AN INVESTIGATION OF FACTORS INFLUENCING CHOICE OF COMPETITIVE STRATEGIES IN TRANSPORT SACCOS: A SURVEY OF TRANSPORT SACCOS IN NYERI CENTRAL DISTRICT

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DECLARATION
This research project is my original work and has not been presented for a degree course in any other university or higher institution of learning. Other people’s ideas or thoughts cited are duly acknowledged.

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DEDICATION

This research project is dedicated to my husband, David and children, Angela, Daniella and Anderson for their encouragement and support throughout the study period.
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ABBREVIATIONS AND ACRONYMS

SACCO ........................................ Savings and Credit Cooperative

OECD ........................................ Organization for Economic Cooperation and Development

CEO ........................................... Chief Executive Officer

RBV ........................................... Resource Based View
ABSTRACT

This study attempted to establish the factors influencing the choice of competitive strategies in organizations, through a census of Nyeri Central District transport Saccos. Organizations, in choosing the competitive strategies to adopt are faced by a number of factors which they should consider, among them being the organizational resources and capabilities, environmental dynamics, organizational leadership and the culture of an organization. In Nyeri Central District, there exists several registered transport Saccos trying to offer the most preferred service to the diverse groups of customers. This has led to these Saccos adopting different competitive strategies, and the researcher was seeking to establish the factors that influence their decisions. The researcher reviewed past literature that is related to the study. The researcher then conducted a census data collection procedure of all the twenty four registered transport Saccos in Nyeri central District using self administered questionnaires targeting the General Managers and the Chairpersons of these SACCOs. The total population of the study was forty eight, after which data was analyzed using descriptive method. The analyzed information was then presented using frequency tables, percentages, charts and graphs. Conclusions were then drawn based on the findings and recommendations made appropriately. The findings revealed that organizational resources, environmental dynamics, organizational leadership and culture strongly influenced the choice of competitive strategies adopted by the transport SACCOs in Nyeri Central District. Adoption of modern information technology among SACCOs was strongly recommended among other recommendations.
CHAPTER ONE
INTRODUCTION

1.1: Background of the Study

In the past decade, numerous studies have found significant association between competitive strategy and organizational performance (Allen and Helms, 2006; Ortega, 2009). Selecting appropriate competitive strategy which is supported by organization and management system is important because it is the way organizations use to achieve a competitive advantage (Porter, 1980, 1985; Simons, 1987, 1990; Dent, 1990; Miles and Snow, 1978; Kaplan and Norton, 1992; Hoque, 2004). It also impacts the competitive strengths and organization's performance (Anderson et al, 1989). Parthasarthy (2007) describes strategy as a set of decisions and actions that managers make and take to attain superior company performance relative to rivals. Beard and Dess (1981) find both corporate-level strategy and business-level strategies are significant in explaining variation in organization profitability. The business strategy choices are found to be significant in explaining organization profitability (Beard and Dess, 1981) and its long-term performance.

Businesses wishing to compete in local markets must develop a strategy that allows them to take advantage of their resource portfolios and a competitive advantage relative to their competitors. Differentiation and cost leadership are two primary business strategies commonly used to gain a competitive advantage. Sirmon and Hitt (2009) found that each of these strategies required different types and levels of resources for effective implementation resulting in an advantage over competitors and earning positive returns. The competitive landscape in which most organizations operate has become highly complex and increasingly dynamic. Such landscapes entail significant uncertainty with regard to the appropriate strategies to implement. Competitors are regularly implementing rivalrous actions. Although organizations’ business environments have been dynamic for a number of years, the highly complex and hypercompetitive environments have become more common in the past two decades (Bettis & Hitt, 1995; D’Aveni, 1994). To maintain a competitive advantage in such environments, organizations must build strategic flexibility, the flexibility to respond effectively to competitors’ actions and other major changes in the competitive environments (Combs, Ketchen, Ireland, & Webb, 2011).
Competitive strategies are tools organizations use to achieve a competitive advantage, and could give managers the information they need to choose the strategies and business model that enable their organizations to attain a sustained competitive advantage. First, managers must understand the process that is valuable for customers and profitable for organizations. Second, they need to pinpoint the distinctive competences that would generate high profit. Third, they must be able to clarify their competitive advantage and to know what is driving their enterprise and where opportunities for improvement would be built in. Distinctive competencies shape the strategies that the organization pursues, which lead to competitive advantage and superior profitability. However, it is also very important to realize that the strategies a company adopts can build new resources and capabilities or strengthen the existing resources and capabilities of the company, thereby enhancing the distinctive competencies of the enterprise (Hill and Jones, 2004).

Organizations, which are versatile and can adapt to the shifting patterns of environmental factors have a better opportunity to compete successfully (Prahalad and Hamel, 1990). Resource-based logic suggests that business processes that exploit valuable but common resources can only be a source of competitive parity; business processes that exploit valuable and rare resources can be a source of temporary competitive advantage; and business processes that exploit valuable, rare, and costly-to-imitate resources can be a source of sustained competitive advantage (Barney, 1991). A company may have firm-specific and valuable resources, but unless it has the capability to use those resources effectively, it may not be able to create a distinctive competency. An organization may not need firm-specific and valuable resources to establish a distinctive competency so long as it does have capabilities that no competitor possesses (Hill and Jones, 2004).

1.1.1 Transport Saccos in Nyeri Central District

Nyeri Central district is one of the six districts in Nyeri County. The larger Nyeri is characterized by a host of economic activities, mainly agriculture. As such, being a major food production area feeding other parts of the country, the transport industry plays a major role in providing transport services to traders and other business people. Nyeri Central District has twenty four registered
transport Saccos, according to the records available in the Ministry of Cooperative Development and Marketing, Nyeri Central District Office, formed especially following the government directive to all public transport vehicle owners to affiliate themselves with organized companies or Saccos to enable them access mandatory operating licenses. They include 2NK Sacco, which is the biggest and most established among the transport Saccos in the District, NOKK Sacco, Namuga Sacco, 2MGIN Sacco, Nyena Sacco, Central line Sacco, Nyenya Sacco, Gakanango Sacco, 2KGT Sacco, 3NCK Sacco, Nyeka Sacco, Kakika Sacco, Gachatha Sacco, Gathuthi Sacco, Mwenyeri Sacco, Nyekika Sacco, Chakana Sacco, Nyechaka Sacco, Nyekicha Sacco, Nyesuma Sacco, Nyegamo Sacco, Nyemu Sacco, Nim Sacco and Nkiwakika Sacco. These Saccos vehicles operate in various routes, serving the same type of customers and enduring cut throat competition especially because the vehicle maintenance requirements are similar but the income levels in the Saccos vary considerably.

1.2 Statement of the problem

Under conditions of uncertainty and in the face of the competitive struggle becoming tougher, transport operators’ actions should enforce certain survival and market expansion strategies. A drastic change of transport demand-supply relation is one of the most important transport issues. Barriers and constraints of transport development have different forces of influence. The most constraining factor is undoubtedly the economic barrier connected with the current economic situation.

Transport companies and Saccos operating on the Kenyan road transport market are characterized by different development capabilities. Some of them operate effectively in current conditions and have appropriate strategic potential. However, most Saccos operate in much worse conditions trying to overcome various structural, organizational and economic problems. The most important thing for those Saccos is to survive and maintain at least the position they have at the moment, which is often only surviving.

The Saccos in Nyeri Central District employ various strategies in trying to gain and retain their competitive advantages. This is as a result of cut throat competition, forcing the Saccos to adopt strategies that will enable them offer preferred customer services and still make good returns for
the vehicle owners. 2NK Sacco, for instance, being well established, operates from organized offices, has a range of transport vehicles, ranging from high capacity buses that serve the long distance customers, lower capacity 14 seat vans and luxury shuttles, all of which are differently priced hence employing differentiation strategy. Others that are following suit are Nyena Sacco, which is adopting the higher capacity buses. The other Saccos mainly focus on particular routes, particularly the short distances. It is against this background that this research will be conducted, to investigate those factors that are considered in choosing competitive strategies, with an aim of remaining relevant in the market as well as achieving and sustaining business leadership. Research in other areas of the world regarding choice of competitive strategies has been conducted but in Nyeri Central District, no similar study has been done, hence the need to conduct this research.

1.3 Objectives of the Study

The general objective of the study was to investigate factors influencing the choice of competitive strategies in transport SACCOs in Nyeri Central District.

1.3.1 Specific Objectives

The specific objectives of the study were:

(i) To determine how organizational resources influence the choice of competitive strategies.

(ii) To find out how environmental dynamics influence the choice of competitive strategies in organizations.

(iii) To establish how leadership influences the choice of competitive strategies in organizations.

(iv) To find out how culture of an organization influences the choice of competitive strategies.
**Research Questions**

(i) How do organizational resources influence the choice of competitive strategies in organizations?
(ii) How do environmental dynamics influence the choice of competitive strategies in organizations?
(iii) How does leadership influence the choice of competitive strategies in organizations?
(iv) How does the culture of an organization influence the choice of competitive strategies?

**1.5 Significance of the study**

The study was expected to provide accurate information to all transport industry players that include:

1.5.1 The Government

The research would help the government in the formulation and implementation of policies for the transport industry. As a regulator for the players in the industry, the government would be able to improve the infrastructure as well as better address the structures through which the policies are implemented.

1.5.2 Transport Saccos

The study would provide valuable information regarding the factors influencing the choice of competitive strategies in organizations. This would assist them in identifying possible areas for improvement in order to keep ahead of their competitors.

1.5.3 Future Researchers

The research would provide valuable information regarding the factors influencing the choice of competitive strategies in organizations, by contributing to the general body of knowledge and forming a basis for further research study.
1.6 Limitations of the Study

During the study some respondents were hesitant in giving out information given that the researcher is a known stakeholder in the industry. The respondents might have feared that the information collected was to be used by the researcher in formulating competitive strategies against their organizations. However, with much assurance that the information was purely for academic purposes the response rate was high.

In few cases there was a delay in filling in the questionnaires by the respondents where the researcher had to persistently do follow ups. Finally, the questionnaires were filled up though after several reminders.

1.7 Scope of the study

For purposes of this study, focus was on the transport Saccos in Nyeri Central District. It was presumed that the selected target population was representative of the overall picture of the transport Saccos in Kenya.

1.8 Justification of the study

Nyeri Central District has a significantly high number of registered transport SACCOs vis-à-vis its geographical size making the competition in the industry very stiff. The managers in these SACCOs therefore have to cautiously choose the competitive strategies to be adopted by their SACCOs. Besides, the district is easily accessible by the researcher due to her familiarity with it.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction
This chapter presents the concept of competitive strategies and captures critical review of past theories by other researchers on the area of competitive strategies choices in organizations. From the literature review, the researcher will be able to develop a conceptual framework where the relationship between the independent variables, dependent variable and the intervening variables will be established.

2.1.1 The Concept of Strategy
Thompson, Strickland and Gamble (2005) regard strategy as a game plan indicating the choices a manager needs to make for example about how to attract and meet customer needs, how to compete successfully, how to grow the organization, how to manage the organizational architecture and develop needed dynamic capabilities, and how to achieve performance targets by implementing strategy successfully. Johnson and Scholes (2002) view strategy as the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of resources within a changing environment and to fulfill stakeholder expectations. The many definitions of strategy found in the management literature fall into one of four categories (Nickols, 2010): plan, pattern, position, and perspective.

According to these views, strategy is: A plan, a means of getting from here to there; A pattern in actions over time; for example, a company that regularly markets very expensive products is using a high end strategy. A position; that is, it reflects decisions to offer particular products or services in particular markets. A perspective; that is, a vision and direction, a view of what the organization is to become. As a practical matter, strategy evolves over time as intentions accommodate reality. Thus, one starts with a given perspective, concludes that it calls for a certain position, and sets about achieving it by way of a carefully crafted plan. Over time, things change. A pattern of decisions and actions marks movement from starting point to goal. This pattern of decisions and actions is called realized or emergent strategy (Nickols, 2010).
2.1.2 Historical Development of strategy

Despite the numerous attempts to define strategy over the decades, attempts are constantly being made to redefine this concept (Ghemawat 2001). A less arbitrary approach to explaining this concept would be to consider the changing conceptions of strategy, as envisioned by academics, managers and consultants. The concept of strategy derives from the Greek word strategos, meaning general. Strategos, in turn, derives from stratos (the arm) and agein (to lead) (Cummings 1993). So, originally, strategy was associated with the military; the art of leading the army. (Heracleous 2003). Sun Tzu’s (1981) primal work; The Art of War, is regarded as the first formal treatise on strategy. All men can see the tactics by which I conquer, but what none can see is the strategy out of which great victory is evolved. Only in the twentieth century has the concept of strategy gained prominence in the business world (Ghemawat 2001). Military and business strategy share some common concepts and principles, particularly strategy and tactics. A tactic is a plan for specific action, while strategy is the overall scheme for leveraging resources to obtain a competitive advantage.

2.1.2.1 Historical context and strategy development

During the early 20th century, managers rather than academics began to explore and define the management task. Examples include industry leaders such as F W Taylor in the USA and Henri Fayol in France. Other important contributors include Henry Ford (1908–15) and Alfred Sloan from General Motors (1920–35). Henry Ford focused on innovative technology, mechanization, quality standards, redesign and cost cutting, while Alfred Sloan emphasized rapid model changes, niche marketing, structured management teams and separated operational and strategic planning. (Lynch, 2003). Later, Drucker (1954) argued for proactive planning to shape the organization’s environment. Philip Selznick (1957) proposed the notion of distinctive competence that became the core concept of the resource-based organizational perspective (Wernerfelt 1984). In 1912, the Harvard Business School introduced a capstone course in Business Policy. Research has confirmed that an organization’s strategy is more important to its performance than industry context (Heracleous 2003).
2.1.2.2 Strategy in the Mid-Twentieth century

During the Second World War, the game theory originated. The general theory of competitive behaviour evolved after Von Neumann and Morgenster's, 'The Theory of Games and Economic Behaviour,' was published in 1944 (Ghemawat 2001). From the 1950s to the 1970s, writers such as Ansoff developed corporate strategy concepts, even defining diversification decisions (Ansoff 1985). According to Ansoff (1985) two environmental factors accelerated the development of strategy during the 1950s and 1960s, namely the accelerated rate of change and the greater spread of wealth, especially in Europe. Research focused on general management and business policy issues to develop better ways of making decisions and maintaining coordination in increasingly large and complex organizations. Rational planning was preferred to the haphazard workings of the market economy (Grant 2002). The rational viewpoint contributed towards what became known as the prescriptive approach to strategy.

Well known researchers during this era include Kenneth Andrews (1971), Alfred Chandler (1962), and Igor Ansoff (1965). During this era, strategy was essentially defined as a process, comprising the following sub-processes (Sanchez & Heene 2004): identification and analysis of threats and opportunities; response to aforementioned by formulating strategic plans; implementation of strategic plans and design of control systems for implementation processes.

This early research led to the second most important viewpoint of strategy, the emergence approach to strategy, which came to the fore in the 1970s and 1980s.

2.1.2.3 Strategy into the Twenty-First century

In the 1970s, circumstances changed, largely influenced by the major increase in oil prices. Diversification did not deliver the anticipated synergies and increased international competition was brought about by Japanese, European and South East Asian organizations (Grant 2002). This led to the questioning of the prescriptive and predictive approach to strategy and the beginning of the emergence approach. Organizational positioning, attaining a competitive advantage in a changing environment and maximizing profit potential, came into its own in the early 1980s, that
is, outside-in perspective. Focus was on the analysis of the external environment, and strategy was viewed as a quest for positioning and market leadership. Contributions were made by, inter alia, proponents such as Porter (1980), Boston Consulting Group, and the Strategic Planning Institute (Profit Impact of Market Strategy) project. In the late 1980s and early 1990s, the focus shifted to the internal organizational environment, and from strategic planning to strategic management (inside-out perspective). Stimulated by the accelerated rate of technological change and greater spread of wealth, new demands for strategy development were created. Consequently, the source of profitability and the basis of long-term strategy resulted from developments in the resource-based and dynamic capabilities viewpoints (Grant 2002). These viewpoints argue that any form of sustainable competitive advantage results from an organization’s unique resources and dynamic capabilities. Unlike the external approach, the internal focus emphasized the differences between organizations to achieve a competitive advantage.

At the beginning of the 21st century, key theoretical developments included the application of game and complexity theory to business (Moldoveanu & Bauer 2004; Black and Farias 2000; Brown & Eisenhardt 1998; Waldrop 1992; Kauffman 1980); analysis of the disruptive effect of technology (Christensen 1997). Complexity theory is a science of complex interacting systems (Marion & Uhl-Bien 2001) and characterized by non-linear, unpredictability and aperiodicity (Black & Farias 2000). The question is how to incorporate the conditions of non-linearity, uncertainty and ambiguity into the organization’s strategy in order to ensure sustained management of innovation and change. Other developments include the diagnosis of the 21st century competitive landscape and impact of globalization; strategic use of knowledge in organizations; and application of real options thinking (Grant 2002) and scenario planning. Ilbury and Sunter (2001) suggest the re-emergence of scenario planning as a valuable tool in planning for possible different futures. According to a survey, over 50 per cent of the Fortune 500 organizations use scenario planning methods (Hill & Jones 2004).
2.1.3 Levels of Strategy

The primary objective of strategy is to achieve a competitive advantage, as this leads to above-average returns (increase profitability). However, after strategy has been analyzed and developed, it needs to be implemented successfully. The overall strategy is the collection of the strategic initiatives and actions developed by managers and key employees in the organizational hierarchy. Strategy may be formulated at the corporate level, business level and functional level.

2.1.3.1 Corporate level strategy

It is concerned with the overall purpose and scope of an organization and addresses the question of how value can be added at all business levels and lines. General decisions about what business the organization is in or ought to be in are taken at this level. This could include aspects such as geographical coverage; diversity of products/services; turning cross-business into competitive advantage; and divestments (Grant 2002; Johnson & Scholes 2002). Senior managers are normally responsible for orchestrating corporate strategy, with input from the key senior executives who head lines of business. Corporate level decisions are usually reviewed and approved by the organization’s board of directors (Thompson, Gamble & Strickland 2004).

2.1.3.2 Business level strategy

This level of strategy is concerned with how the organization competes and attains a competitive advantage in each and every area of business, through the products or services developed for markets, and the creation of value for customers. The strategic link between internal capabilities and external relationships is important (Lynch 2003). The general manager in charge of a line of business is responsible for orchestrating business level strategy, ensuring that lower-level strategies are well conceived, consistent and matched to the corporate level strategy and getting business-level strategies approved by corporate level executives and the board of directors (Thompson, Gamble & Strickland 2004).
2.1.3.3 Functional level strategy

Also comprising of operational level strategy, it underpins business-level strategy by implementing business strategies through the functional areas such as marketing, human relations, production, information systems and finance. The primary role of functional strategy is to support the overall business strategy and competitive approach by performing strategy critical activities (Grant 2002). The decision-making responsibility at functional level resides with the heads of the respective functional areas, with the general manager at business level approving the content of these strategies. Often the links between business level and functional level strategy are tenuous. If there is no clear direction at business level, functional level strategies are unlikely to be mutually supportive and consistent.

There should also be synergy and co-operation between the functional areas in an organization in order to achieve a competitive advantage. Ideally, unity should be achieved between these three levels of strategy. Generally, the strategic management process begins with the corporate level, cascading down the respective levels to functional level, also known as the top-down approach or hothouse model (Mintzberg, Ahlstrand & Lampel 1998). Cohesive strategy making becomes easier to achieve when the organization’s strategy is understood by all the organizational members at different levels, thanks to clear communication and guiding principles (Thompson, Gamble & Strickland 2004).

2.1.4 Choice of Competitive Strategies

Within the strategic management literature, a distinction is commonly drawn between cost leadership strategies and differentiation strategies (Porter, 1980). Firms pursuing a cost leadership strategy attempt to gain competitive advantage by becoming the lowest cost producer in the market. Firms pursuing a differentiation strategy typically focus on differentiating their product or service from their competitors’, on the basis of factors such as quality or innovation.

Competitive Strategy is concerned with creating and maintaining a competitive advantage in each and every area of business.
2.1.4.1 Porter's Generic Competitive Strategies

Porter advanced three generic strategies namely:-

2.1.4.2 Differentiation strategy

Differentiation strategy is an integrated set of actions taken to produce goods or services at acceptable costs that customers perceive as being superior. Organizations using a differentiation strategy commonly try to develop innovation and marketing capabilities that help them differentiate their goods (products or services) from those of competitors. Of course, this differentiation must be positive and enhance the value provided to customers beyond that which competitors provide (Sirmon et al., 2007). The capabilities through which the firm provides superior value must be dynamic in that they have to be constantly updated in order to remain ahead of competitors. As such, dynamic managerial capabilities (Adner & Helfat, 2003) are needed.

However, more is required to effectively implement this and other business-level strategies. Managers must fit the level and type of resources needed for implementation with the particular strategy employed, which requires resource orchestration (Helfat et al., 2007). For example, Sirmon and Hitt (2009) found that high investments in resources, which lead to both resource acquisition and accumulation, best supports a leveraging strategy providing sophisticated services relative to those offered by competitors. When synchronized, these actions maximize returns to differentiation.

2.1.4.3 Cost leadership strategy.

The cost leadership strategy is an integrated set of actions taken to produce goods or services with unique features that are acceptable to customers at the lowest cost relative to that of competitors or reduce cost structure in order to achieve superior profitability. Allen and Helms (2006) find that cost leadership strategy has only one significant tactic- minimizing distribution costs that affect organizational performance. Dess and Davis (1984) find that the overall low cost cluster has the higher average return on assets. Organizations implementing a cost leadership strategy build capabilities that help them achieve efficiencies and maintain lower costs relative to
competitors. In recent years, many organizations have outsourced a number of functions to external suppliers who can perform those activities more economically (Holcomb & Hitt, 2007).

As resources, these relationships must be managed effectively to ensure that the external suppliers provide products that meet the organization’s quality standards and provide the appropriate quantities and timing to support the organization’s advantage over competitors. Essentially, organizations must be able to offer their final products to consumers at a cost that is lower relative to their quality than competitors can do. This strategy also requires investments in specific resources to build capabilities that produce efficiency while simultaneously minimizing investments in other resources that do not help them meet their efficiency goals (Sirmon & Hitt, 2009). However, beyond these basic business-level strategies, organizations commonly are engaged in a complex and dynamic competitive landscape. Therefore, they must take specific competitive actions and effectively respond to their rivals’ actions in order to develop and maintain a competitive advantage.

2.1.4.4 Focus strategy

The focus strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation. The premise is that the needs of the group can be better serviced by focusing entirely on it. A firm using a focus strategy often enjoys a high degree of customer loyalty, and this entrenched loyalty discourages other firms from competing directly. Because of their narrow market focus, firms pursuing a focus strategy have lower volumes and therefore less bargaining power with their suppliers. However, firms pursuing a differentiation-focused strategy may be able to pass higher costs on to customers since close substitute products do not exist. Firms that succeed in a focus strategy are able to tailor a broad range of product development (Porter, 1986).

Focus strategy on one or few segments allows the firm to concentrate its action and choose the strategy of differentiation, cost leadership or a combination of both for such segments. Therefore, the firm is able to better serve customers that were not properly served by firms in the broad market, but it must resist the temptation to expand sales to other segments and lose focus. Deliberately, the firm gives up larger volumes. According to Porter (1989), in the focus strategy,
the target segments must either have buyers with unusual needs, which get close to the definition of niche market: consumers with distinct and complete set of needs will pay a premium to the firm best satisfying their needs (Kotler, 1997).

2.1.5 Competitive rivalry

According to Sirmon et al, 2007, competitive rivalry may be looked at in the following perspectives:

2.1.5.1 Strong competitive rivalry

An environment in which competitive rivalry is strong generates significant uncertainty for all organizations involved. This type of environment often requires continuous change and therefore necessitates dynamic managerial capabilities (Adner & Helfat, 2003) to maintain strategic flexibility that supports such agility. Organizations gain strategic flexibility by moving beyond incremental bundling activities to processes used to enrich existing capabilities and to pioneer new capabilities (Sirmon et al., 2007). To create strategic flexibility, organizations operating in markets with high rivalry must be innovative (Helfat & Raubitschek, 2000). Thus, organizations either build an internal innovative capability and/or obtain such innovations externally or through collaborative relationships. In markets with high rivalry, incremental innovation is less likely to help an organization maintain a competitive advantage except in the very short term. Rather, organizations need to produce new innovations. Novel innovations often require the integration of seemingly unrelated knowledge stocks through a process called bisociation (Smith & Di Gregorio, 2002). In turn, bisociation helps organizations create new pioneering capabilities and entrepreneurial strategies that together support change that may revolutionize markets. Moreover, appropriate governance structures are needed to support and incentivize such behaviors throughout the organization.

2.1.5.2 Modest competitive rivalry.

Few markets exist with modest competition. Oftentimes, these are relatively mature markets and/or those with more regulation. When rivalry is modest and the competitive environment is less complex, the competitive landscape tends to be stable and, thus, more predictable. In these
contexts, capabilities and routines also remain relatively stable (Nelson & Winter, 1982) and may not require more than incremental innovation. Thus, stabilizing or enriching bundling actions along with a resource advantage leveraging strategy may be sufficient. Yet, organizations competing in this type of landscape cannot be static and maintain a competitive advantage.

Knowledge must be updated and incrementally enhanced capabilities developed and used as the basis for competing with and winning rivals. Even in these cases, changes are not always easy to implement because of path dependence in knowledge creation. And over time, managers need to develop new capabilities, which requires pioneering bundling, in order to sustain a competitive advantage or build a new one (Lei, Hitt, & Bettis, 1996). Collectively, research suggests that possessing resources alone does not guarantee the development of competitive advantage; instead, resources must be accumulated, bundled, and leveraged, meaning that the full value of resources for creating competitive advantages is realized only when resources are managed effectively (Sirmon & Hitt, 2003; Sirmon, Hitt, & Ireland, 2007).

2.1.6 Competitive strategies in an international context

In the competitive strategy framework, a successful business is one which sustains an attractive relative position for the organization. Porter (1980, 1985, 1991) suggests two generic, but fundamentally different approaches to creating and sustaining a competitive advantage: cost strategy and differentiation strategy. Besides, Porter’s thesis of stuck in the middle (Porter, 1980, 1996) argues that these two strategies cannot be combined. While an organization focusing on cost leadership has to maintain a certain standard for its products, reducing the possibility to create economies of scope, an organization focusing on differentiation may find it difficult to maintain low costs and compete with other organizations that produce more standardized products for the same market.

After Porter’s seminal work, some recent studies have moved away from the thesis that the two strategies cannot be combined. Many suggest that a combination of cost leadership and differentiation is not only a feasible option (Hill, 1988; Miller and Friesen, 1986a, 1986b), but also a successful approach to improve competitive position and to cope with rapid and complex changes in the market environment (Acquaah and Yasai-Ardekani, 2008; Gopalakrishna and Subramanian, 2001; Pertusa-Ortega et al., 2009). The adoption of a hybrid strategy as opposed to
a pure strategy may better address customer needs in a more appropriate way; be more difficult to be imitated by competitors; and generate a more flexible way to operate in the market (Miller, 1992). Typically, existing studies examine competitive strategies in domestic markets. However, for organizations seeking benefits from foreign markets, the type of competitive strategies they choose may represent an important vehicle by which they build a distinctive business position at the international level and achieve superior financial returns (Allred and Swan, 2004; Luo and Zhao, 2004).

2.1.7 Competitive strategies in developing countries

The evidence relating to the type of competitive strategies present in the literature is limited to databases or cases from developed countries. Nevertheless, internationalization of organizations from developing countries has increased significantly in the last decade (OECD, 2008). According to Hymer (1976) and Dunning’s (1980, 1988) eclectic OLI framework, one prerequisite for organizations’ international expansion is that they must possess unique advantages such as superior assets and skills. In general, organizations from developing countries have relatively lower technological and knowledge-based advantages than organizations from developed countries.

This means that the ability to differentiate from competitors and to maintain a flexible approach to strategizing may be lower for the former set of nations. Given limited capabilities at the organizational level and lack of institutional support, organizations in these countries remain when not imitators mainly adapters or incremental innovators, far from the frontier of technological advancement and type of products, processes and organizational innovations present in developed countries (Altenburg et al., 2008; Srholec, 2008). Accordingly, with this framework, organizations from emerging economies would depend more on cost advantage rather than differentiation or hybrid strategies in international competition.

2.2 Theoretical Literature Review

In the theoretical literature, the researcher reviews theories that are relevant to competitive strategies and explains the applicability of these theories in the study.
2.2.1 The Resource Based View

The Resource Based View is a theoretical framework for understanding how competitive advantage within organizations is achieved and could be sustained over time (Teece, Pisano & Shuen 1997; Prahalad & Hamel 1990; Wernerfelt 1984). This view assumes that organizations are conceptualized groupings of resources that are heterogeneously distributed across the organization and persist over time (Eisenhardt & Martin 2000; Wernerfelt 1984). Unique resources can be used to implement value-creating strategies and to exploit new market opportunities (Christensen & Overdorf 2000; Eisenhardt & Martin 2000; Wernerfelt 1984). The RBV rests on the idea that firms should be analyzed based on their resources (Wernerfelt, 1984), which are often viewed as providing the most meaningful point of differentiation (Coates & McDermott, 2002). If a company's activities or processes possess the four attributes of being valuable, rare, inimitable, and non substitutable, they can lead to sustainable competitive advantage (Barney, 1991), which is the basic premise of the RBV.

These characteristics, it can be argued, are also a function of the resource's embeddedness and context dependency, its implementation effectiveness and process orientation, and its ability to adapt to changes in the competitive environment. The RBV has received considerable attention by researchers in business and economics, as indicated by the number of review articles that have been published on the RBV (Armstrong & Shimizu, 2007; Newbert, 2007). Although the RBV has been utilized mostly by researchers in strategic and general management, its popularity has also been increasing in the fields of operations management and decision sciences (Amundson, 1998; St. John, Cannon, & Pouder, 2001). For example, the RBV has been used in Palvia, King, Xia, and Palvia's (2010) study dealing with capabilities of offshore information systems vendors, and in Wu, Melnyk, and Flynn's (2010) study on operational capabilities.

To better explicate the role of managers within resource-based logic, Sirmon et al. (2007) developed a resource management framework that focused on the actions of managers. They defined resource management as the comprehensive process of structuring, bundling, and leveraging the firm's resources with the purpose of creating value for customers and competitive advantages for the organization. Each of these three processes has three sub processes.
Structuring involves acquiring, accumulating, and divesting resources to form the firm's resource portfolio. Bundling, which refers to integrating resources to form capabilities, has three sub processes: Stabilizing or minor incremental improvements to existing capabilities; Enriching, which extends current capabilities; and Pioneering, which creates new capabilities.

Leveraging involves a sequence of processes to exploit the organization's capabilities and take advantage of specific market opportunities; it includes mobilizing, which provides a plan or vision for capabilities needed to form requisite capability configurations; coordinating, which involves integrating capability configurations; and deploying, where a resource advantage, market opportunity, or entrepreneurial strategy is used to exploit capability configurations formed by the coordinating sub process. While each process and its sub processes are important, several different paths can be pursued in the resource management framework; however, creating value and developing competitive advantages requires synchronization of the processes (Sirmon et al., 2007). Ndofor, Sirmon, and He's (2011) results show that managerial actions mediate the resource–performance linkage, thereby providing support for the manager's role in creating a competitive advantage. Additionally, Morrow, Sirmon, Hitt, and Holcomb (2007) show that valuable and rare resource management actions are important to the recovery of organizations facing performance crises. Finally, Sirmon, Hitt, Arregle, and Campbell (2010) show that managers' actions must simultaneously address capability strengths and capability weaknesses in order to realize a competitive advantage.

2.2.2 Michael Porter Five Forces Theory

Porter (1980) outlines an analytical framework that can be used in understanding the structure of an industry. Structural analysis focuses on competition beyond a firm's immediate and existing rivals. Whereas the concept of industry structure remains relatively unclear, Porter's (1980) Five Forces Model, clearly specifies the various aspects of an industry structure, provides a useful analytical tool to assess an industry's attractiveness and facilitates competitor analysis. The ability for a firm to gain competitive advantage, according to Porter (1980, 1985, 1996), rests mainly on how well it positions and differentiates itself in an industry. The collective effects of the five forces determine the ability of firms in an industry to make profits.
Michael Porter’s five forces is a model used to explore the environment in which a product or company operates to generate competitive advantage. Five forces analysis looks at five key areas mainly the threat of entry, the power of buyers, the power of suppliers, the threat of substitutes, and competitive rivalry (advantage). The model of the Five Competitive Forces was developed by Michael E. Porter in his book “Competitive Strategy: Techniques for Analyzing Industries and Competitors” in 1980. Since that time the ‘five forces tool’ has become an important method for analyzing an organizations industry structure in strategic processes.

Michael Porter’s model is based on the insight that a corporate strategy should meet the opportunities and threats in the organizations external environment. Especially, competitive strategy should be based on an understanding of industry structures and the way they change. Porter has identified five competitive forces that shape every industry and every market. These forces determine the intensity of competition and hence the profitability and attractiveness of an industry. The objective of corporate strategy should be to modify these competitive forces in a way that improves the position of the organization. Porter’s model supports analysis of the driving forces in an industry. Based on the information derived from the Five Forces Analysis, management can decide how to influence or to exploit particular characteristics of their industry.

2.2.2.1 Use of the Five Forces model

The Five Forces tool is a simple but powerful tool for understanding where power lies in a given business situation. This is important, as it helps the management to understand both the strength of their current competitive position, and the strength of a position they are looking to move into. With a clear understanding of where power lies, management can take fair advantage of a situation of strength, improve a situation of weakness, and avoid taking wrong steps. This makes it an important part of business planning toolkit, as shown in the table below:
Table 2.1 Five forces analysis

<table>
<thead>
<tr>
<th>Supplier Power</th>
<th>Supplier concentration</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Importance of volume to supplier</td>
</tr>
<tr>
<td></td>
<td>Differentiation of inputs</td>
</tr>
<tr>
<td></td>
<td>Impact of inputs on cost or differentiation</td>
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<tr>
<td></td>
<td>Switching costs of firms in the industry</td>
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<tr>
<td></td>
<td>Presence of substitute inputs</td>
</tr>
<tr>
<td></td>
<td>Threat of forward integration</td>
</tr>
<tr>
<td></td>
<td>Cost relative to total purchases in industry</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Barriers to Entry</th>
<th>Absolute cost advantages</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Proprietary learning curve</td>
</tr>
<tr>
<td></td>
<td>Access to inputs</td>
</tr>
<tr>
<td></td>
<td>Government policy</td>
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<tr>
<td></td>
<td>Economies of scale</td>
</tr>
<tr>
<td></td>
<td>Capital requirements</td>
</tr>
<tr>
<td></td>
<td>Brand identity</td>
</tr>
<tr>
<td></td>
<td>Switching costs</td>
</tr>
<tr>
<td></td>
<td>Access to distribution</td>
</tr>
<tr>
<td></td>
<td>Expected retaliation</td>
</tr>
<tr>
<td></td>
<td>Proprietary products</td>
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<thead>
<tr>
<th>Degree of Rivalry</th>
<th>Exit barriers</th>
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<tbody>
<tr>
<td></td>
<td>Industry concentration</td>
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<tr>
<td></td>
<td>Fixed costs/Value added</td>
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<tr>
<td></td>
<td>Industry growth</td>
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<td></td>
<td>Intermittent overcapacity</td>
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<td></td>
<td>Product differences</td>
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<tr>
<td></td>
<td>Switching costs</td>
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<tr>
<td></td>
<td>Brand identity</td>
</tr>
<tr>
<td></td>
<td>Diversity of rivals</td>
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<tr>
<td></td>
<td>Corporate stakes</td>
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<table>
<thead>
<tr>
<th>Threat of Substitutes</th>
<th>Switching costs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Buyer inclination to substitute</td>
</tr>
<tr>
<td></td>
<td>Price-performance trade-off of substitutes</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Buyer Power</th>
<th>Bargaining leverage</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Buyer volume</td>
</tr>
<tr>
<td></td>
<td>Buyer information</td>
</tr>
<tr>
<td></td>
<td>Brand identity</td>
</tr>
<tr>
<td></td>
<td>Price sensitivity</td>
</tr>
<tr>
<td></td>
<td>Threat of backward integration</td>
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<tr>
<td></td>
<td>Product differentiation</td>
</tr>
<tr>
<td></td>
<td>Buyer concentration vs. industry</td>
</tr>
<tr>
<td></td>
<td>Substitutes available</td>
</tr>
<tr>
<td></td>
<td>Buyers' incentives</td>
</tr>
</tbody>
</table>

Source: (Porter, 1980)

To Porter (1980, 1985), the five forces embody the rules of competition that determine industry attractiveness, and help determine a competitive strategy to cope with and, ideally, to change
those rules in the firm's favor (1985). Therefore, Porter's framework specifies the competitive structure of an industry in a more tangible manner, as well as recognizes the role of firms in formulating appropriate competitive strategy to achieve superior performance. Porter (1980, 1985) suggested generic strategies (low cost leadership, differentiation, and focus) that can be used to match particular industry foci and, thereby, build competitive advantage.

2.3 Empirical Review

There are a number of factors that influence the choice of competitive strategies:

2.3.1 Effect of organizations' resources and capabilities on competitive strategies

A resource is usually defined as a firm's asset, which implies that it is owned. Resources can be tangible assets such as facilities and process technology or intangible such as patents, brand name, reputation and trade secrets (Hall, 1991). Additional resources can be classified according to the extent to which they are firm-specific. Teece et al. (1997) defined resources as firm-specific assets such as specialized production facilities or engineering expertise. This implies that ordinary, non-specific assets do not represent firm resources. However, the Wal-Mart case documented by Stalk et al. (1992) shows that non-specific assets such as real estate, trucking fleet and information technology, when productively linked together, can constitute a powerful logistic capability.

The Resource Based View (RBV) provides a theoretical framework for how organizations develop a sustainable competitive advantage based on their unique resource endowments (Barney, 1991; Wernerfelt, 1984). The RBV maintains that a firm would select a strategy that best exploits its resources and capabilities relative to external opportunities (Grant, 1991). This view offers a systematic framework for assessing the relative importance of the broad resources available to firms competing in a global environment (Fahy, 2002). One may argue that the more resources and competences a firm has, the greater will be its ability to develop a strategy to achieve competitive advantage (Ortega, 2009) in the market. Dosi et al. (2000) argue that a capability represents organizational knowledge (knowledge that the organization has, which is
more than the sum of knowledge of all individuals in the organization). It is assumed that firms know how to do things.

This also implies that managers are part of this phenomenon, not the independent agents that control and guide the process of capability development in a rational planning mode. Capabilities develop over time and can become unique resources of a firm yielding competitive advantage (Montealegre, 2002). Most capabilities, however, cannot remain competitive resources due to competitors’ ability to imitate them over time. Although these capabilities can still be useful, they may not deliver the same competitive advantage or improvements as they did in the past. In other words, the ability of a resource to retain its differentiating characteristics depends on its environment (Leonard-Barton, 1992; Oliver, 1997) and is only guaranteed under certain circumstances (Barney, 1991).

2.3.3.1 Human resources.

In the Resource Based View, it is frequently argued that human capital contributes to an organization’s competitive advantage due to inimitability based on its intangible, firm-specific, and socially complex nature (Hatch and Dyer, 2004). In particular, human resources associated with individuals with differentiated skills, education, experience and training are likely to be productive resources for the organizations (Hitt et al, 2001). High quality human resources may affect the organization’s competitive strategy, since they contribute to innovation and have a high absorptive capacity to use, acquire and develop strategic knowledge (Cohen and Levinthal, 1990; Simonen and McCann, 2008). An organization may use its pool of qualified talent for the development of differentiation or hybrid strategies as opposed to strategies based only on cost advantage. At the employee level, two recent studies in Korea found that firms which value people as a source of competitive advantage are more likely to attain higher performance (Bae & Lawler, 2000; Lee & Miller, 1999).

2.3.3.2 Technological resources.

The level of technological resources is often associated with product innovation in global markets (Prasad et al., 2001). Generally, organizations with advanced technological resources are
more likely to produce high quality products or services, or launch differentiated products or services. In other words, as the level of organizations’ technological resources increases, their propensity to pursue a differentiation or hybrid strategy also increases. In terms of technological resources, reference is made both to resources connected to technological capacity (organization’s endowment of machinery and equipment compared with the average level of the industry) and resources linked to technological investment in innovation (Research and Development investment).

An organization’s significant commitment to Research and Development investment is a reflection of strategic importance that organization places on innovation activity. Accumulated Research and Development is likely to contribute extensively to the development of new products. Alternatively, if the Research and Development and other investment in the organization are primarily geared towards process innovations, it may contribute also to a cost-based strategy.

2.3.3.3 Organizational capabilities.

Competitive capabilities represent resources that organizations can exploit for competitive advantage (Ferdows & De Meyer, 1990; Rosenzweig & Roth, 2004). Competitive capabilities, which can be defined as an organization’s ability to achieve superior quality, delivery, flexibility, and cost relative to its competition (Hayes & Wheelwright, 1984; Kristal, Huang, & Roth, 2010), are thus central elements in strategy formulation and decision making. The successful implementation of a cost leadership strategy requires excellent value chain management that results in cost minimization within all development activities (Porter, 1985). It is well known in the business literature that value chain management can benefit from an application of complex in-house organizational techniques, such as quality control systems, just-in-time, and continuous improvement. The purpose of internal use of complex organizational techniques, defined as organizational capabilities, is to develop the capacity to be flexible in the market.

Indeed, some scholars identify best practices of quality management, such as a good organization of systems of production, as a way to guide the organizations to achieve both cost advantage and innovation. For example, Prajogo and Sohal (2006) show that there is a strong and positive correlation also between quality management of organization and innovation, while Tidd et al
(1997) argue that quality management plays an important role in companies which compete aggressively using a differentiation strategy. As a part of organizational capabilities, the use of quality certification in an organization can be viewed as a way to implement quality management practices and sustain the organization in its innovation processes.

2.3.2 Environmental Dynamism

The external environment is an important contingency factor for strategic decision making (Eisenhardt, 1989). Managers need to acquire and interpret information from their environment to make and implement strategic decisions. As environments change, organizations have to adapt to these changes. Dynamic external environments are characterized by a high rate of change, absence of pattern, and unpredictability (Priem, Rasheed, & Kotulic, 1995). The more dynamic the environment, the greater the uncertainty and the greater the information-processing and decision-making demands placed on an organization's strategic decision makers (Kotter, 1982).

Scanning of the external environment, however, represents only the first link in the series of activities needed to acquire the information needed for strategic decision making in dynamic environments (Daft et al., 1988). Managers need to interpret the information and understand its implications. This entails having richer and more detailed information about the changes in the environment, their implications, and feasible alternatives (Kraatz, 1998).

Similarly, although organizations use both internal and external sources of information in strategic decision making, as the dynamism of the environment increases, organizations will tend to prefer external sources (those comprising the informal advisory system). Obtaining data directly from the environment ensures that it is undiluted with no loss of meaning (Daft et al., 1988). Indeed, seeking unvarnished counsel from individuals within the formal advisory system may be complicated by the fact that some viable, or even necessary, strategic alternatives may require sacrifices from those individuals and their subordinates, a potential precursor to low goal congruence (Yukl & Fu, 1999). In addition, information from within the organization tends to be biased, distorted, and slow as it progresses up the organizational hierarchy (Daft & Lengel, 1986).

In contrast, more stable external environments create less uncertainty and thus require less information search and less interaction with knowledgeable outsiders (Halebian & Finkelstein, 25
1993; Kotter, 1982). Information-processing requirements for decision making are low in stable environments. Stable environments promote more internally focused behavior and increase the likelihood that competent firm insiders who comprise the formal advisory system will have the opportunity to give advice (Yukl & Fu, 1999). With stability comes the promise of continued individual and departmental support from the organization, so there may be less reason for the leader to question the motives and consequent objectivity of internal information sources. Thus, as environmental dynamism increases, organizations will be more likely to rely on informal advisory systems for information and advice in making strategic decisions.

2.3.3 Organizational leadership

Managers’ more fine-grained patterns of social information search may be quite different for organizations pursuing different business-level strategies. Porter (1980) asserted, for example, that organization success requires attention to distinctive competencies and that these competencies differ for the business-level strategies of cost leadership and differentiation. Organizations pursuing cost leadership require close attention to cost controls, detailed control reports, structured responsibilities, and incentives based on quantitative targets (Porter, 1980). Similarly, Miles and Snow’s defenders engage in minimal new market or product development want to preserve their market share, and seek stability (Miles & Snow, 1978). In essence, organizations pursuing either cost leadership or defender strategies tend to emphasize organization efficiency (Miller, 1987). Therefore, most of the strategic decision maker’s attention in organizations pursuing cost leadership or defender strategies will focus on internal operations. Such efficiency focused strategies are most successful when implemented through mechanistic structures with formal controls (Priem & Rosenstein, 2000). Specifically, the formal advisory systems within these organizations are expected to obtain information from the environment (like from the political/legal sector) and to provide counsel to the CEO on strategic decisions.

Organizations pursuing differentiation, in contrast, need coordination among functions, subjective measurement and incentives, and amenities to attract highly skilled employees (Porter, 1980). Likewise, prospectors aggressively seek new market opportunities and take risks (Miles & Snow, 1978). These organizations survive by virtue of ongoing communication with the external
world. Because their competitive advantage arises largely from new products and services, their CEOs are likely to focus on relationships with the environment, especially the customer and technology sectors. Empirical research linking managers’ functional experience and business-level strategy (Govindarajan, 1989) and empirical research linking business strategy to the areas emphasized in CEO’s scanning (Garg, Walters, & Priem, 2003) argue that CEOs will seek information from individuals whose knowledge most closely reflects the sources of core competence for their organization.

Miles and Snow’s prospectors and Porter’s differentiators emphasize innovation (Miller, 1987). Miller (1987) described these organizations as complex innovators that strive to capitalize on novel opportunities in the marketplace, supported by their use of organic structures. These structures include informal and continuous scanning of the environment and multiplicity (use of diverse viewpoints in decision making). Organizations emphasizing innovation use their informal advisory network to get real-time and diverse information on the environment. Doing so helps to minimize the potentially negative effects of, and possibly alters the extant dominant logic that might otherwise hinder innovation (Prahalad & Bettis, 1986).

These arguments are consistent with contingency theory (Kotha & Orne, 1989), which proposes higher performance for organizations that align their strategy and structure. Thus, CEOs of organizations pursuing cost leadership and defender strategies will tend to rely more on their organizations’ formal advisory systems for information and advice in making strategic decisions. Organizations pursuing differentiation and prospector strategies will tend to rely more on an informal advisory system for information and advice in making strategic decisions.

2.3.3.1 Leadership Style

Beyond influencing their organizations through their judgment in strategic decisions (Hambrick & Mason, 1984), CEOs also influence their organizations through their ability to organize, or their charisma, or their skill in delegation (Priem, 1994). Finkelstein and Hambrick (1996) argued that leadership styles influence strategic decisions by affecting CEOs’ fields of vision, perceptions, and interpretations of information. To the extent that the leadership style of CEOs affects implementation of strategic decisions (Finkelstein & Hambrick, 1996), we would expect
strategic decision-making preference to be related to leadership style. The two main leadership styles are transformational and transactional (Bass, 1985).

Transformational leadership creates a dynamic organizational vision that often necessitates a metamorphosis in cultural values to reflect greater innovation (Pawar & Eastman, 1997). It is expected that transformational CEOs rely more on their informal advisory system for two reasons. First, the contextual factors that create the need for transformational leadership also increase the need for informal advisers. Relevant organizational-based factors include the need for adaptation, dominance of boundary spanning units, a simple and adhocratic structure, and clan mode of governance (Pawar & Eastman, 1997). Such firms need real-time information on the environment. Transformational leaders are more likely to find success in organizations experiencing a need to break away from the status quo in search of a new direction (Bass, 1985), rendering obsolete many internal processes. Together, these factors will lead a CEO to rely on informal networks outside the firm. Second, the personality characteristics of transformational CEOs likely cause them to be more attracted to informal advisory systems. Judge and Bono (2000) found agreeableness, extraversion, and openness to experience to be personality traits of transformational leaders.

These leaders dominate socially through dialogue and social interaction. They are charismatic, inspirational, intellectually stimulating (Bass, 1985) and seek new opportunities (Lowe, Kroack, & Sivasubramaniam, 1996). They are neither rigid nor prone to use formal structures; rather, they are unconventional innovators (Conger & Kanungo, 1988). These characteristics will lead a CEO to rely more on informal networks outside the firm when making strategic decisions. Conversely, the context that accommodates transactional leadership, combined with the personality traits of transactional leaders, make these leaders more prone to use their firm’s formal advisory system.

Transactional leaders are likely to emerge in organizations with an emphasis on efficiency, dominance of a technocratic core, a professional bureaucracy, and bureaucratic modes of governance (Pawar & Eastman, 1997). Transactional leaders use contingent reward systems within established systems to reinforce existing structures, strategies, and culture (Waldman, Ramirez, House, & Puranam, 2001). As such, transactional leaders are more likely to emerge in
mechanistic organizations (Bass, 1985) that have a high need for efficiency and internal information to maintain controls. Such firms use bureaucracy to substitute personal influence with formal policies and procedures (House, Spangler, & Woycke, 1991). As a result, CEOs will have less discretion and will rely on the firm’s formal advisory system. Thus, the more transformational the CEO’s leadership style, the more likely the CEO will rely on an informal advisory system for information and advice in making strategic decisions. The more transactional the CEO’s leadership style, the more likely the CEO will rely on a formal advisory system for information and advice in making strategic decisions.

2.3. Organizational culture

Deal (1999) defines organizational culture as values, beliefs, and behaviors that differentiate one organization from another. Schein, (1999) outlines the manifestations of culture as, the way things are done around a place, the rite and rituals of a company, the company climate, the reward system, basic values. In Schein, (2004) organizational culture is defined as a dynamic phenomenon that surrounds an organization at all times, being constantly enacted and created by their interactions with others and shaped by leadership behavior, and a set of structures, routines, rules, and norms that guide and constrain behavior.

There has been growing concerns over the ways many organizations have chosen to do business in the recent past. The organization culture as a leadership concept has been identified as one of the many components that leaders can use to grow a dynamic organization. Leadership in organizations starts the culture formation process by imposing their assumptions and expectations on their followers. Schein, (2004) states that as an organization stabilizes because of success in accomplishing its primary tasks, the leader’s assumptions become shared and embedding those assumptions can then be thought of more as a process of socializing new members. Organizational leaders achieve success by being consistent, in sending clear signals about their priorities, values and beliefs.

Once culture is established and accepted, they become a strong leadership tool to communicate the leader’s beliefs and values to organizational members, and especially new comers. When leaders promote ethical culture, they become successful in maintaining organizational growth, the good services demanded by the society, the ability to address problems before they become
disasters and consequently are competitive against rivals. Schein, (1999) informs that corporate culture matters, because the decisions made without the awareness of the operative culture forces may have unanticipated and undesirable consequences. Organizational leaders are confronted with many complex issues, when making decisions about the best methods to generate organizational achievements in their complex environments. The leader’s success will depend to a large extent, on his knowledge and understanding of the organizational culture. The leader who understands his organizational culture and takes it seriously is capable of predicting the outcome of his decisions in preventing any anticipated consequences.

(Kotler & Keller, 2006) define competitive advantage as a company’s ability to perform in one or more ways that competitors cannot or will not match. A cultural leader supports the hiring and development of people with the prerequisite skill and competencies needed to get the job done. (Pfau and Kay, 2002) asserts, hiring the right people can catapult a company into the kind of financial success that creates a buzz, which attracts more star performers. A leader can create a culture that distinguishes his organization as a great place to work for. Simply put, a leader creates a culture of commitment, through the allocation of organizational resources, rewards, and promotions that encourages competitive behavior. The best way to encourage competitive advantage is to continuously encourage individuals to innovate new advantages. The difference between success and failure can depend on the degree and purpose, the value created by the culture of the organization. If a leader is totally consistent in his behavior of paying attention to operating efficiency and encouraging subordinates to be creative, the organization gains low cost advantage over rivals. (Thompson, Strickland & Gamble, 2005) asserts that companies earn strong market positions because of the low cost advantages they have achieved over their rivals and their consistent ability to under price their competitors. Leaders who model and value work and change leaders who balance the interest of all stakeholders address the role in maintaining an organizational culture that encourages learning and competitive advantage.
2.4 Conceptual Framework

Organizational Resources
- Human Resources
- Technological resources
- Capabilities

Environmental Dynamism
- Information
- Intellectual capacity
- Technology

Leadership
- Leadership style
- Personal traits
- Communication

Culture
- Values
- Beliefs
- Behaviours

Choice of competitive Strategies
- Cost leadership
- Differentiation
- Focus

Government intervention

Independent Variables

Dependent Variable

Source: (Researcher, 2012)

Figure 2.1: Conceptual Framework
The conceptual framework defines the relationship between the independent variables, the intervening variable and the dependent variable. According to Mugenda & Mugenda (2003), independent variables are also called predictor variables because they predict the amount of variation that occurs in another variable, while the dependent variable, also called the criterion variable attempts to indicate the total influence arising from the effects of the independent variables. The intervening variable on the other hand is recognized as being caused by the independent variable and as being a determinant of the dependent variable.
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research methodology that will be used in the study. It focuses on the target population and the procedure of collecting data. The instruments used in the collection of data are discussed and justified. It also focuses on the analysis and presentation of data.

3.2 Research Design

This study adopted a descriptive survey research design aimed at establishing the factors influencing the choice of competitive strategies in organizations. Data measurement was on scale for categorical measurement. Likert scales were also be used. This design was chosen because it provided insights into and comprehension of an issue or situation. The design was useful in describing the characteristics of the organization and determining the frequency of key attributes of the study (Orodho 2002). Descriptive survey designs are used in preliminary and exploratory studies to allow researchers to gather information, summarize, present and interpret for the purpose of clarification (Orodho 2002). The design was chosen because the researcher gathered data on the state of affairs in the study location without manipulating any variables.

3.3 Target population

In Nyeri Central District, there are twenty four registered transport Saccos, according to the Ministry of Cooperative Development and Marketing, Nyeri Central District. The population of the study comprises all top level managers in all the transport Saccos, who will include the General Managers as well as the Chairmen in all the transport Saccos in Nyeri Central District, where a census will be carried out of all the twenty four registered transport Saccos. The respondents will be all the forty eight General Managers and Chairmen in the transport Saccos, where two questionnaires will be administered in every Sacco.
Table 3.1: Population of the Study

<table>
<thead>
<tr>
<th>Category</th>
<th>Total Population</th>
<th>Population to be studied</th>
<th>Percentage to be studied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport Saccos</td>
<td>24</td>
<td>24</td>
<td>100%</td>
</tr>
<tr>
<td>Respondents (board chairperson and a manager in every SACCO)</td>
<td>48</td>
<td>48</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: (Researcher, 2012)

3.4 Data collection

This entailed use of research instruments as detailed below:-

3.4.1 Research instruments

The main tools for data collection for this study were questionnaires. The questionnaires were used for data collection because they offer considerable advantages in the administration. They present an even stimulus potentially to large numbers of people simultaneously and provide the investigation with an easy accumulation of data. Gay (1992) maintains that questionnaires give respondents freedom to express their views or opinions and also to make suggestions. They are also anonymous. Anonymity helps to produce more candid answers than is possible with an interview. The research instruments will be self administered. There will be both structured (close ended) and unstructured (open ended) questions. This method was effective as it is economical, both in terms of time and costs.

The study utilized both primary and secondary data. For primary data, the researcher was able to collect first hand information from the respondents. The researcher used questionnaires to collect the primary data. The primary data was useful to the researcher because it was reliable and accurate. The secondary data was also very important in the study because it gave some background information to this study. The researcher collected important information from books, annual reports, journals and publications from research institutions.
3.5 Validity and reliability

Validity is defined as the accuracy and meaningfulness of inferences, which are based on the research results (Mugenda & Mugenda, 2003). In other words, validity is the degree to which results obtained from the analysis of data actually represent the subjects under study. According to Borg and Gall (1989), validity is the degree to which a test measures what it purports to measure. Borg and Gall argue that content validity of an instrument is improved through expert judgment. The variables and data collection instruments were scrutinized by experts, especially my supervisor to ascertain their validity.

3.6 Data analysis

Data collected was both qualitative and quantitative. It was analyzed using descriptive statistics such as frequencies and percentages for the quantitative data while content analysis was used for qualitative data.

3.7 Data Presentation

After analysis, the researcher presented the analyzed data in form of percentages, frequency tables, charts and graphs for ease of understanding.

3.8 Ethical issues

There was need for approval of the research proposal by the University, which was essential in order to validate the study as well as proof that the study was being done in accordance with the approved research standards and practices. The researcher needed to guarantee the participants of confidentiality. The participants were assured that identifying information will not be made available to anyone who is not directly involved with the study. Informed consent from the participants in the study was observed so as to gain their trust and confidence in the objectives of the study, which was purely academic in nature.
CHAPTER FOUR
DATA ANALYSIS AND PRESENTATION

This chapter presents the findings of the study according to the data collected through questionnaires. The findings are presented in percentages, frequency tables, charts and graphs.

4.1 Response Rate

Out of the 48 managers and chairpersons of transport SACCOs targeted in Nyeri Central District, 39 of them from 20 SACCOs filled in the questionnaires. The percentage rate for managers and chairpersons was therefore 81.25% while that of the SACCOs was 83.33% as shown in the table below.

<table>
<thead>
<tr>
<th>Targeted Population</th>
<th>Studied Population</th>
<th>Percentage Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>48</td>
<td>39</td>
</tr>
<tr>
<td>SACCOs</td>
<td>24</td>
<td>20</td>
</tr>
</tbody>
</table>

**Source:** (Researcher, 2012)

4.2 Background Information of SACCOs

The researcher enquired about the year of formation and the membership of the SACCOs. The reason to inquire about the membership and year of formation was to give the researcher some facts about the SACCOs in Nyeri Central District in order to gain better understanding of the existing competition among them and why different SACCOs have adopted different competitive strategies. Based on their years of formation, the age of different SACCOs in Nyeri Central District was as shown in the graph below:
4.2.1 Age of the SACCOs

![Bar chart showing the age distribution of SACCOs.](image)

**Source:** (Researcher, 2012)

**Figure 4.1:** Age of SACCOs

The findings showed that most of the SACCOs in Nyeri Central District are below five years old which represents 65% of the total population studied. SACCOs that are between 5 to 10 years old represent 10% while the ones between 10 to 15 years and those above 15 years are 20% and 5% respectively.

4.2.2 Membership of the SACCOs

Most of the SACCOs in Nyeri Central District i.e. 75% have below 50 members while 15% of the SACCOs have between 51 to 100 members. The other 18% of the SACCOs have above 100 members. With majority of the SACCOs having less than 50 members, the competition among them is high since the lower the number of members in a SACCO the higher the number of SACCOs especially now that there is a government direction that all transport operators join existing or form new associations.
4.3 Background Information of Respondents

The researcher sought to find out the age, marital status, education level and the years that the respondents have worked in their respective SACCOs.

4.3.1: Years worked in the SACCO

The results showed that only 3% of the respondents have worked for their respective SACCOs for less than 1 year while 10% have worked for their SACCOs for more than 10 years. The respondents who have worked for their SACCOs for 1-5 years and 6-10 years are 46% and 41% respectively as shown in figure 4.3 below. This shows that transport SACCOs in Nyeri Central District are mostly managed by persons who have worked for them for more than five years since 51% of the respondents have worked for their organizations for five years and above.
4.3.2: Gender of the Respondents

The findings of the study showed that more male than female manage transport SACCOs in Nyeri Central District. Of the 39 managers and chairpersons who responded, 24 of them were male representing 62% while 15 were female representing the other 38% as shown in figure 4.4 below.

Source: (Researcher, 2012)

Figure 4.4: Gender of the Respondents
4.3.3: Marital Status of the Respondents

This study revealed that 85% of the managers and chairpersons of the SACCOs in Nyeri Central District were married while only 15% of them were single as indicated in figure 4.5 below. This could be due to the fact that majority of them are mature persons who have already settled in families.

![Marital Status of Respondents](image)

Source: (Researcher, 2012)

Figure 4.5: Marital Status of the Respondents

4.3.4 Educational Level of the Respondents

The study revealed that only 10% of the managers and chairpersons in transport SACCOs in Nyeri Central District were degree holders. The other 36% held diplomas while 15% of them were educated to A-level. Those that were educated to O-level were 31% while those who held other qualifications were 8% as shown in the table below.
Table 4.2: Educational Level of Respondents

<table>
<thead>
<tr>
<th>Educational Level of Respondents</th>
<th>Percentage Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>O-Level</td>
<td>31%</td>
</tr>
<tr>
<td>A-Level</td>
<td>15%</td>
</tr>
<tr>
<td>Diploma</td>
<td>36%</td>
</tr>
<tr>
<td>Degree</td>
<td>10%</td>
</tr>
<tr>
<td>Others</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: (Researcher, 2012)

4.4 Organizational Resources

The study sought to find out how communication, financial control systems, information technology, organization, management, skills and experience influence the choice of competitive strategies among SACCOs in Nyeri Central District. The findings of the study are shown in the graph below.
Over 90% of the respondents agreed that communication mechanisms were used to share information across organization’s units while 5% strongly disagreed that the statement applied in their SACCOs. The remaining 3% were neutral as shown in the bar graph above. This means that there is proper sharing of information within transport SACCOs in Nyeri Central District.
4.4.2 Financial Control Systems

On whether the SACCO had adequate systems of financial management and internal controls over their assets, 28% strongly agreed while 31% just agreed. Of the remaining respondents 31% said that there were no such systems while the rest either did not know or choice to be neutral. The number of transport SACCOs in Nyeri Central District without adequate financial management systems and internal control systems is high being at 31% of the total population.

4.4.3 Information Technology

Only 39% of the SACCOs studied in Nyeri Central District had software and hardware systems to ensure availability of quality information to their customers while the other 39% did not have such systems. The other 22% of the respondents did not know whether their SACCOs had such systems or not as represented in figure 4.7 above.

4.4.4 Organization and Management of Workforce

The respondents were asked whether their SACCO’s workforce was well organized and managed to achieve the set standards and targets hence staying ahead of competitors. While 10% of the respondents were neutral the other 90% agreed that the workforce of their respective SACCOs was well organized and managed to gain competitive advantage.

4.4.5 Skills and Experience

Almost 90% of the respondents agreed that their SACCOs attracted highly skilled and experienced employees who develop superior products hence creating a competitive advantage. However, 3% disagreed that such a move has not been taken in their SACCOs with the remaining 15% being neutral on the statement.

4.5 Environmental Dynamism

The study aimed at finding out how feedback system, market intelligence, intellectual capacity organizational networks and technological advancements influence the choice of competitive strategies among the transport SACCOs in Nyeri Central District.
4.5.3: SACCOs' Business Networks

On whether the SACCOs fosters strong social and professional relationships among employees and customers, 23% of the respondents strongly agreed, 49% agreed while 28% were unaware such networks influenced the choice of competitive strategies. This is shown in the figure below.

Source: (Researcher, 2012)

Figure 4.8: Influence of Business Relationships on Choice of Competitive Strategies
4.5.4: Unique Capabilities

On unique capabilities, the researcher sought to find out whether SACCOs strived to acquire and retain superior talents vested in their employees. The response as given by the 39 managers and chairpersons who participated in the study were as shown below where 15% the respondents strongly agreed, 49% agreed, 26% neither agreed nor disagreed and 10% disagreed.

<table>
<thead>
<tr>
<th>Ratings</th>
<th>Frequency of Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>6</td>
<td>15%</td>
</tr>
<tr>
<td>Agree</td>
<td>19</td>
<td>49%</td>
</tr>
<tr>
<td>Neutral</td>
<td>10</td>
<td>26%</td>
</tr>
<tr>
<td>Disagree</td>
<td>4</td>
<td>10%</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>0</td>
<td>0%</td>
</tr>
</tbody>
</table>

**Source:** (Researcher, 2012)

4.5.5: Technological Advancements

On whether the transport SACCOs in Nyeri Central District kept pace with the technological changes in order to gain competitive advantage in the industry, 59% of the respondents agreed while 10% disagreed. The rest 31% were neutral as shown in figure 5.2 below.
Source: (Researcher, 2012)

**Figure 4.9**: Influence of Technological Changes on Choice of Competitive Strategies

### 4.6 Organizational Leadership

Under organizational leadership the researcher sought to find out how the leaders' personal traits, leadership style, knowledge management, leader-workers relationship and motivation by leaders influence the choice of competitive strategies of transport SACCOs in Nyeri Central District. The findings on the five parameters are presented in the graph below labeled figure 4.13.
4.6.1 Leaders' Personal Traits

Almost all the respondents agreed that the enthusiasm and commitment of the leader to excellence influenced the choice of competitive strategies adopted by the transport SACCOs in Nyeri Central District. No respondent disagreed with the statement and only 2% were neutral as shown in the graph above.

4.6.2 Pro-activeness of Leaders to Seize Opportunities

On whether the SACCOs' leaders seize opportunities to gain competitive advantage, 36% of the respondents strongly agreed, 49% of them agreed while 15% neither agreed nor disagreed as presented in figure 4.13 above.
4.6.3 Knowledge Management

The researcher further enquired whether the SACCOs’ leaders master new technical and business knowledge in a bid to deliver superior services. Majority of the respondents, i.e. 64% agreed that their SACCO leaders effectively manage knowledge in order to deliver superior services to the clients while 5% disagreed. The remaining 31% neither agreed nor disagreed as presented in figure 4.13 above.

4.6.4 Working Relationships

The respondents were asked whether the SACCOs’ leaders build productive working relationships with co-workers and other stakeholders. Only 3% disagreed with the statement while 33% were neutral. The remaining 64% agreed that the leaders established good working relationships with other parties. The findings are presented in figure 4.13 above.

4.6.5 Motivation of Employees

On whether the SACCOs’ leaders motivate their employees to perform better with an aim to beat competition, 26% of the respondents strongly agreed, 36% agreed, 3% neither agreed nor disagreed while 3% disagreed. These findings are shown in the graph above labeled figure 4.13.

4.7 Culture

In determining how culture influences the choice of competitive strategies of transport SACCOs in Nyeri Central District the researcher enquired about adherence to professional values, ethics and standards, cultural use of organizational and community resources, communication of beliefs and values, understanding of cultural values and promotion of multiculturalism within the SACCOs.

4.7.1 Adherence to Professional Values, Ethics & Standards

There was adherence to professional values, ethics and standards in 88% of the SACCOs studied while the remaining were neutral as shown in the graph below.
4.7.2 Use of Appropriate Language

On whether the SACCO emphasizes on use of appropriate language among the staff, 82% of the respondents agreed while 10% disagreed. The remaining 8% were unaware of whether their organizations emphasized on use of appropriate language among the staff members or not. These findings are represented in the graph below labeled figure 4.19.
4.7.3 Communication of Organizational Beliefs and Values

Nine of the thirty nine respondents that were interviewed strongly agreed that the organizational beliefs and values were effectively communicated to the members in order to achieve a competitive edge in the transport industry. Fifteen more respondents agreed while thirteen neither agreed nor disagreed with the statement. Only the remaining two respondents disagreed that there was adequate communication of organizational values to the members and new comers.

Source: (Researcher, 2012)

Figure 4.13: Communication of Organizational Beliefs and Values

4.7.4 Understanding of Personal and Cultural Values and Beliefs

Upto 72% of the respondents agreed that their SACCOs had developed an understanding of one’s personal and cultural values and beliefs and how those values and beliefs influence service delivery while 8% of them disagree with the remaining 20% being neutral.
Table 4.5: Understanding of Personal & Cultural Values and Beliefs

<table>
<thead>
<tr>
<th>Ratings</th>
<th>Response Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td></td>
<td>13%</td>
</tr>
<tr>
<td>Agree</td>
<td></td>
<td>59%</td>
</tr>
<tr>
<td>Neutral</td>
<td></td>
<td>20%</td>
</tr>
<tr>
<td>Disagree</td>
<td></td>
<td>3%</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td></td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: (Researcher, 2012)

4.7.5 Promotion of Multiculturalism within all Levels of Organizations

On whether the SACCO implemented policies and practices that foster multiculturalism within all levels of the organization hence ensuring that customer groups served are represented among the personnel, only 5% of the respondents strongly agreed while 41% of them just agreed. A total of 18% of the respondents disagreed with the statement while the remaining 18% neither agreed nor disagreed as shown in the chart above.

Source: (Researcher, 2012)

Figure 4.14: Promotion of Multiculturalism within all Levels of Organizations
4.8 Choice of Competitive Strategies

To find out which competitive strategies adopted by transport SACCOs in Nyeri Central District, the respondents were asked to rate cost leadership, product differentiation, product diversification and focus strategy.

4.8.1 Cost Leadership

On minimization of overhead costs to achieve market leadership 95% of the respondents agreed that such a move was taken in their respective SACCOs while the other 5% disagreed. On minimization of other costs, 80% of the respondents agreed, 10% neither agreed nor disagreed while the other 10% disagreed.

Source: (Researcher, 2012)

Figure 4.15 Minimization of overhead and other costs to achieve cost leadership in market

4.8.2 Product Differentiation

Upto 87% of the respondents agreed that their SACCOs have a brand name that their customers identify easily. The other 13% were neutral of the statement. Of those who agreed over 50% strongly agreed as shown in figure 4.24 below.
4.8.3 Product Diversification

Over 50% of the transport SACCOs in Nyeri Central District do not engage in other profitable businesses besides provision of transport services in order to gain a competitive edge in the market. It is only 38% of the SACCOs that engage in other income generating activities as represented in the graph below.

Table 4.6: Engagement in other Profitable Businesses besides Transport

<table>
<thead>
<tr>
<th>Ratings</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>15%</td>
</tr>
<tr>
<td>Agree</td>
<td>23%</td>
</tr>
<tr>
<td>Neutral</td>
<td>10%</td>
</tr>
<tr>
<td>Disagree</td>
<td>44%</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: (Researcher, 2012)
4.8.4 Focus Strategy

On focus strategy, the respondents were asked whether their SACCOs concentrated on provision of transport services to particular customers and 44% strongly agreed, 26% agreed, 5% were neutral, 13% disagreed and 13% strongly disagreed.

Source: (Researcher, 2012)

Figure 4.17: Concentration on Particular Customers

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CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

In this chapter the researcher summarizes the findings of the study and makes conclusions based on the presented findings. Finally, recommendations are made from the conclusions. The researcher further identifies the areas for further research in similar areas.

5.1 Summary of Major Findings

5.1.1 Background Information

The findings of the study revealed that 75% of the transport SACCOs in Nyeri Central District had less than 50 members hence the high number of SACCOs in the district. The management of these SACCOs is dominated by men who occupy 62% of the management posts. These managers have worked for the same organizations for more than five years. The probable reason why experienced males dominate the management of transport SACCOs could be due to the nature of business in these SACCOs. The educational level of these managers, on the other hand, is mostly O-level and A-level. The findings also revealed that the transport SACCOs in Nyeri Central District are generally young since majority of them are younger than five years.

5.1.2 Organizational Resources

On organizational resources, 92% of transport SACCOs had proper communication lines that enable effective sharing of information among the staff at different levels within the SACCO. However, these channels are not strongly supported by the right information technology in terms of communication software and hardware since only 39% of the organizations have invested in modern information technology. The study further revealed that the transport SACCOs in Nyeri Central District have invested in adequate financial control systems whose operations may not be familiar with some staff within the SACCOs. While the transport SACCOs do not attract highly educated staff, they attract superior talented persons who are able to develop superior products for them. This skilled and talented workforce is organized and well managed to achieve the set targets to gain competitive advantage. With exception to information technology, the other resources strongly influenced the choice of competitive strategies among transport SACCOs.
5.1.3 Environmental Dynamics

On environmental dynamism, 80% of the transport SACCOs had good feedback systems to monitor customer demands and their changing preferences which were accompanied by effective market intelligence. The findings further showed that 72% of these SACCOs have established extensive social and professional networks among the employees and customers. On the other hand, a large number of the SACCOs did not keep pace with the technological changes in the market. Again, with exception to technological changes, the other environmental changes strongly influenced the choice of competitive strategies adopted by transport SACCOs.

5.1.4 Organizational Leadership

The SACCO managers are enthusiastic and committed to pursue excellence in service delivery to their customers. They are also pro-active and are able to identify and seize opportunities in the market with an intention to gain a competitive edge. In terms of mastering new technical and business knowledge in the industry, the findings showed that the managers were very effective but the SACCOs' structures were weak in enabling the managers to build productive working relationships with co-workers and external parties. The respondents also agreed that the employees were adequately motivated to deliver their best. Over 85% of the respondents agreed that the leadership of the SACCOs influenced the choice of competitive strategies adopted by transport SACCOs. This therefore means that the SACCOs’ leadership has a very strong influence on choice of competitive strategies implemented by these SACCOs.

5.1.5 Organizational Culture

In terms of the culture, the SACCOs have tried to gain a cutting edge in the already saturated market through adherence to professional values, ethics and standards in order to accommodate their customer needs. They also promote use of appropriate language and multiculturalism among the staff to accommodate more customers as revealed by the findings where more than 80% of the respondents agreed. The study also indicated that most SACCOs actually go an extra mile by developing an understanding of their staff personal values and beliefs and how they influence the competitiveness of the organization in the market. This implies that the culture within the transport SACCOs strongly influenced their choice of competitive strategies.
5.2 Conclusion

From the findings, it is evident that organizational resources influence the choice of competitive strategies in transport SACCOs since these SACCOs use appropriate communication lines that enable timely sharing of information among the staff members hence giving the SACCO a competitive advantage over the competitors. For instance the drivers are called for educational meetings to advise them about the changes in traffic rules. The SACCOs also maintain effective financial management systems that ensure proper handling of finances from receipting of customers and checking of receipt books to depositing of the money in the bank. Books of accounts for every year are drawn and audited and are accessible to members. Management of SACCO assets such as buildings, vehicles, lorry tankers, petrol station equipment and furniture is done through maintenance of asset registers where they are all recorded.

Acquisition and disposal of such assets must be approved by the relevant authorities which may be the board of directors or SACCO members in an annual general meeting. The SACCOs also capitalize on their organized and well managed workforce to gain competitive edge in the market. The staff, for instance, are always in clean SACCO uniforms and badges; a move that is geared towards attracting customers. The staff also advise customers to make their payments in cash offices only thus raising their confidence level unlike where they may be required to pay to individuals at the stage. The SACCOs’ competitiveness is also determined by the skills and experience of the staff where the SACCO with most skilled and experienced staff leads the market.

The choice of competitive strategies adopted by transport SACCOs in Nyeri Central District is also influenced by the changes in their operating environment. To keep pace with the continuous changes in the industry, the SACCOs have elaborate feedback systems which enable their customers to give feedback. The customers are able to express their satisfaction or dissatisfaction with the services through contacts on customer care stickers in the vehicles.

The SACCOs have also intensified their market intelligence where they closely monitor the competitors’ moves and respond accordingly. For example, one SACCO has to find out the prices of the other SACCOs for it to be able to fix competitive prices. They also establish strong business and social relationships with their customers to win their loyalty. The relationships help
the SACCOs to raise the costs of switching to the competitors. Due to the constant changes in the market and especially in terms of tastes and preferences of the customers the SACCOs try to acquire and retain unique capabilities among their staff that are able to develop unique products that satisfy the emerging customer tastes and preferences. However, the same organizations have not fully embraced technology in their operations especially on functional operations like ticketing.

Like in any other industry, the leadership in transport SACCOs influences the choice of competitive strategies adopted by these SACCOs. Such factors as the leadership styles and personal traits of the leaders determine the choice of strategies adopted where SACCOs whose leaders are committed and enthusiastic are likely to choose different strategies from the ones whose leaders are neither committed nor enthusiastic. To choose a competitive strategy for the organization, the leaders should be pro-active and be able to seize opportunities as they arise in the market. On the other hand, the implementation of these strategies need accurate information of the industry and the market trends in general thus the need for an effective knowledge management system. This therefore means that proper management of market and industry knowledge is an important tool of competitiveness that is at disposal of the SACCOs’ leadership.

The culture of the organization significantly influences the choice of competitive strategies adopted by transport SACCOs in Nyeri Central District. The SACCOs for instance, have different policies that highlight the standards and ethics to be observed by their staff members especially those that directly interact with the customers. The staff members are well informed of these policies and their influence on the competitiveness of the organization in the market. Accommodating language, for example, must be used while dealing with customers at all times. The staff members are aware that if they use abusive language on customers or even potential customers, the organization may lose sales volume in future.

Organizational values and beliefs are also well communicated to new staff members so as to enhance the competitiveness of the organizations. In some organizations where staff members are required to hold prayers every morning, the tradition is clearly communicated to any new staff member that joins the organization. In addition, some SACCOs have gone an extra mile to develop an understanding of personal beliefs and values so as to harmonize them with those of
the SACCO in order to gain a competitive advantage through the personal values and beliefs. Promotion of cultural diversity among the SACCOs’ staff members ensures that the SACCOs are able to serve customers with diversified cultural backgrounds. Fostering of multiculturalism in the organization is actually in most of these SACCOs’ written and practiced policies and especially at shop floor levels.

5.3 Recommendations

Based on these conclusions, the SACCOs in Nyeri Central District and indeed all transport SACCOs need to invest in modern information technology in such areas as communication, financial management, ticketing and fleet management. This would ensure timely and convenient services to customers who may opt to book for their tickets online for example. In the long run investment in such effective and efficient technology would give the SACCOs a competitive advantage in areas like cost leadership and product differentiation. Of much importance is that embracing modern technology in transport SACCOs would determine the choice of other competitive strategies to be adopted in future since it would practically raise the level of operations in the industry.

Secondly, the transport SACCOs should invest in other related businesses to diversify their products. Investment in such areas like auto spare shops where the members and other customers can purchase genuine and quality spare parts at friendlier terms is likely to give the SACCOs a competitive edge in the market. Other businesses in which the transport SACCOs can invest in include the repair garages, car wash and driving schools. The businesses would complement the few other services that the SACCOs are providing which include parcel delivery and petrol station services hence raising the incomes of the SACCOs. Like technology, diversification may influence the consequent strategies to be adopted by the SACCOs to acquire a larger market share.

In such a highly competitive environment especially due to the high number of SACCOs, some small organizations should consider merging with others in the industry in order to make some economic sense. For instance, some of the transport SACCOs with fewer than fifty members should merge to be able to operate competitively in the market. Besides raising their capital base, merging of small SACCOs would make them enjoy the economies of scale hence becoming
more competitive. Merging as a competitive strategy would also influence the choice of further competitive strategies to be adopted by the merging SACCOs.

Continuous and regular training of staff in different areas like customer care and government policies should be intensified within the SACCOs. This would improve the SACCOs’ workforce hence making it more competitive. Like in most service industries, transport industry needs a highly skilled labour force to effectively meet the customers’ needs. A highly skilled labour force would in turn implement other competitive strategies much effectively.

With expansion of road network in the country, the SACCOs should consider exploring other new economical routes and withdraw from congested and uneconomical routes. Such a venture would not only raise their sales volume but also give them a chance to sustainably lead in those new markets given that they were the first entrants.

5.4 Areas for Further Research

This study focused on the factors that influence the choice of competitive strategies among the transport SACCOs in Nyeri Central District. A study that focuses on the challenges that face the SACCOs in implementation of the chosen strategies should be conducted to shed more light in the industry.

Again, a similar study in other related industries such as the courier service providers should be conducted to enable the managers draw comparisons given that some transport SACCOs have already ventured into such businesses.
REFERENCES


Human & Rousseau Tafelberg.


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Appendix I: Letter to Respondents

Anne N Wanjohi
Kenyatta University,
P.O. Box 2343-10100
NYERI

Dear Respondent,

RE: AN INVESTIGATION INTO FACTORS INFLUENCING CHOICE OF COMPETITIVE STRATEGIES IN ORGANIZATIONS: A SURVEY OF TRANSPORT SACCOS IN NYERI CENTRAL DISTRICT

I am a student of Kenyatta University, Nyeri Centre. I am currently undertaking a research on factors influencing choice of competitive strategies in organizations. I kindly request your assistance and cooperation in attaining the objectives of the study by filling in the attached questionnaires. You are hereby assured that the information you give will be treated with utmost confidentiality and that it will be used for this study only. Kindly ensure that you do not write your name on the questionnaire.

Yours Faithfully,

Anne N Wanjohi
Appendix II: Questionnaire

Please fill in the following questionnaire by answering all the questions given as instructed. The information generated shall be used for academic purposes only. Please do not indicate your name anywhere in the questionnaire.

Section A: Background Information

1. Name of Sacco (Optional) __________________________________________

2. Year of formation __________________________________________

3. Number of members __________________________________________

4. How long have you worked in the Sacco?
   Less than 1 year [ ] 1-5 years [ ] 6-10 years [ ] Over 10 years [ ]

5. Gender
   Male [ ] Female [ ]

6. Marital Status
   Married [ ] Single [ ]

7. Educational level
   Degree [ ] Diploma [ ] A-Level [ ] O-Level [ ] Others (Specify)

Section B: Organizational Resources

To what extent do you think the following factors related to organizational resources influence the choice of competitive strategies in transport Saccos in Nyeri Central District?
(Rate on a scale of 1-5, where: 1= strongly agree, 2= Agree, 3= neutral, 4= Disagree, 5= strongly disagree).

<table>
<thead>
<tr>
<th></th>
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<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The Sacco attracts highly skilled, experienced employees who develop superior products hence creating a competitive edge.</td>
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<tr>
<td>2</td>
<td>The Sacco workforce is organized and managed to accomplish the set standards and targets hence staying ahead of competitors.</td>
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<tr>
<td>3</td>
<td>The Sacco has software and hardware that ensure availability of quality information to customers.</td>
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<tr>
<td>4</td>
<td>There exist adequate systems of financial management and internal control over the Sacco assets.</td>
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<tr>
<td>5</td>
<td>Communication mechanisms are used to share information across organization units and among staff at different levels.</td>
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</tbody>
</table>

Section C: Environmental Dynamism

To what extent do you think the following factors related to environmental dynamism influence the choice of competitive strategies in transport Saccos in Nyeri Central District?

(1= strongly agree, 2= Agree, 3= neutral, 4= Disagree, 5= strongly disagree).

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<th>3</th>
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<th>5</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>There is a feedback system in place to monitor customer demands and their changing preferences</td>
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</tbody>
</table>
enabling the Sacco to develop competitive services.

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<tbody>
<tr>
<td>2</td>
<td>The Sacco is able to monitor competitor moves, which makes it possible to design competitive services.</td>
</tr>
<tr>
<td>3</td>
<td>The Sacco fosters strong social and professional relationships among employees and customers</td>
</tr>
<tr>
<td>4</td>
<td>The Sacco strives to acquire and retain superior talent vested in its employees.</td>
</tr>
<tr>
<td>5</td>
<td>The Sacco keeps pace with changes in technology to deliver superior service and gain competitive advantage.</td>
</tr>
</tbody>
</table>

### Section D: Organizational leadership

To what extent do you think the following factors related to organizational leadership influence the choice of competitive strategies in transport Saccos in Nyeri Central District?

(1= strongly agree, 2= Agree, 3= neutral, 4= Disagree, 5= strongly disagree).

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<tr>
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<th>2</th>
<th>3</th>
<th>4</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Sacco leaders are enthusiastic and committed to the pursuit of excellent service delivery to customers.</td>
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<td>2</td>
<td>The Sacco leaders take charge and capitalize on opportunities.</td>
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<tr>
<td>3</td>
<td>The Sacco leadership quickly masters new technical and business knowledge in a bid to deliver superior services.</td>
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</tbody>
</table>
4 The Sacco leaders build productive working relationships with co-workers and external parties.

5 Employees are motivated to perform at their best hence stay ahead of competitors.

Section E: Culture:

To what extent do you think the following factors related to organizational culture influence the choice of competitive strategies in transport Saccos in Nyeri Central District?

(1= strongly agree, 2= Agree, 3= neutral, 4= Disagree, 5= strongly disagree).

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</thead>
<tbody>
<tr>
<td>1</td>
<td>There is adherence to professional values, ethics and standards while recognizing how they conflict with and accommodate customer needs.</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2</td>
<td>The Sacco leaders emphasize use of appropriate language on customers and among the workforce.</td>
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<tr>
<td>3</td>
<td>There is adequate communication of the organization beliefs and values to organizational members and new comers.</td>
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<tr>
<td>4</td>
<td>The Sacco has developed an understanding of one’s personal and cultural values and beliefs and how those values and beliefs influence service delivery.</td>
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<tr>
<td>5</td>
<td>The SACCO emphasizes on use of appropriate language among the staff members</td>
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</table>
Section F: Choice of Competitive Strategies

To what extent do you think the following factors influence the choice of competitive strategies in transport Saccos in Nyeri Central District?

(1= strongly agree, 2= Agree, 3= neutral, 4= Disagree, 5= strongly disagree).

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<tr>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Overhead costs are minimized by management so as to achieve cost leadership in the market.</td>
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<tr>
<td>2</td>
<td>The Sacco operates from stage offices in cheaper areas of the towns served by the Sacco vehicles.</td>
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<tr>
<td>3</td>
<td>The Sacco has an established brand name, with which customers identify easily.</td>
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<tr>
<td>4</td>
<td>The Sacco engages in other profitable business besides provision of transport services.</td>
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<tr>
<td>5</td>
<td>The Sacco concentrates on provision of transport services to particular customers.</td>
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</table>

Kindly indicate other factors that you think may influence the choice of competitive strategies in transport Saccos in Nyeri Central District.
Any other comment

-THANK YOU VERY MUCH-
Appendix IV: Research Budget Plan

<table>
<thead>
<tr>
<th>ITEM</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport</td>
<td>3,000</td>
</tr>
<tr>
<td>Stationery</td>
<td>10,000</td>
</tr>
<tr>
<td>Meals and refreshments</td>
<td>2,000</td>
</tr>
<tr>
<td>Printing and binding</td>
<td>10,000</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>5,000</td>
</tr>
<tr>
<td><strong>Total Expenditure</strong></td>
<td><strong>30,000</strong></td>
</tr>
</tbody>
</table>