic Bank Ltd in Kenya. Content analysis was used to analyse the data collected in this study. The presentation of the analysis and interpretations was captured in two parts: the first part capturing the general information in regard to those sampled, while the second part was further subdivided into parts capturing; Segmentation Strategies; Price Strategies; Delivery and Distribution Strategies; Promotional Strategies; Risk management strategies; Product and service differentiation strategies and performance of the bank. The results indicate that those companies that are effective at rapidly bringing innovative new products and services to the market have gained a huge competitive edge in today's business world. The results therefore attributed the improvement in financial performance on the competitive strategies that the bank has been undertaking in the past years of its existence.

2.5 Conceptual Framework

A conceptual framework is a figure that shows the relationship between the dependent variable and the independent variable. In this study the dependent variable is performance of public universities while the independent variables are cost leadership strategies, differentiation strategies and market focus. A conceptual framework has been drawn to show the relationship of the dependent variable and the independent variables.



Independent Variable **Dependent Variable**

Source: Author, (2013)

Figure 1: Conceptual Framework

Cost-leadership strategy is a pricing strategy in which a company sells the same product at different prices in different markets. It can also refer to the charging of different prices for the same product to different social or geographic sectors of the market. It describes a way to establish the competitive advantage. Cost leadership, in basic words, means the lowest cost of operation in the industry. Consistently making or offering better products that outperform competitors' products.

Market focus strategy encompasses the intangible, informational aspects of selling and servicing a product as well as the tangible, procedural aspects of product delivery and replenishment. Successful market focus strategies create a competitive advantage for the seller, as customers view these products as unique or superior. Advertising and promotion of a product is based on its differentiating characteristics.

Differentiation strategies refer to the approach under which a public university aims to develop and market unique products for different customer segments. Usually employed where a public university has clear competitive advantages, and can sustain an expensive advertising campaign. It is one of three generic marketing strategies (focus strategy and low cost strategy for the other two) that can be adopted by any public university.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

In this section the research identifies the procedures and techniques that were used in the collection, processing and analysis of data. Specifically the following subsections were included; research design, target population, data collection instruments, data collection procedures and finally data analysis.

3.2 Research Design

Research design is the scheme, outline or plan that is used to generate answers to research problems (Noum, 2007). The intention of research is to gather data at a particular point in time and use it to describe the nature of existing conditions. This research problem was studied using a descriptive survey design. This design is usually used when the study seeks to describe the characteristics of certain groups, estimate the proportion of people who have certain characteristics and make predictions.

Borg and Gall (1996) recommends descriptive survey design for its ability to produce statistical information about aspects of education that interest policy makers and researchers. Furthermore, descriptive studies were used not only for the purpose of description but also for the determination of relationships between variables at the time of study. This design fits the study of this nature since the researcher looked at the effect of the independent variable (competitive strategies) on the dependent variables (performance of public universities).

3.3 Target Population

A population is a well defined or set of people, group of things or households that are being investigated (Cooper and Schindler, 2003). For the purpose of investigating the competitive strategies and their effects on performance of public universities the study considered all 162 heads of various functional units in the public universities in Nairobi and its environs as shown in the Table 3.1.

Table 3. 1: Target Population

Functional unit	**No. of Staff**	**Percent**
Dean of faculties	135	83%
Administration staff heads	9	6%
Heads of student affairs	9	6%
Research staff managers	9	6%
Totals	**162**	100%

Source: (Commission for Higher Education, 2014)

3.4 Sampling Design

Cooper and Schindler (2003) define sampling as selecting a given number of subjects from a defined population as representative of that population. According to Cooper and Schindler (2006), a sampling frame is a list of elements from which the sample is actually drawn and closely related to the population. In this study, the sampling frame was drawn from the administrative position of officers at their various universities because they were the ones involved in strategic formulation and implementation. They therefore had a clear understanding of the competitive strategies developed by their colleges to ensure they remain competitive. These administrative positions had been used so as to ensure that the sampling frame is current, complete, representative and relevant for the attainment of the study objective.

Cooper and Schindler (2003) argue that a sample size of between 10-30% of the target population can be adequate for generalization of the research findings to the study provided the sample is scientifically determined. The study used disproportionate stratified sampling method since the population is not uniformly distributed across all the strata. With the exception of dean of faculties, the other administrative cadres had a manageable population. This study therefore used a census approach (100%) on other cadres except deans of faculties. For deans of faculties, the study proposes to select a sample of 20% since the population is too large to reduce data redundancy (Hair, Celsi, Money, Samouel & Page, 2011). As such, this study utilized purposive sampling to come up with its respondents. Therefore, the sample size was 54 as shown in the table 3.2 below:

Table 3. 2: Sample Size

Functional unit	No. of Staff	Sample Size Proportion	Sample Size
Dean of faculties	135	20%	27
Administration staff heads	9	100%	9
Heads of student affairs	9	100%	9
Research staff managers	9	100%	9
Totals	**162**		**54**

Source: Author, (2014)

3.5 Data Collection

3.5.1 Type and Sources of Data

For the purpose of collecting data on the effects of application of competitive strategies on the performance of public universities, primary data (information gathered directly from respondents) was collected using questionnaires. On the other hand secondary data such as the performance of public universities was collected from newspapers, published books, journals and magazines as well as other sources such as annual reports. Primary data was collected using questionnaires on the effect of cost leadership, market focus and differentiation strategies on performance of public universities.

3.5.2 Data Collection Instrument

A structured questionnaire was used to collect primary data. The questionnaires were preferred in this study because respondents of the study were literate and quite able to answer questions asked adequately. According to Mugenda and Mugenda (2003), questionnaires are commonly used to obtain important information about a population under study. The questionnaire were carefully designed and tested with a few members of the population for further improvements. This was done in order to enhance its validity and accuracy of data to be collected for the study.

3.5.3 Validity and Reliability

According to Mugenda and Mugenda (2003), validity is the accuracy and meaningfulness of data collection tools. One of the main reasons for conducting the pilot study was to ascertain the validity of the questionnaire. The study used both face and content validity to ascertain the validity of the questionnaires. As a check on face validity, test/survey items were sent to the pilot group to obtain suggestions for modification (Rousson, Gasser and Seifer, 2002). Content validity drew an inference from test scores to a large domain of items similar to those on the test. Content validity is concerned with sample-population representativeness. Gillham, (2008) stated that the knowledge and skills covered by the test items should be representative to the larger domain of knowledge and skills.

Reliability of the questionnaire was evaluated through administration of the said instrument to the pilot group of 20 respondents from selected public universities. A construct composite reliability co-efficient (Cronbach alpha) of 0.6 or above, for all the constructs, were considered adequate for this study. The acceptable reliability coefficient is 0.6 and above (Rousson, Gasser and Seifer, 2002).

3.5.4 Data Collection Procedure

Data was collected using a self-administered questionnaire. The researcher assured the respondents about confidentiality of their responses. The researcher obtained an introductory letter from the University to collect data from the universities then personally deliver the questionnaires to the respondents and have them filled in her presence.

3.6 Data Analysis and Presentation

The process of data analysis involved several stages namely; data clean up and explanation. Data clean up involved editing, coding, and tabulation in order to detect any anomalies in the responses and assign specific numerical values to the responses for further analysis. Completed questionnaires were edited for completeness and consistency. The data was then coded and checked for any errors and omissions (Cooper and Schindler, 2003). Frequency tables, percentages and mean were used to present the findings. Responses in the questionnaires were tabulated, coded and processed by use of a computer Statistical Package for Social Science (SPSS) version 21.0 programme to analyze the data using descriptive statistics. This generated quantitative reports through tabulations, percentages, and measure of central tendency. This provided the generalization of the findings on the effects of competitive strategies on the performance of public universities.

In addition, multiple regression analysis was conducted to establish the relationship between the competitive strategies and performance of public universities. Multiple regressions is a flexible method of data analysis that may be appropriate whenever quantitative variables (the dependent) is to be examined in relationship to any other factors (expressed as independent or predictor variable). Relationships may be non-linear, independent variables may be quantitative or qualitative and one can examine the effects of a single variable or multiple variables with or without the effects of other variables taken into account, (Cohen, West and Aiken, 2003). The regression model was as follows:

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$$

Where:

Y = Performance of public universities

α = Constant Term

β_1, β_2 and β_3, = Coefficients of determination of the independent variables

X_1= Cost leadership

X_2= Market Focus

X_3= Differentiation

ε = Error term

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter discusses the interpretation and presentation of the findings and presents analysis of the data on effect of competitive strategies on performance of public universities in Kenya. The chapter also provides the major findings and results of the study.

4.1.1 Response Rate

The study sought to find out the response rate of the respondents. Findings are presented in table 4.1.

Table 4. 1: Response Rate

	Frequency	Percentage
Responded	44	81.5
Not responded	10	18.5
Total	**54**	**100.0**

Source: Researcher (2014)

The study targeted 54 respondents in collecting data. Results in table 4.1 show that 44 out of 54 target respondents, filled in and returned the questionnaire contributing to 81.5% response rate. Response rate was good and representative and conforms to Mugenda and Mugenda (1999) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. This commendable response rate was made a reality after the researcher engaged research assistants to administer the questionnaires. This response rate is adequate for analysis and reporting.

4.2 Respondents' Demographic Characteristics.

4.2.1 Respondents' Gender

The study sought to determine the gender of the respondents as presented in table 4.2.

Table 4. 2: Respondents' Gender

Gender	Frequency	Percentage
Male	24	54.5
Female	20	45.5
Total	**44**	**100.0**

Source: Researcher (2014)

According to the findings, majority of the respondents were male as represented by 54.5%. The rest of the respondents (45.5%) were female.

4.2.2 Age

The study sought to find out the age level of the respondents. Findings are presented in table 4.3.

Table 4. 3: The Age Level of the Respondents

Age Bracket	Frequency	percentages
18 to 25	5	11.4
26 to 35	9	20.5
36 to 45	20	45.5
46 and above	10	22.7
Total	**44**	**100.0**

Source: Researcher (2014)

According to the findings, majority of the respondents were between the ages of 36 to 45 years as represented by 45.5%. 22.75 of the respondents were between 46 and above years. Respondents who were between 26 to 35 years composed of 20.5%. 11.4% were between 18 to 25 years.

4.2.5 Level of Education

The study sought to find out the level of education of the respondents as presented in table 4.4.

Table 4. 4: Level of Education

Education Level	Frequency	Percentages
Certificate/Diploma	5	11.4
Degree	18	40.9
Postgraduate	21	47.7
Total	**44**	**100.0**

Source: researcher (2014)

Majority of the respondents were postgraduate as shown by 47.7%. 40.9% of the respondents had attained degree level of education. 11.4% had certificate/diploma.

4.2.6 Number Of Years Worked In The University.

The study sought to determine the numbers of years worked in the university. Findings are presented in table 4.5.

Table 4. 5: Numbers of Years Worked In the University

Work Duration	Frequency	Percentage
Less than 5 years	5	11.4
Between 6 and 10 years	6	13.6
Between 11 and 15 years	8	18.2
Between 16 and 20 years	11	25.0
21 years and above	14	31.8
Total	**44**	**100.0**

Source: Researcher (2014)

Majority of the respondents had worked in the institution for a period of 21 years and above as expressed by 31.8%. 25% have worked between 16 and 20 years.18.2% between 11 and 15 years. 13.6% of the respondents have worked between 6 and 10 years. 11.4% of the respondents had worked for less than 5 years.

4.3 Descriptive Analysis

This section is dedicated to descriptive analysis of the study variables and how they affect performance. It covers the effect of cost leadership strategy, market focus strategy and differentiation strategy on performance of universities and a section describing the performance of universities.

4.3.1 Cost Leadership Strategy

The study sought to explore the extent to which cost leadership affect performance in the university as presented in table 4.6.

Table 4. 6: Extent to Which Aspects of Cost Leadership Affect Performance

Dimension Of Strategy	Mean	Standard Deviation
Economies of scale	4.714	0.123
Capacity utilization of resources	4.098	0.4345
Reducing in operations time and costs	3.997	0.6454
Efficiency and cost control	3.7313	0.91423
Mass production	3.731	0.237
Mass distribution	3.862	0.402
Forming linkages with service providers, suppliers and other supplementary institutions	3.234	0.7567
Aggregate scores	**3.910**	**0.502**

Source: Researcher (2014)

From the findings, economies of scale to a very great extent affect performance of university as expressed by a mean score of 4.714. Capacity utilization of resources, reducing in operations time and costs, efficiency and cost control, mass production and mass distribution affect performance in the university to great extent as expressed by a mean score of 4.098, 3.997, 3.7313, 3.731 and 3.862 respectively. It was also evident that forming linkages with service providers, suppliers and other supplementary institutions influenced performance of the university to a moderate extent as expressed by a mean score of 3.234. From the aggregate scores, cost leadership affect performance to a great extent as expressed by a mean score of 3.910 based on the five point likert scale in the questionnaire.

4.3.2 Market Focus Strategy

The study sought to find out the level of agreement with various aspects on market focus in the university.

Table 4. 7: Level of Agreement with Various Aspects on Market Focus

Dimension Of Strategy	Mean	Standard deviation
The university practices segmentation based on benefit sought by the customers	4.872	0.211
The university practices segmentation based on physiological aspects of the customers	4.691	0.603
The university practices segmentation based on social class of the customers	2.363	0.5508
The university practices segmentation based on income level of the customers	4.829	0.867
Aggregate scores	**4.189**	**0.558**

Source: Researcher (2014)

From the findings, the respondents strongly agreed that various aspects such as the university practices segmentation based on benefit sought by the customers, physiological aspects of the customers and that the university practices segmentation based on income level of the customers to a very great extent affect performance in the university as expressed by a mean score of 4.872, 4.691 and 4.829 respectively. The respondents also indicated that segmentation based on income level of the customers as practiced by the university, to a little extent affected the performance of the university as expressed by a mean score of 2.363. The study therefore deduced that overall, market focus strategy affects performance of universities to a great extent as expressed by an aggregate score of 4.189 based on the five point likert scale in the questionnaire.

4.3.3 Differentiation Strategy

The study sought to explore the extent to which differentiation affect performance in the university based on various aspects. The findings are presented in table 4.8.

Table 4. 8: Extent to Which Differentiation Affect Performance in the University Based On Various Aspects

Dimension Of Strategy	Mean	Standard deviation
Differentiation based on product/service	4.714	0.123
Differentiation based on price	3.124	0.774
Differentiation based on place	4.188	1.394
Differentiation based on promotion/ advertising campaign	4.901	0.272
Differentiation based on personnel	4.691	0.603
Differentiation based on image	4.242	0.771
Differentiation based on technological leadership	3.667	1.342
Aggregate scores	**4.218**	**0.754**

Source: Researcher (2014)

According to the findings, it was clear that differentiation based on product/service, differentiation based on promotion/ advertising campaign and differentiation based on personnel affected performance of the university to a very great extent as expressed by a mean score of 4.714, 4.901 and 4.691 respectively. The respondents also indicated that differentiation based on place, differentiation based on image and differentiation based on technological leadership affected performance of the university to a great extent as expressed by a mean score of 4.188, 4.242 and 3.667 respectively. It was also evident that differentiation based on price moderately affected performance as expressed by a mean score of 3.124. From the above findings, differentiation strategy affects performance of public universities to a great extent as expressed by an aggregate score of 4.218 based on the five point likert scale in the questionnaire.

4.3.4 Performance of Universities

The study further sought to determine the trend of various aspects in the university for the last five years. Findings are presented in table 4.9.

Table 4. 9: Trend of Various Aspects in the University for the Last Five Years

	Mean	Standard deviation
Web Ranking	3.8878	0.81079
Number of students	4.5306	0.78915
Revenue	3.5417	1.51529
Service quality index	4.5714	0.77326
Aggregate scores	**4.1329**	**0.9721**

Source: Researcher (2014)

From the findings, it was evident that numbers of students and service quality index have greatly improved for the last five years as expressed by a mean score of 4.5306 and 4.5714 respectively. The respondents also indicated that web Ranking and revenue have improved for the last five years as expressed by a mean score of 3.8878 and 3.5417 respectively. The findings depict that performance of universities had improved for the last five years as shown by an aggregate score of 4.1329 based on the five point likert scale in the questionnaire.

4.4 Inferential Analysis

In this study, a multiple regression analysis was conducted to establish relationship between the variables and the dependent variable.

Table 4.10: Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.874	0.765	0.751	.1729

Source: Researcher (2014)

R-Square (coefficient of determination) is a commonly used statistic to evaluate model fit. R-square is 1 minus the ratio of residual variability. The adjusted $R^{2,}$ also called the coefficient of multiple determinations, is the percent of the variance in the dependent explained uniquely or jointly by the independent variables. 75.1% of the changes in the university performance variables could be attributed to the combined effect of the predictor variables.

Table 4.11: ANOVA results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	42.759	3	10.69	54.407	0.0001
	Residual	13.164	40	0.196		
	Total	55.923	43			

Source: Researcher (2014)

The probability value of 0.0001 indicates that the regression model was highly significant in predicting how differentiation, cost leadership, market focus influenced university performance. The F calculated at 5% level of significance was 54.407 since F calculated is greater than the F critical (value = 2.5252), this shows that the overall model was significant.

Table 4. 12: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	4.835	0.521		9.28	6.04E-18
	Market focus	0.628	0.231	0.241	2.719	6.98E-03
	Differentiation	0.581	0.193	0.154	3.01	2.85E-03
	Cost leadership	0.361	0.203	0.142	1.778	7.65E-02

a. Dependent Variable: university performance

Source: Researcher (2014)

$Y = 4.835 + 0.241X_1 + 0.154X_2 + 0.142X_3$

The regression equation above has established that taking all factors into account (differentiation, cost leadership, market focus) constant at zero university performance will be 4.835. The findings presented also show that taking all other independent variables at zero, an increase in market focus would lead to a 0.241increase in university performance. In addition, the findings show that an increase in differentiation would lead to a 0.154 increase in university performance. The study also found that an increase in the scores of cost leadership would lead to a 0.142 increase in university performance. Overall, cost leadership had the least effect on university performance and market focus had the highest effect. Further, cost leadership was not significant at p=0.056 confirming the low regression coefficient of 0.142. It is therefore depicted that university performance is not significantly influenced by cost leadership thus price is not considered significant according to the respondents. These findings conforms with Grant, (2002) who observed that long term strategy should derive from a firm’s attempt to seek a competitive advantage based on one of three generic strategies which are essential in ensuring university performance. Low cost leadership depends on some fairly unique capabilities of a firm to achieve and sustain their low-cost position within the industry of operation. Striving to create a market unique product for varied customer groups through differentiation is another key competitive strategy, which aids university performance. Competitive strategies dependent on differentiation are designed to appeal to customers with special sensitivity for a particular product attribute. Such customers will be willing to pay a premium hence improve the university performance.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the discussion of key data findings, conclusion drawn from the findings highlighted and recommendation made there-to. The conclusions and recommendations drawn were focused on addressing the objective of the study.

5.2 Summary of Findings

The purpose of the study was to establish the effect of competitive strategies on performance of public universities in Kenya. Specifically, the study sought to establish the effect of cost leadership strategies, differentiation strategy and focus strategies on performance of public universities in Kenya.

The study revealed that cost leadership strategy affected performance of the public universities to a great extent. The study found out that economies of scale to a very great extent affect performance of universities. It was further established that capacity utilization of resources, reducing operations time and costs, efficiency and cost control, mass production and mass distribution as aspects of cost leadership affected performance in the university to great extent. The study indicated that forming linkages with service providers, suppliers and other supplementary institutions also affected performance to a moderate extent.

The study further deduced that market focus affected performance of public universities to a great extent through various aspects such as practicing segmentation based on benefit sought by the customers, physiological aspects of the customers and income level of the customers to a very great extent affect the performance of the universities. It was also pointed out that segmentation based on income level of the customers as practiced by the university, to a little extent affected its performance.

The study established that differentiation based on product/service, differentiation based on promotion/ advertising campaign and differentiation based on personnel affected performance of the public universities to a very great extent. It was also pointed out that differentiation based on place, differentiation based on image and differentiation based on technological leadership affected performance of the university to a great extent.

Differentiation based on price moderately affected performance. On the topic of performance of Universities, it was evident that numbers of students and service quality index have greatly improved for the last five years and it was also indicated that web Ranking and revenue have improved.

5.3 Conclusion

The study concludes that cost leadership affects performance of universities in Kenya through achieving economies of scale, capacity utilization of resources, reducing operations time and costs, efficiency and cost control, mass production, forming linkages with service providers, suppliers and other supplementary institutions and mass distribution. In order to achieve a low-cost advantage, public universities must have a low-cost leadership strategy, low-cost operations with integrated sections/business units, and a workforce committed to the low-cost strategy. Economies of scale gives a university a competitive advantage as compared to other universities thus adopting cost leadership strategies enables universities to maximize production while minimizing their cost of operation.

The study also concluded that market focus affected performance of the university through various aspects such as practicing segmentation based on benefit sought by the customers, physiological aspects of the customers and income level of the customers. It was also pointed out that segmentation based on income level of the customers as practiced by the university also had an influence on performance of the universities. Focus aims at growing market share through operating in a niche market or in markets either not attractive to, or overlooked by, larger competitors.

On the topic of differentiation, this study concluded that differentiation affect performance of the university through product/service, promotion/ advertising campaign, personnel differentiation. Differentiation based on place, differentiation based on image and differentiation based on technological leadership affected performance of the university. Differentiation strategy is an approach under which a public university aims to develop and market unique services and products for different customer segments.

5.4 Recommendations

This study recommends that universities should embrace and invest in cost leadership strategies most especially forming linkages with service providers, suppliers and other supplementary institutions since it will enable them achieve competitive advantage as compared to other universities that are not investing in these strategies. The management should respond swiftly to environmental changes and eroded value that arises from competitor activities. To develop core competences there is need for good leadership from the management and involvement of all stakeholders. This process of strategy choice will lead to motivation and commitment during implementation. For good involvement of stakeholders, communication has to be efficient and effective. Cross-functional integration within the universities departments should be introduced to provide structural and administrative capabilities associated with cost minimization capability.

The study recommends that universities should first understand and know their motive and capability before adopting a certain competitive strategy for example market focus. They should know on what basis to segment their products, services and operations. As the markets become dynamic and consumers more irregular and fickle, the universities need some form of market segmentation to efficiently satisfy the market needs. What makes an organization different from a competitor's should be established. Managers need to ensure that the message of differentiation reaches the clients, as the customer's perceptions of the institution are significant. Level of segmentation should be increased in the universities to reflect the strategy adopted.

The study further recommends that in order for university to enhance their performance then they should invest more in differentiating their personnel through continuous training, products and services in order to make them unique and innovative and conducting regular and continuous promotion or advertising campaign to enhance awareness. The universities should counter five fundamental competitive forces that drive industry competition which include threat of new entrants; threat of substitute products; bargaining power of suppliers; bargaining power of buyers and rivalry among current competitors. The competitor universities to should seek competitive advantage in ways that draw counter-response from rivals, plummeting profitability and industry attractiveness.

5.5 Suggestions for Further Research

A similar study could be carried out in other organizations to find out whether the same results will be obtained. This study also suggests that a research study could be carried out to determine factors influencing effective implementation of competitive strategies in universities.

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APPENDICES

Appendix I: Letter of Introduction

January 2014

Dear respondent,

I am a student at Kenyatta University pursuing a Masters of Business Administration program.

Pursuant to the pre-requisite course work, I would like to conduct a research project to assess the EFFECT OF COMPETITIVE STRATEGIES ON PERFORMANCE OF PUBLIC UNIVERSITIES IN KENYA.

Kindly therefore, complete the attached questionnaire with accurate information that will be used entirely for this research while observing utmost confidentiality.

Your assistance is highly valued. Thank you in advance.

Yours faithfully,

IRENE NANGILA SIFUNA

Appendix II: Letter of Introduction from NACOSTI

NACOSTI

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Telephone: +254-20-2213471, 2241349, 310571, 2219420
Fax: +254-20-318245, 318249
Email: secretary@nacosti.go.ke
Website: www.nacosti.go.ke
When replying please quote

9th Floor, Utalii House
Uhuru Highway
P.O. Box 30623-00100
NAIROBI-KENYA

Ref: No.

Date:

15th May, 2014

NACOSTI/P/14/8990/1718

Irene Nangila Sifuna
Kenyatta University
P.O. Box 43844-00100
NAIROBI.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on ***"Effect of competitive strategies on performance of public universities in Kenya,"*** I am pleased to inform you that you have been authorized to undertake research in **Nairobi County** for a period ending **31st December, 2014.**

You are advised to report to **the Vice Chancellors of selected Public Universities, 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.

SAID HUSSEIN
FOR: SECRETARY/CEO

Copy to:

The Vice Chancellors
Selected Public Universities

The County Commissioner
The County Director of Education
Nairobi County.

National Commission for Science, Technology and Innovation is ISO 9001:2008 Certified

Appendix III: Research Permit from NACOSTI

THIS IS TO CERTIFY THAT:
MISS. IRENE NANGILA SIFUNA
of KENYATTA UNIVERSITY, 43844-100
nairobi,has been permitted to conduct
research in *Nairobi County*

on the topic: *EFFECT OF COMPETITIVE STRATEGIES ON PERFORMANCE OF PUBLIC UNIVERSITIES IN KENYA*

for the period ending:
31st December,2014

Permit No : NACOSTI/P/14/8990/1718
Date Of Issue : 15th May,2014
Fee Recieved :Ksh 1,000

Applicant's Signature

Secretary
National Commission for Science, Technology & Innovation

Appendix IV: Questionnaire

Kindly respond to the following questions by ticking on the appropriate box (√) or filling the answers in the blank spaces

SECTION 1: DEMOGRAPHIC INFORMATION

You are requested to fill out your personal information in the spaces below. Please tick only one response.

1. Gender Male: [ ] Female: [ ]
2. Age? 18-25 [ ] 26-35 [ ]
   36-45 [ ] 46 and above [ ]
3. Highest Level of education
   Certificate/Diploma [ ] Degree [ ] Postgraduate [ ]
4. Number of years worked in this university?
   Less than 5 years [ ] Between 6 and 10 years [ ]
   Between 11 and 15 years [ ] between 16 and 20 years [ ]
   21 years and above [ ]

SECTION II: UNIVERSITY INFORMATION

PART B: COST LEADERSHIP

5. Indicate the extent to which cost leadership affect performance in your university? (Place a check mark in the appropriate square bracket).

	Very great extent (5)	Great extent (4)	Moderate extent (3)	Little extent (2)	Not at all (1)
a. Economies of scale	[ ]	[ ]	[ ]	[ ]	[ ]
b. Capacity utilization of resources	[ ]	[ ]	[ ]	[ ]	[ ]
c. Reducing in operations time and costs	[ ]	[ ]	[ ]	[ ]	[ ]
d. Efficiency and cost control	[ ]	[ ]	[ ]	[ ]	[ ]
e. Forming linkages with service providers, suppliers and other supplementary institutions	[ ]	[ ]	[ ]	[ ]	[ ]
f. Mass distribution	[ ]	[ ]	[ ]	[ ]	[ ]
g. Mass production	[ ]	[ ]	[ ]	[ ]	[ ]

PART B: MARKET FOCUS

6. Please rate how strongly you agree or disagree with each of the following statements on aspects of market focus in your university?

Segmentation based on the following:	Strongly agree (5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly disagree (1)
a. The university practices segmentation based on benefit sought by the customers	[ ]	[ ]	[ ]	[ ]	[ ]
b. The university practices segmentation based on physiological aspects of the customers	[ ]	[ ]	[ ]	[ ]	[ ]
c. The university practices segmentation based on social class of the customers	[ ]	[ ]	[ ]	[ ]	[ ]
d. The university practices segmentation based on income level of the customers	[ ]	[ ]	[ ]	[ ]	[ ]

PART C: DIFFERENTIATION

7. Indicate the extent to which differentiation affect performance in your university? (Place a check mark in the appropriate square bracket).

	Very great extent (5)	Great extent (4)	Moderate extent (3)	Little extent (2)	Not at all (1)
a. Differentiation based on product/service	[ ]	[ ]	[ ]	[ ]	[ ]
b. Differentiation based on price	[ ]	[ ]	[ ]	[ ]	[ ]
c. Differentiation based on place	[ ]	[ ]	[ ]	[ ]	[ ]
d. Differentiation based on promotion/ advertising campaign	[ ]	[ ]	[ ]	[ ]	[ ]
e. Differentiation based on personnel	[ ]	[ ]	[ ]	[ ]	[ ]
f. Differentiation based on image	[ ]	[ ]	[ ]	[ ]	[ ]
g. Differentiation based on technological leadership	[ ]	[ ]	[ ]	[ ]	[ ]

PART E: PERFORMANCE OF UNIVERSITIES

8. What is the trend of the following in your university for the last five years?

	Greatly Improved (5)	**Improved (4)**	**Constant (3)**	**Decreasing (2)**	**Greatly decrease (1)**
Web Ranking	[ ]	[ ]	[ ]	[ ]	[ ]
Number of students	[ ]	[ ]	[ ]	[ ]	[ ]
Revenue	[ ]	[ ]	[ ]	[ ]	[ ]
Service quality index	[ ]	[ ]	[ ]	[ ]	[ ]

THANK YOU

Appendix V: Public Universities in Nairobi Kenya

1. Jomo Kenyatta University of Agriculture and Technology
2. Kenyatta University
3. University of Nairobi
4. Technical University of Kenya (previously Kenya Polytechnic)
5. Masinde Muliro University of Science and Technology
6. Egerton University
7. Moi University
8. South Eastern Kenya University (SEKU)- Development House Moi Avenue
9. Maseno University (The Regional Institute of Business Management)