# COMPETITIVE STRATEGIES ADOPTED BY UNIVERSITIES IN KENYA

**BY**

**KISATO CLYDE REUBEN AMBATSA**

**A RESEARCH PROJECT REPORT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI**

**NOVEMBER, 2016**

## DECLARATION

I, the undersigned, declare that this research project report is my original work and that it has not been presented in any other university or institution for academic credit.

Signature……………………………...…          Date……………………………………...

Kisato Clyde Reuben Ambatsa,

Reg. No: D61/61022/2013,

School of Business,

UNIVERSITY OF NAIROBI.

This management research project report has been submitted with my approval as the university supervisor.

Signature…………………………...          Date…………………………………….

Dr. Vincent N. Machuki,

Department of Business Administration,

School of Business,

UNIVERSITY OF NAIROBI.

## ACKNOWLEDGEMENTS

My sincere gratitude to Dr. Vincent Machuki for his invaluable assistance towards making this research project a success. God bless you abundantly.

I would like to also acknowledge all the university staff who took time off their busy schedules to respond to the questionnaires and to all the staff at the School of Business, University of Nairobi. Thank you all and be blessed.

# DEDICATION

To my Son, Kisato Liam.

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# ABSTRACT

In a competitive industry, there exist various players pitied against each other in a game that is, seeking competitive advantage. The higher education industry in Kenya in not any different, the various players are in the form of the individual, with each seeking to make critical decisions on which competitive strategy to adopt that will guarantee better payoffs. The objectives of the study were to determine the forces that define competition in the higher education sector, and to determine the competitive strategies adopted by universities in Kenya, established between the years 2012 to 2015. The study was underpinned on the game theory and the strategic conflicts theory. A cross-sectional census survey study was carried out on universities established between the years 2012 and 2015. Primary data was collected by administering structured questionnaires to the top management of the institutions by mail. The data was analyzed using descriptive and inferential statistics. The findings of the study were found to be consistent with existing theory on the forces that define competition. Industry factors were found to affect the universities under study to a higher extent than macro environment forces. Further, the generic strategies were found to be adopted to a higher extent than the grand strategies. Differentiation and integration were found to be the most adopted strategies from the two groups of strategies. It was concluded that the strategies adopted were largely generic strategies and that the forces that define competition were largely industry forces. It was recommended that universities analyze their environments both internal and external and forecast changes to enable choice of the best strategy. Limitations to the study included the generalization of the findings for public and private universities, and limitation of the cross sectional survey over longer periods of time. The researcher proposed further studies in the areas of limitation of the study.

# CHAPTER ONE: INTRODUCTION

## 1.1. Background of the Study

Competition is present in virtually all sectors of the business world and organizations have to contend with it in their daily business undertakings. In a competitive industry there exist various players pitied against each other in a game: Seeking competitive advantage. The decisions made by one player, not only affects his outcomes but also the outcomes for all the other players in the industry. Each player has certain preferences and knows that one of several possible scenarios will occur, and though he may have some control, he is not fully in charge of all the variables that control the scenarios (Dresher, 1956). It becomes essentials that a critical, rational process be employed in selecting the firm's course of action.

The concept of competitive strategy is built upon the Game theory and the Strategic conflicts model. The Game theory is a logical analysis of how players in a particular industry rationally play, with each seeking a favorable outcome for himself. For competition to be present in any industry there has to be more than one player. Every player in an industry seeks to have better payoff than the other players and as such will device tactics or strategies by which to outplay the other players. The choice of these tactics will involve complicated decisions based on a rational analysis of the other players' course of action in the industry, and the industry itself, with an understanding that other players are making choices that will ensure their dominance. Each player's choice of tactics will depend on how he expects the rivals to act.

Strategic choice depends greatly on influencing other player's behavior on how they view ones actions and expectations (Schelling, 1963). The strategic conflict theory seeks to further expound on the shortcomings of the Game theory such as the use of rationality concept under uncertainty, and the need to develop a satisfying analytical framework in conflict (Lebonnois, 2007). The strategic conflict theory thus utilizes non-zero sum games to find sound strategic choices that would return better pay offs in strategy in conflicts.

The higher education sector in Kenya has various players, these include the universities established earlier than 2012 and those established between the years 2012 and 2015, and each is tasked with the critical task of making a decision on which competitive strategy to choose that will guarantee better payoffs than those of the competition. In choosing the competitive strategy, the universities in Kenya have to carry out a rational analysis of the other universities moves and the competitive factors in order to make sound strategic decisions.

### 1.1.1. The Concept of Competitive Strategy

There have been several definitions put forward by scholars on the meaning of strategy. Johnson et al., (2008) defined strategy as the direction and scope which an organization takes over the long term which involves informed allocation of the company resources and competences with the aim of achieving competitive advantage in the environment in which it operates in order to ensure better returns for its stakeholders. Strategy is a set of rules for decision making that give direction to an organization (Ansoff & McDonnell, 1990).

Mintzberg et al., (1998), defined strategy as a plan, ploy, perspective, pattern, and position, generally known as the 5P's of strategy. Strategy is the link between the organization and its environment and enables an organization to steer through a turbulent environment.

Competitive strategy is the means by which an organization seeks to position itself favorably within an industry with the main aim being to establish a profit sustainable position against industry and macro environment factors, (Porter, 1985). Key in determining the competitive strategy is to determine the industry attractiveness and the factors that determine industry competition and secondly, decide the competitive positioning within the industry.

### 1.1.2. The Higher Education Sector in Kenya

Higher education sector in Kenya encompasses both public and private universities, university colleges, independent colleges, and polytechnics which offer degrees and diplomas in various fields (Afeti et al., 2008). The increased demand for university education has seen many middle level colleges upgraded to constituent university colleges and campuses affiliated to universities. This has been made possible partly through legislation and in particular the passing of the Universities Act of 2012 by parliament. The Act came into effect on $12^{th}$ December 2012 and saw the formation of the Commission for University education (CUE). Prior to the enactment of the Act, public universities were established by acts of parliament. Under the new Act, public universities are established through the award of charters subsequent to quality audit and accreditation by the Commission for University Education.

The higher education sector in Kenya is one of the most vibrant sectors in the education industry and one that has seen tremendous changes in the last decade. University education in Kenya dates back to the 1960s. In the year 1963, upon independence the then Royal College was renamed the University college of Nairobi (Ngome, 2006). The liberalization of higher education in the 90s through the enactment of the commission for Higher education saw the dynamics in the higher education sector change significantly ushering in new competitors in the form of private universities, further, the Universities Act of 2012 and the rapidly increasing demand for university education and has transformed the sector increasing competition among players. There has been tremendous increase in the establishment of new universities in the period 2012 to 2015. The entry of these many universities has shifted the dynamics in the education sector radically by increasing rivalry among universities.

### 1.1.3. Targeted Universities for Research in Kenya

This research was targeted at those universities both Public and private, which were established between the years 2012 to 2015 according to the Commission for University Education (CUE) records. The Commission for University Education (CUE) was established in 2012 by an act of parliament with the core mandate being the promotion of university education objectives. It is conferred with the powers of regulation and accreditation of universities in Kenya. This research paper will consider the date of establishment and not the date of confirmation of charters since all initially established universities prior to the year 2012 by the act of Parliament, had their charters repelled and were all conferred charters afresh with the coming to being of the Universities Act.

According to the Commission for University Education, as at November 2015 there were twenty three (23) fully accredited public universities. Sixteen out of these were established between 2012 and 2015 namely, Dedan Kimathi University of technology, Chuka university, Technical University of Kenya, Technical University of Mombasa, Pwani University, Kisii University, University of Eldoret, Maasai Mara University, Jaramogi Oginga Odinga University of science and Technology, Laikipia University, South Eastern Kenya University, Meru University of Science and Technology, Multimedia University of Kenya, University of Kabianga, Karatina University, and Kibabii University. Three out of the seventeen accredited private universities were established between the years 2012 and 2015, namely, Great Lakes University of Kisumu, KCA University, and Adventist University of Africa. In total, nineteen universities meet the criteria for consideration as in this research project.

## 1.2. The Research Problem

There exists no consensus among scholars on how organizations should arrive at, and on which competitive strategies to select. The process of selecting a competitive strategy within an organization involves complex decisions and the outcomes of the analysis is varied and different from organization to organization. Strategic decisions are based on the desired outcomes and the individual organization's views of the environment, and the players within the industry in which it competes. The lack of consensus on strategy selection opens a gap in knowledge and need to better understand the various strategies that players in a certain industry are predisposed to select.

The higher education sector in Kenya is one of the industries that are experiencing cut throat competition among the players. There exist several players in the form of individual universities, with each having several possible strategies to choose from. This choice of strategy impacts not only the outcome of the individual university, but also that of other universities within the industry.

Several studies have been carried out on competitive strategies within the higher education sector. Mathooko (2013) carried out a survey on public universities in Kenya, Kamau (2013) on the competitive strategies by private universities, Kitoto (2005) carried out a generalized study of the competitive strategies by universities, Sifuna (2011) on the effect of competitive strategies on performance, and Shema (2012) on the competitive strategies in institutions of higher of learning in Rwanda. Several case studies have been conducted; Evusah (2013) conducted a case study at the University of Nairobi on strategic responses, Achola (2014) on competitive strategies at Kenya institute of management, Waithaka (2014) on competitive strategies at the University of Nairobi, and Kathambi (2011) on competitive strategies at Zetech College.

Whereas there has been several researches conducted, the survey studies highlighted have considered other groupings, and the case studies do not allow for generalization for this unique group of universities. The findings of the previous research studies (Achola, 2014; Kathambi, 2011; Waithaka, 2014) cannot be used to describe this unique grouping since the case studies do not allow for generalization.

Separately, studies (Kamau, 2013; Kitoto, 2005; Mathooko, 2013; Shema, 2012; Sifuna, 2011) though surveys are not representative of the universities established within the selected time frame. Shema (2012) investigated institutions of higher learning in Rwanda which is a different environment to Kenya. Kitoto (2005) carried out a more generalized study on all universities in Kenya. This research paper will attempt to answer the research question; what competitive strategies universities in Kenya established between the years 2012 to 2015 employ?

## 1.3. Research Objectives

The objectives of this study are,

i. To determine the forces that define competition in the higher education sector in Kenya.
ii. To establish the competitive strategies adopted by universities in Kenya established between the years 2012-2015.

## 1.4. The Value of the Study

This study has great value to theory, policy formulation stakeholders, and to practice. Firstly, to theory by seeking to determine the consistency of the existing theory on competitive strategies in general as postulated in the existing works of Porter (1980). The study further contributes to theory by relating and checking consistency of existing theory to the Kenyan context and specifically the higher education sector in Kenya.

Secondly, the study has value to policy formulation in the higher education sector by the Ministry of Education and other regulatory bodies.

By understanding the forces of competition within the higher education industry in Kenya as highlighted in this research, the government and other stakeholders will have a better insight when formulating policies that will guide the industry.

Finally, this study has value to practice and to the individual universities in understanding the higher education industry. Universities will be able to better understand the strategies adopted by other universities in comparison with their own and the forces that define competition within the higher education industry. This will enable them to make rational decisions on the strategic direction they should pursue.

# CHAPTER TWO: LITERATURE REVIEW

## 2.1. Introduction

This chapter focused on the literature by other authors who have carried out research relating to competitive strategies and the theories that have been developed on this topic. The chapter will look at the theoretic underpinnings of the study, the concept of industry competition, competitive strategies, and finally a summary of the knowledge gap that exists in theory.

## 2.2. Theoretical Underpinnings of the Study

This research project was founded upon two theories; the game theory and the strategic conflict theory. The Game theory is a logical analysis of how players in a particular industry rationally play, with each seeking a favorable outcome for himself. It was proponed by Neumann & Morgenstern (1944) and is decision making process based on rational analysis of all options available to the organization and those of the competitors.

The strategic conflict theory was proponed by Shapiro (1989) and uses the framework of game theory to analyze how rival firm in a particular industry interact competitively. Strategic conflict theory views competitive outcomes as a function of how effective a particular firm outwits its competition by use of tactics such as signaling, strategic investments, pricing strategies, and controlling key information to competitors (Teece, Pisano & Shuen, 1997) and provides a framework for strategic decision for non-zero sum games.

### 2.2.1. The Game Theory

Game theory is a rational analysis of how players in a particular industry rationally play, with each seeking a favorable outcome for himself. It is a formal study of how decisions are made where several players must make strategic choices that have a potential of impacting the outcomes of the other players in the industry (Turocy & Stengel, 2001). According to Straffin (1993) Game theory is the process of analyzing conflict and cooperation situations with the purpose of finding wining outcomes.

A game is a situation with at least two players, each with a number of strategic choices he can choose from, the strategy selected by one player has implications on the outcome of the game. Each outcome of the game has a corresponding numerical pay-off (Straffin, 1993). The choice of the strategic direction will involve complicated decisions based on a rational analysis of the other players' tactics in the industry, and the industry itself. Each player should know that other players within the industry are making choices that will ensure their dominance. Value-maximizing mode is assumed in Game theory where each player's choice of tactics will depend on how he expects the rivals to act. Strategic choice depends greatly on influencing other player's behavior on how they view ones actions and expectations.

Game theory derives its strength as a mathematical tool of decision making from its methods of structuring and analyzing alternatives in order to make a strategic choice. A firm has to analyze all the players and the strategic options available to them, their preferences and possible response or reiteration (Schelling, 1963).

The five forces model as proponed by Porter (1985) is ideal in industry analysis under the game theory, the result of which leads to a choice of the strategic path that the firm will pursue, which could be a choice from the generic strategies or any of the grand strategies.

### 2.2.2. The Strategic Conflicts Theory

The strategic conflict theory seeks to further expound on the shortcomings of the Game theory such as the use of rationality concept under uncertainty, and the need to develop a satisfying analytical framework in conflict (Lebonnois, 2007). The strategic conflict theory thus utilizes non-zero sum games to find sound strategic choices that would return better pay offs in strategy in conflicts where there is no unique winner or loser and explores other types of games such as variable sum games. The game theory assumes in the rational analysis that all players would be rational in their actions, which is not always the case. Strategic conflict has its foundation on rationality and the behavior of players of seek value maximization; each player is guided by his expectations of how the other player's actions will affect him. (Vahabi, 2009).

The theory of strategic conflict recognizes that sometimes firms may take a course as a warning or deterrence with no intention of going the whole way. Deterrence is regarded as consisting of bargaining between rational, maximizing commercial partners where conflict coexists with mutual dependence, and the adversaries are also partners.

## 2.3. Forces of Competition

Five force theory of industry analysis identified the five forces that define industry competition.

The classical five forces have over the years been expanded to nine forces with the intention of giving a holistic view and a better understanding of the forces within and outside of the industry in which an organization operates. The nine forces combine the macro environment analysis and the industry analysis to provide a holistic perspective of organizations competitiveness. For an organization to be successful it has to not only understand the industry forces, but also the external macro environment forces.

The industry forces include the threat to entry, threat from substitute products, bargaining power of suppliers, bargaining powers of buyers, and finally rivalry within the industry. These forces define the industry competition and form criteria for analyzing a particular industry with the view of selecting a suitable competitive strategy. In understanding the above forces, the organization should focus not only on the present but also be able to forecast changes in the factors. The macro environmental forces effects are determined by carrying out a PEST analysis as pioneered by Aguiler (1967). PEST is an acronym for the four macro environment factor namely Political, Economic, Social, and Technological factors.

Firstly, we have industry forces; Threat to entry defines how hard or easy it is for new players to enter the industry. Entry barriers may be in the form huge capital outlays required at start up, economies of size, intellectual property, high switching costs, established brands, government standards, and expected retaliation from existing firms. The other industry force is the bargaining power of buyers, buyers exert this power by demanding lower prices thus reducing profits in the industry and increasing competition.

Buyers define competition within an industry by demanding low prices, expecting higher quality and setting up competitors against each other (Porter, 1980). Bargaining power of suppliers is another industry force with determines attractiveness, here the suppliers may reduce profit potential through increasing or threatening to increase prices of inputs or lowering the quality.

The threat of substitute products is another force that defines industry competition. Substitute products limit industry returns by placing price ceilings that firms can charge in an industry Substitute products limit the profitability of an industry by fixing price ceilings on a firm's products in an industry (Porter, 1980). Finally, rivalry amongst industry players determines the competitiveness of and industry, the extent to which firms within an industry put pressure on others determines the rivalry. This may be in the form of price wars, promotions, introduction of new products, and advertisement battles. The larger the number of firms in a particular industry, the higher will be the degree of rivalry amongst them; similarly rivalry will be high if the players are of equal size in term of market share.

Secondly, we have the macro environmental forces. These are forces external to the organization and beyond its control. Political factors influence the organizations through the actions of the government in the form of legislation, market regulations, lobbying efforts, taxes and tax regimes, trade agreement and through public policy (Waters, 2006).

These policies and regulatory frameworks may prove to be hurdles for a player wishing to join or operating within the industry as compliance will normally be required.

Many organizations end up not taking off because of their inability to fulfill the regulatory frameworks set out by the government. Economic factors are the second element of the macro environment factors affecting organizations. Economic climate dictates to a large extent how organizations transact. High interest rate for example, denies organizations and consumers access to lines of credit and may stifle the growth of an industry. International activities such as terrorism, prices of crude oil and performance of some international currencies may affect the economic climate and subsequently the industry and the organization.

Social cultural attitudes may be determined by the demographics, lifestyle, education, and values. Some industries are susceptible to social cultural factors. Upwards social mobility means more of the population have the finances and hence the ability to consume more of a certain organization's products whereas changes in the population structure such as low birth rates means there is less demand for an organization's products (Tailor & Tailor, 2016).

Technology is the other macro environment factor that has greatly changed the way organizations operate. It is a source of opportunity to many organizations but can also present a great challenge. Shifts in technology may render some industries more attractive than others. An industry where technology keeps changing more so often may be less attractive than one in which it is stable.

Technological shifts are accompanied by cost outlays which at times may be quite high for an organization that does not have sufficient resources making it unable to keep up with the shift and eventually become obsolete.

## 2.4. Competitive Strategies

Competitive advantage is achieved by the ability of a firm to create value for its buyers which should be more than the cost that is put in when creating it. Superior value stems from either offering low prices that offsets the foregone benefits offered by the competitors or by offering the unique attributes that would enable the firm to charge premium prices (Porter, 1985).

Competitive advantage is often a single element which places a firm beyond what the competitors have (Ehmke, 2008). A sustainable competitive advantage requires continuous monitoring of the environment and the realignment of the strategic direction of the firm in order to ensure a strategic fit with the changes. This continuous process requires effort as noted by Ehmke (2008), without effort the competitors may duplicate the advantage thus eroding the edge the firm had on them. Competitive strategy is the means through which an organization seeks to gain a sustainable competitive advantage in a dynamic business environment.

### 2.4.1. Generic Strategies

Porter (1980) identified three broad generic strategies which an organization may choose from in order to realize competitive advantage in the industry in which it operates. These strategies are, Cost leadership, differentiation, and focus.

In the cost leadership strategy, the organization seeks to be the low-cost producer in the industry thereby ensuring it offers products to the customers at lower prices compared to the competitors. The products are therefore likely to be standard and produced on large scale to benefit from economies of scale. Low cost advantage stems from a company being able to keep its cost of production lower than the competition through efficient operations. Efficient operation can be achieved through the value chain analysis. Value chain analysis captures the activities of the organization and links them to its competitive position. The ability to perform and manage particular activities efficiently creates a source for competitive advantage, (Porter, 1985). A firm pursuing cost leadership competitive strategy must seek and exploit all cost advantages. Being able to achieve sustained overall cost leadership in and industry enables a firm to offer its products at lower prices than competitors or at or near the industry average which translated to higher returns. There are several sources of cost advantage depending on the industry which may include; economies of scale, having sole rights to technology, and ease of access to raw materials that other rival do not enjoy (Porter, 1985).

In differentiation strategy, the organization seeks to be unique in a certain dimension which is valued by consumers and positions itself to meet this need. A firm's identifies a unique attribute that is perceived by most of the consumers in the market as being of importance, and positions itself to meet this attribute, (Porter, 1985). For differentiation to be successful the unique attribute has to be seen as valuable to the customer and the price premium generated has to exceed the added cost of being unique, (Porter, 1985).

Some of the dimensions that an organization can choose to differentiate itself may include; durability, service delivery, branding, packaging, location of facilities, or product features. Differentiated products are unique, non-standard and retail at a premium price than those of the competition. It is however possible to develop competitive advantage even in conditions where no actual quality exists across products (Barone & DeCarlo, 2003). They argued that traditional view of creating competitive advantage through differentiating a product based on attributes of importance and relevance to customers does not present viable options for firms in industries with commodities that do not have a physical product for differentiation.

The focus strategy has two narrow dimensions of either cost focus or differentiation focus in which the company narrows its offerings to a targeted segment of the industry. Whereas the other two strategies focus on a broader scope of the industry, focus strategy targets a narrow field within the industry. In cost focus the firm positions itself as the low cost producer within a targeted small segment of the industry whereas in differentiation focus it seeks differentiation within the targeted segment (Porter, 1980).

There have been several critiques of the three generic competitive strategies as discussed above with most stemming from Porter's assertion that the three generic strategies were distinctly different and an organization had to choose either one or risk being stuck in the middle. Dickson & Ginter (1987) defined a differentiated product as one which is perceived by the customer as different from that of the competition on any physical or non-physical attribute which could as well be price.

Based on this definition, Mintzberg (1988) viewed cost leadership as a differentiation strategy where the product is not differentiated on the basis of higher quality but lower price. He thus argued that, business strategy has only two dimensions: differentiation and scope. Speed (1989) concurred with Mintzberg (1988), he argued that cost leadership should not be considered a strategy at all since a cost leader has to have some degree of differentiation, same for a differentiator, he has to keep costs reasonably close to the competition if he is to enjoy sufficient profits. Having a cost advantage only enables differentiation on price (Sharp, 1991) thus not a separate strategy. Further criticism was evidenced by Hill (1988), he argued firstly that differentiation can be a means by which a firm achieves low cost leadership and that cost leadership and differentiation are not mutually exclusive, there exist many cases in which organization have to pursue both low cost and differentiation strategies since in many industries there does not exist a unique low cost position. Porter (1985) acknowledged that, even as a firm differentiates, it should not lose focus of the costs.

### 2.4.2. Grand Strategies

Grand strategies encompass detailed plans of essential action plans through which a firm intends to meet its objectives (Pearce & Robinson, 1997). There are several grand competitive strategies that a company can choose from. They include integration strategies, intensive strategies and diversification strategies.

Integration may be vertical or horizontal. Vertical integration is where a company produces its inputs or disposes of its own output.

Where a firm produces its input is termed as backward integration while disposing own products referred to as forward integration. Horizontal integration involves acquisition or merging with competitors.

Market development, market penetration, and product development are some of the intensive strategies available to organizations. Market penetration seeks to sell more to the existing customers. Its aims at increasing the products market share, dominating market share and driving out competitions. In market penetration a firm seeks to increase sales without changing its original product-market strategy. Under market development, the firm creates new markets for its existing products. This can be achieved through selling in new geographical locations, using resizing of the product or packaging, opening new distribution channels or creating new market segments. Finally, product development involves introduction of new products into the market.

Diversification involves a complete departure from the present product-market structure. It is more capital intensive since it requires new skills, new techniques and facilities. Diversification involves both product development and expanding into new markets and is the most risky of the grand strategies (Doyle, 1997). Most of the time an organization seeks diversification with the aim of managing risk by minimizing potential harm in the event of economic down turn. Diversification may be related or unrelated. Related diversification occurs where a firm diversifies into the same line of business, whereas unrelated diversification occurs where a firm diversifies into a new line of business altogether.

Diversification by acquisition is mostly pursued by large mature organizations since most require a degree of financial leverage. As organizations grow they tend to diversify and divisionalize (Mintzberg & Quinn, 1992) in order to spread risk.

### 2.4.3. Ambidextrous Strategies

Ambidextrous organizations are organizations capable of achieving efficiency by exploiting existing business while having strategic foresight to innovate and explore new ones. They pursue and are able to achieve the delicate balance between exploiting existing and exploration for new business (Duncan, 1976; Tushman & O'Reilly, 1996). Ambidexterity is a critical source of competitive advantage but one that is not easy to achieve (He & Wong, 2004; Lubatkin et al., 2006). This is because structures required for exploitation of current business are fundamentally different from those required for exploration. Whereas exploitation calls for mechanistic structures, exploration requires flexibility (Burns & Stalker, 1961) and thus achieving a balance appears contradictory and inconsistent.

The strategies involved include a combination of some of the strategies already discussed herein. One such strategy is a combination of market development and product development known as cross-functional ambidexterity. In cross-functional ambidexterity, the firm develops new markets for existing product while at the same time developing new products for existing and new markets.

## 2.5. Summary of Knowledge Gaps

There exists a lot of literature on the various competitive strategies from generic strategies to grand strategies to ambidextrous strategies that are available to organizations, however no consensus exists on which particular competitive strategy a firm should choose. The decision on which competitive strategy is suitable for an organization is left to the organization to analyze the industry, macro environment, and competitors and to make a rational choice based on its expectations of the outcomes.

The game theory and strategic conflict theories attempt to explain the rational decision making process that organizations can use. Players are taken as rational and logical in their analysis which may not be the case for all. We cannot assume that all the players in the higher education sector make rational decision. This paper will attempt to fill this knowledge gap by attempting to determine the competitive strategies adopted by universities in Kenya, established within the time frame defined of years 2012 to 2015.

# CHAPTER THREE: RESEARCH METHODOLOGY

## 3.1. Introduction

This chapter highlights the methods that were used in conducting the research. To be covered in this chapter will be the research design, population of the study, data collection, and data analysis methods.

## 3.2. Research Design

Cross-sectional survey was employed for the study. It involved the observation and collection of real world facts and generating conclusions based on existing theories at a fixed point in time and across respondents who were defined by the sample frame. The data obtained was summarized and the respondents classified as having or not having the attributes being investigated.

The attributes under study were the various competitive strategies that organizations can choose from. The respondents were the 18 universities established between the years 2012 to 2015 operating in Kenya. Cross sectional survey was therefore the most suitable survey method for obtaining empirical data required for the study.

## 3.3. Population of the Study

The research population encompassed universities in Kenya established between the years 2012 and 2015 based on the records from the Commission for University Education. The year 2012 saw the enactment of the Universities Act 2012 and the formation of the Commission for University Education to regulate university education.

The reason for the chosen timeline was due to the sudden surge in the establishment of new universities within this period, and the milestone of enactment of the Universities Act 2012 which ushered new dynamics in the higher education sector in Kenya. The Commission for University Education was used as the source of information on the universities since it is the legally mandated body to grant charters and accredit new universities in Kenya.

A census study was carried out on universities both public and private in Kenya, established between the years 2012 to 2015. This meant all universities established within this time frame were surveyed. According to the Commission for University Education (2015), there were sixteen (16) public universities and three (3) private universities established within this time frame making the population for the study nineteen (19) universities. Census study was used firstly, because the population was not large and secondly, since it gave a true representation of the population.

## 3.4. Data Collection

The study utilized primary data collected through structured questionnaires administered to the top management of the selected universities. The questionnaire was developed from the theories discussed in chapter two and structured to enable qualitative data to be collected. The questionnaire was split into three sections; the first section targeted the collection of general information about the university, the second section gathered data on the industry forces and finally, the third section collecting data on the various strategies being adopted.

The questionnaires were distributed by mail to the identified respondents. This method was selected since it is relatively cheap, convenient, reduces biases that may exist on the researcher, and provided anonymity for the respondents. The questionnaires were administered to the top management of the universities who included vice chancellors, Deputy vice chancellors, principals and directors of schools. A structured questionnaire was a sound data collection method that has been successfully used previously by other researchers such as Kamau (2013), Mathooko & Ogutu (2014) and Shema (2012) in similar studies.

## 3.5. Data Analysis

Statistical data analysis methods were employed for analyzing data collected in this study. The two main statistical methods used were descriptive statistics and inferential statistics. Descriptive statistics summarized the prepared data using indexes such as mean for measure of central tendency and standard deviation for measure of variability. Further statistical analysis was carried out in Microsoft excel to obtain inferential statistic using paired t-test analysis. Information obtained from the study was presented as frequency tables, percentages and tabulation. Statistical methods of data analysis were the most suitable for survey data where inferences were required about the population under study.

# CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

## 4.1. Introduction

The data collected was presented and analyzed for interpretation based on the research problem and objectives. Primary data collected was of the Likert scale form and was analyzed at interval measurement scale to determine mean and standard deviation. Further, a paired T-test was carried out to enable inferential statistics to be made.

A total of nineteen questionnaires were mailed to the respondents. Out of the nineteen, thirteen were returned duly filled. This represented a response rate of 68%.

The first section presents the data obtained on the forces that define competition within the industry. These forces were grouped into Macro and micro forces. The second section presents the data and findings on the competitive strategies employed universities in Kenya. These were grouped into generic and grand strategies. A paired t-test analysis was done to determine whether the difference in means of macro and micro factors was statistically significant and similarly whether the means of the two groups of strategies was statistically significant at 95% confidence level.

## 4.2. Forces of Competition in the Higher Education Sector

Data obtained from the respondents on the forces that defined competition in the higher education sector was grouped into the Macro environment forces and industry forces.

The frequency for each group and for each response was expressed as percentages. The findings were presented in tabular form for ease of comparison.

### 4.2.1. Macro Environment Factors

The respondents were asked to rate the extent to which each of the four macro environment factors affected their organizations. The frequency for each response and for each macro environment factor was expressed as a percentage and presented in table form.

Table 4.1

*Macro environment factors frequency expressed as percentages*

| Factor | Very high | High Extent | Low extent | Very low extent | Not at all | Total |
|---|---|---|---|---|---|---|
| Political | 62 | 38 | 0 | 0 | 0 | 100% |
| Technological | 0 | 0 | 54 | 38 | 8 | 100% |
| Socio-cultural | 0 | 0 | 31 | 62 | 8 | 100% |
| Economic | 0 | 0 | 15 | 54 | 31 | 100% |

Source: Research data (2016)

From Table 4.1, it is evident that Political factors were termed as affecting the respondents to a very high extent with a score of 62% of the respondents. Economic factors had the least with 15% of the respondents terming them as affecting to a low extent. The data obtained was further represented on an interval scale and means and standard deviations for each factor computed. The analysis was based on an interval scale of 1-1.5: Not at all, 1.6-2.5: Very low extent, 2.6-3.5: Low extent, 3.6-4.5: High extent, 4.6-5: Very high extent (Cohen, Kamarck & Mermelstein, 1983; Mathooko & Ogutu, 2014; Vickers, 1999).

Table 4.2

*Mean and standard deviation for macro environment factors*

| Factor | Mean | Standard deviation | Interpretation |
|---|---|---|---|
| Political | 4.6 | 0.51 | Very high extent |
| Technological | 2.4 | 0.67 | Very low extent |
| Socio-cultural | 2.3 | 0.62 | Very low extent |
| Economical | 1.8 | 0.72 | Very low extent |

Source: Research data (2016)

The results in Table 4.2 show that Political factors had a mean of 4.6 interpreted verbally as "Very high extent" while Economic factors at 1.8 all interpreted as "Very low extent". The higher the mean for a particular factor, the higher the number of respondents who citing it as affecting them. In table 4.2, political factors had the highest mean implying they were cited by a large number of the respondent as affecting them to a higher degree than the rest of the factors. The standard deviations for the four factors are small indicating that the observations are tightly clustered about the mean.

Political factors were observed to be having the greatest impact on the universities these can be attributed to the many legislative and regulatory requirements that the universities established in the years 2012 to 2015universities have had to meet. Entry into the higher education industry requires the universities to fulfill various legislative and regulatory requirement set by the government. Some of these legislative requirements are as set out in the Universities Act 2012 and others by the individual professional bodies' acts that have accreditation mandates.

Most of the universities under study have not been in existence for long and most are still grappling with the legislative and regulatory challenges, this could explain why political factors was cited as affecting the universities to a higher extent than the rest of the macro environment factors.

The observation that technological factors affected the universities to a very low extent could be attributed to the fact that the higher education industry is not currently driven by technology compared to other industries like communication. Social factors were found to affect the universities to a very low extent and this could be attributed to the effects of a high number of students clearing their ordinary level education, upward social mobility leading to a growing middle class thus a high demand for university education.

### 4.2.2. Industry Factors

The respondents were asked to rate the extent to which each of the industry factors represented by the five forces model affected their organizations. The response for each factor was expressed as percentages and presented in a table format.

Table 4.3

*Industry factors frequency table expressed as percentages*

| Factor | Very high extent | High Extent | Low extent | Very low extent | Not at all | Total |
|---|---|---|---|---|---|---|
| Entry barriers | 15 | 54 | 31 | 0 | 0 | 100% |
| Substitute products | 0 | 46 | 46 | 8 | 0 | 100% |
| Bargaining power of suppliers | 0 | 62 | 30 | 8 | 0 | 100% |
| Bargaining power of buyers | 0 | 8 | 38 | 54 | 0 | 100% |
| Rivalry | 15 | 46 | 31 | 8 | 0 | 100% |

Source: Research data (2016)

From the Table 4.3, Entry barriers had the highest frequency at 15% for very high extent. Bargaining power of buyers had the lowest with 8% of the respondents scoring it as affecting them to a high extent. The Likert scale data obtained on the industry factors was further represented on an interval scale and means and standard deviations for each factor computed. The analysis was based on an interval scale of 1-1.5: Not at all, 1.6-2.5: Very low extent, 2.6-3.5: Low extent, 3.6-4.5: High extent, 4.6-5: Very high extent. The representation of Likert scale data on an interval scale has been used successfully by other researchers in statistical studies (Cohen et al., 1983; Vickers, 1999).

Table 4.4

*Mean and standard deviation for industry factors*

| Factor | Mean | Standard deviation | Interpretation |
|---|---|---|---|
| Entry barriers | 3.8 | 0.69 | High extent |
| Substitute products | 3.4 | 0.65 | Lower extent |
| Bargaining power of suppliers | 3.5 | 0.66 | High Extent |
| Bargaining power of buyers | 2.5 | 0.66 | Very low extent |
| Rivalry | 3.7 | 0.85 | High extent |

Source: Research data (2016)

From Table 4.4, the higher the mean for a group of factors, the higher the number of respondents who cited the factor as affecting them to a higher extent. Entry barriers was found to be the industry factor affecting the respondents most scoring a mean of 3.8 and bargaining power of buyers the least having an mean of 2.5. The standard deviation of the individual factors was found to be small. This indicated that the observations were highly clustered about the mean.

The entry barrier experienced by the newly established universities include, the financial outlay required to set up the infrastructure such as buildings such as lecture theatres, libraries and accommodation hostels, staffing among others. Substitution products can be equated to the similar programs offered by other competing institutions hence the stiff competition with each university trying to attract more students to its programs.

The joint admission board acts as a supplier to the universities and thus the bargaining power of suppliers is seen as the allocation of the government sponsored students to the universities. Some universities feel that they get a low allocation from the Joint admission board. The bargaining power of the buyers can be seen as the push by students for lower prices, it was seen to affect the respondents to a very low extent. This could be attributed to the surge in numbers of students completing high school and thus greater demand for higher education and due to the fact that the government sets and regulates fees chargeable by public universities which form a bulk of the universities under study.

### 4.2.3. Inferential Analysis on the Forces of Competition

Further analysis of the means for each respondent was carried out by grouping them into macro-environmental factors and industry factors to obtain a sample of means. A paired t-test analysis was carried out in excel. The aim of the test was to determine whether there was significant difference in means for the two groups of factors at 95% confidence level. A null hypothesis was constructed for the test: There is no statistical difference in means between the industry forces and the macro environment forces at 95% confidence level.

Table 4.5

*The mean for each respondent on the forces of competition*

| Respondent | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Industry Forces | 3.4 | 3.8 | 2.8 | 3.4 | 2.8 | 3.6 | 3.4 | 3.8 | 3.2 | 3.4 | 3.4 | 3.6 | 3.6 |
| Macro environment | 2.5 | 2.8 | 2.8 | 1.8 | 3.3 | 3.3 | 3.3 | 3.0 | 2.5 | 2.5 | 3.0 | 2.8 | 3.0 |

Source: Research data (2016)

Table 4.6

*Inferential analysis on the forces of competition*

t-Test: Two-Sample Assuming Unequal Variances

| | *Industry factors* | *Macro-environment factor* |
|---|---|---|
| Mean | 3.4 | 2.815384615 |
| Variance | 0.1 | 0.178076923 |
| Observations | 13 | 13 |
| Hypothesized Mean Difference | 0 | |
| df | 22 | |
| t Stat | 3.997232791 | |
| P(T<=t) one-tail | 0.000303613 | |
| t Critical one-tail | 1.717144374 | |
| P(T<=t) two-tail | 0.000607226 | |
| t Critical two-tail | 2.073873068 | |

Source: Research data (2016)

From the analysis in Table 4.5, the probability that the calculated t-value is equal or less than t-critical is given as 0.0006. The calculated t-value is way higher than the t-critical value, which is the value needed to be exceeded for the difference in means to be significant at 95% confidence level, thus the null hypothesis was reject. The means for the industry factors are indeed statistically greater than the mean for the macro-environment factors at 95% confidence level.

## 4.3. Competitive Strategies Adopted by the Universities

The competitive strategy available to the universities can be grouped into generic strategies and grand strategies. The data from the two groups was sorted and tabulated into their respective groups to enable analysis.

### 4.3.1. Generic Strategies

The responses to the questions pertaining to the generic strategies were grouped together and the frequencies for each response determined. The frequencies for the responses were expressed as percentages and presented in tabular format.

Table 4.7

*Frequency table for generic strategies expressed as percentages*

| Factor | Very high | High Extent | Low extent | Very low extent | Not at all | Total |
|---|---|---|---|---|---|---|
| Cost leadership | 23 | 54 | 8 | 15 | 0 | 100% |
| Differentiation | 54 | 0 | 38 | 8 | 0 | 100% |
| Focus | 0 | 0 | 0 | 77 | 23 | 100% |

Source: Research data (2016)

From Table 4.7, 23% of the respondents adopted cost leadership strategy to a very high extent while 54% applied it to a high extent. Focus strategy had a low adoption among the respondents with 77% responding to applying this strategy to a very low extent. The data obtained from the generic strategies was expressed on an interval scale to allow for the determination of descriptive statistic. The interval scale used was 1-1.5: Not at all, 1.6-2.5: Very low extent, 2.6-3.5: Low extent, 3.6-4.5: High extent, 4.6-5: Very high extent (Cohen et al., 1983; Mathooko & Ogutu, 2014; Vickers, 1999). The mean and standard deviation were calculated and the verbal interpretation of the mean with respect to the interval scale made for each competitive strategy under the generic strategies.

Table 4.8

*Mean and standard deviation for generic strategies*

| Response strategy | Mean | Standard deviation | Interpretation |
|---|---|---|---|
| Cost leadership | 3.8 | 1.0 | High extent |
| Differentiation | 4.0 | 1.2 | High extent |
| Focus | 1.8 | 0.4 | Very low extent |

Source: Research data (2016)

The results in Table 4.8 show that differentiation and cost leadership are the most adopted generic strategies with means of 4.0 and 3.8 respectively. Focus is the least adopted generic strategy with a mean of 1.8. The higher the mean for a particular strategy implies the higher number of respondent who respondent to adopting the strategy. The standard deviation shows the dispersion of the observations from the mean value. A higher standard deviation implies greater dispersion or spread in the observations from the mean value.

Most of the universities under study were found to be differentiating along the quality attribute. It is observed that most of the academic programs being provided by the universities under study are also being offered in the universities established earlier on thus, for the universities studied to be able to compete effectively with the established ones they were differentiating along the quality attribute. One of the ways they achieve this is through limiting the number of admissions into certain programs to ensure there is no strain on the resources for the students.

The other key strategy found to be adopted by the universities under study was cost leadership. Here, in order to compete with the other universities, the universities under study offered their academic programs at lower prices to attract students. For profitability to be realized, they engaged in efficient operations and capitalized on the economies of scale.

Focus strategy was least applied as per the research findings. Focus was interpreted to mean offering courses in a narrow thematic area of industry, for example, accounting, engineering, information technology or tourism. It was noted that most of the universities provided courses and programs in broad areas and across different industries. Some of the universities, for example, which started off by offering courses in accounting had broaden their course content to include other areas such as art, information technology, education among others. The same can be observed at one university which initially offered courses in Media and communications only, but now offers programs in engineering, computer science and information technology, business among others. It is clear that the universities were less leaning towards focusing on a narrow area or particular industry and more inclined to providing programs in diverse industries.

### 4.3.2. Grand Strategies

The responses from the questions on the grand strategies were summarized into frequencies and expressed as percentages. The information obtained was presented in tabular form.

Table 4.9

*Grand strategies frequency table expressed as percentages*

| Competitive strategy | Very high extent | High Extent | Low extent | Very low extent | Not at all | Total |
|---|---|---|---|---|---|---|
| Market development | 8 | 38 | 38 | 8 | 8 | 100% |
| Product development | 8 | 7 | 62 | 23 | 0 | 100% |
| Vertical integration | 8 | 69 | 23 | 0 | 0 | 100% |
| Acquisitions | 0 | 0 | 8 | 46 | 46 | 100% |
| Strategic Alliances | 0 | 0 | 69 | 23 | 8 | 100% |
| Diversification | 0 | 0 | 46 | 15 | 39 | 100% |

Source: Research data (2016)

From the Table 4.9, vertical integration has the highest score at 69% of the respondents rating it as being adopted to a high extent. On the other hand, acquisitions had 46% of the respondents rating it as being adopted to a very low extent. It is clear from Table 4.9 that integration is the most adopted strategy and acquisition the lowest adopted.

The data obtained from the respondents on the grand strategies adopted was represented on an interval scale of 1-1.5: Not at all, 1.6-2.5: Very low extent, 2.6-3.5: Low extent, 3.6-4.5: High extent, 4.6-5: Very high extent to enable further analysis. This form of representing Likert scale data on an interval scale has been used successfully by other researchers in statistical studies (Cohen et al., 1983; Mathooko & Ogutu, 2014; Vickers, 1999).

Table 4.10

*Mean and standard deviation for grand strategies*

| Competitive strategy | Mean | Standard deviation | Interpretation |
|---|---|---|---|
| Market development | 3.3 | 1.03 | Lower extent |
| Product development | 3.0 | 0.82 | Lower extent |
| Vertical integration | 3.8 | 0.55 | High extent |
| Acquisitions | 1.6 | 0.65 | Very low extent |
| Strategic Alliances | 2.6 | 0.65 | Lower extent |
| Diversification | 2.1 | 0.95 | Very low extent |

Source: Research data (2016)

The findings in Table 4.10 show that some of the universities researched adopted grand strategies with integration being the most adopted strategy in this group, having a mean of 3.8 followed by market development at 3.3, product development, strategic alliances, and diversification in that order.

Integration and specifically vertical integration has been adopted to a high extent by the universities. This was achieved through introduction of post graduated program which could be observed in almost all the universities under research. This was seen as an attempt to provide a market for their products, products being the graduates. Post graduate programs in this case was a form of forward vertical integration. Horizontal integration through acquisition of other universities had a very low extent to none at all in terms of adoption, this could be attributed to the fact that universities in the category had not grown to the extent of having the financial leverage required for acquisitions.

Diversification had a low adoption as observed from the findings. Here, the study sought to find out the extent to which the universities studied had diversified outside the education sector. From the findings of the study, most universities had concentrated on competing within the education sector. This can be attributed to the risky nature of the diversification strategy which the universities were not willing to take, and the fact that they were still new entrants they have not grown sufficiently in the education sector to warrant seeking diversification outside of it.

### 4.3.3. Inferential Analysis on the Competitive Strategies

A further analysis of the means for each respondent was carried out by grouping the two sets of data for generic and grand strategies with the aim of making an inference on which of the two types of strategies is most adopted. The means of the two groups were tested for association by carrying out a paired t-test in Microsoft excel application. The aim of the test was to determine whether there was significant difference in means for the two groups of strategies at 95% confidence level. A null hypothesis was constructed to enable this test: Null Hypothesis - There is no significant difference in the mean for generic and grand strategies at 95% confidence level.

Table 4.11

*Mean for each respondent on strategies*

| Respondent | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Generic strategies | 3.3 | 3.3 | 4.0 | 4.0 | 2.7 | 4.0 | 3.0 | 2.7 | 3.0 | 3.0 | 3.0 | 2.7 | 3.0 |
| Grand strategies | 3.0 | 2.7 | 2.2 | 2.3 | 2.8 | 2.2 | 2.8 | 3.2 | 3.3 | 2.5 | 2.7 | 3.0 | 3.0 |

Source: Research data (2016)

Table 4.12

*Inferential analysis on competitive strategies*

t-Test: Two-Sample Assuming Unequal Variances

| | *Generic Strategies* | *Grand strategies* |
|---|---|---|
| Mean | 3.207692 | 2.746154 |
| Variance | 0.240769 | 0.131026 |
| Observations | 13 | 13 |
| Hypothesized Mean Difference | 0 | |
| df | 22 | |
| t Stat | 2.729153 | |
| P(T<=t) one-tail | 0.006124 | |
| t Critical one-tail | 1.717144 | |
| P(T<=t) two-tail | 0.012249 | |
| t Critical two-tail | 2.073873 | |

Source: Research data (2016)

From Table 4.12, t-critical, which is the value required to be exceeded for the differences in mean to be significant at 95% confidence level, is 2.07. This value is less than the calculated t-value of 2.7 thus the null hypothesis was rejected. The means for the generic strategies is statistically higher than the means for the grand strategies at 95% confidence level. The implication of this is that the universities adopted generic strategy more than the grand strategies.

## 4.4. Discussion

The research found that, the universities studied, were affected to varying extents by industry and Macro environment factors. Industry forces were found to be having the most effect on the respondents with threat to entry termed as affecting them to the highest extent.

The finding on the forces of competition in the higher education sector is consistent with the existing theories on competition among organizations in a particular industry. Porter (1985) advanced the five forces model for industry competition analysis by citing threat to entry, threat of substitute products, bargaining power of suppliers, bargaining power of buyers and rivalry among the industry players as key determinants of the competitiveness of an industry. The findings are further in agreement with past research carried out by other researchers on the forces of competition such as Shema (2012) and Achola (2014). In his study Shema (2012) found threat to new entry and rivalry as major factors of competition.

Macro environment factors were found to be affecting the respondent albeit to a lower extent, with political factors having the greatest effect. This is consistent with the argument put forward by Waters (2006) that Political factors such as legislation, market regulations, lobbying efforts, taxes and tax regimes, trade agreement and tariffs, and public policy have a bearing on the profitability of an industry. In her study, Achola (2014) identified political factors as one of the key factors beyond a firm's control which presents challenges to its competitiveness, a finding that is consistent with this research.

The finding on the competitive strategies supports existing theories on the likely strategies that an organization can choose from. The universities were found to be adopting from a wide range of strategies such as the generic strategies as proponed by Porter (1980) and from a variety of grand strategies. The generic strategies of cost leadership, differentiation and focus were found to be adopted to a higher extent as compared to the grand strategies. This was attributed to the simplistic and broad nature of the generic strategies.

Type and scope of the competitive advantage are key decisions that require to be made by a firm in order to achieve competitive advantage. The findings however differ with Porter's (1980) assertion that the generic strategies are mutually exclusive. This is evidenced by findings in Table 4.8, that the respondents adopted both cost leadership and differentiation strategies to a high extent.

The research finding on the grand strategies indicate that vertical integration, market development and product development strategies are the most adopted compared to strategic alliances, diversification and acquisitions. This was consistent with existing theory which indicated that diversification strategies as inherently risky (Doyle, 1994), a risk that newly established organizations may not be willing to take. Large and mature organizations diversify as they are able to take on such risks. Mintzberg & Quinn (1992) argued that mature organizations tend to diversify and divisionalize, thus the finding that acquisitions and diversification strategies were adopted to a very low extent is consistent with this argument. Vertical integration, market development and product development carry relatively less risk and this could explain the reason for their highest extent of adoption by the universities under study which were mostly newly established.

# CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSSION AND RECOMMENDATIONS

## 5.1. Introduction

This chapter summarizes the finding of the research project based on the research objectives. The research objectives were to determine the forces that define competition in the higher education sector and to determine the competitive strategies adopted by universities in Kenya, established between the years 2012 to 2015. This section will highlight the limitations of the study, draw conclusion based on the data analysis, and make recommendations on areas for further studies.

## 5.2. Summary of the Findings

The findings on the forces defining competition revealed that political factors through government actions affected the universities to a very high extent. Government actions include the regulatory frameworks by the various statutory bodies such as the Commission for University Education, a statutory body charged with the mandate of accrediting new universities and conferring charters, and government policies. Universities have to comply with the regulations set out by the government in order to get accreditation. There have been instances where some universities have been ordered to shut down due to failure in meeting the regulations. Similarly professional bodies such as the commission for legal education and the Engineers board of Kenya among others have been given powers to accredit courses. These has seen legal tussles between these bodies and the universities on issues of accreditation of courses.

This could explain why government actions were termed by the respondents as affecting them to a very high extent.

From the analysis, the competitive strategies adopted by universities under study were varied; however differentiation and cost leadership are the most adopted strategies. The courses provided being the same; the individual universities are banking on quality to differentiate themselves from others providing the same courses. Those that cannot compete on quality are competing on cost by being the lowest at pricing of courses.

The findings show that the level of adoption of the generic strategies was higher than that of grand strategies. This means the universities studied were more inclined towards cost leadership, differentiation, and focus competitive strategies as opposed to market development, product development, vertical integration, acquisitions, strategic alliances and diversification strategies.

## 5.3. Conclusion

The objectives of the research were to determine the forces that define competition in the higher education sector, and further to establish the competitive strategies adopted by universities established between the years 2012 to 2015. The objectives of the study were achieved and the factors that defined competition and the strategies adopted universities determined.

The research project findings lead to the conclusion that the factors that define competition among higher education sector in Kenya, to a higher extent are the industry factors.

These factors are represented by the five forces of competition as advanced by Porter (1985). Industry factors are within the organization control as opposed to macro environment factors that are outside the organizations control and this could explain the findings that industry factor affected the universities to a higher extent. Political factors such as the actions of regulatory bodies and legislation were found to be the macro environment factor that had the greatest effect among the studied universities. The factors that define competition in the higher education sector in Kenya were found to be consistent with existing theories, literature and other research findings. Industry forces as advanced the by Porter (1985) and the macro environment forces given by the PEST analysis were found to affect the universities under study to varying extents.

It was concluded further that the generic strategies were the most adopted competitive strategies among the universities established between the years 2012 and 2015. The most adopted generic strategies among universities under study were found to be differentiation and cost leadership. The higher extent of adoption of the generic strategies was attributed to their simplistic and broad nature, and the lesser risk and cost associated with pursuing them as compared to some of the grand strategies such as acquisition and diversification which carry higher risks.

## 5.4. Recommendations

The researcher recommended that, the government, formulates better policies that will enhance fair competition within the higher education sector. This recommendation was informed by the findings that political factors had the greatest effect among the macro environment factors.

Similarly, that the entry barriers, most of which are government regulations, had the greatest impact among the industry factors. The government should ensure that the quality of education is not compromised even as universities pursue cost leadership, and that entry regime is regulated so that universities do not lower their entry criteria in a bid to increase enrollment. Political factors through government actions were rated as having the highest impact on the respondents, thus the regulatory frameworks and the mandates for the various bodies dealing with accreditation need to be clearly defined and harmonized. This will reduce cases of conflict such as the legal tussles pitting, for example, the commission for university education and boards such as the commission for legal education and the Engineers board of Kenya as have been witnessed in the recent past.

Secondly, the researcher recommended that universities analyze and understand the forces, both macro environment and industry forces, and rationally select a strategy that best suits their environments. The research found that industry and Macro environment forces are key in defining competitiveness in the higher education sector in Kenya hence the need for the universities to understand these forces. In carrying out this analysis, the universities should take into account and forecast the expected changes in these factors.

Finally, the researcher recommended that the universities should comply fully with the regulatory frameworks and legislations that govern the industry to ensure issues of compliance and accreditation do not impinge on their competitiveness. This was informed by the finding that entry barriers which included regulatory and legislative framework had that highest impact among the industry forces.

## 5.5. Limitations of the Study

The findings of this research report may be limited by a number of factors. Firstly, the generalized findings for the universities established between the years 2012 to 2015 may not apply to the different classes of the universities within this group: Private universities and public universities. The challenges facing each class are different and unique to that particular class and the generalization for both groups may be a limitation to the findings of this research.

Secondly the study did not investigate the corporate governance and management structures in place at the universities under research. These includes issues to do with the implementation of the chosen strategies, management structures, corporate culture, and principles. Such aspects would be best investigated by carrying out a case study of individual university.

Finally, the research carried out was a cross sectional survey. It involved the observation of the subjects under research at a stationary point in time. This limits the application of the research finding over longer periods of time since the environment as postulated by the chaos theory is dynamic and the universities may adapt by changing their strategies in order to fit the changing environment.

## 5.6. Areas for Further Research

The researcher proposed further study be done to determine the competitive strategies adopted and the factors that determine competition in the separate groups of private and public universities.

Secondly, the researcher proposed a detailed case study into the individual universities' corporate governance and management structures to better understand how the strategies are implemented and the management structures in place, and their effect on the formulation and implementation of competitive strategies. Further, the researcher recommended a longitudinal study to be carried out to investigate the responses of the universities to the changing environment.

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**APPENDICES**

## Appendix 1: Letter of Introduction

Kisato Reuben Clyde Ambatsa,

P.O Box 39471-00623,

**NAIROBI**

Dear Respondent,

I am a graduate student at the University of Nairobi pursuing a Master of Business Administration degree. I am conducting a research titled, *''Competitive Strategies adopted by universities in Kenya''* as part of the requirements for award of the degree.

I will be most grateful if you can take time to assist in filling the attached research questionnaire. All information given will be treated with utmost confidentiality and shall solely be used for academic purposes. A copy of the findings can be available to you at your request.

Thank you in advance,

Yours faithfully,

Kisato Clyde Reuben Ambatsa,

MBA student,

School of Business, University of Nairobi

## Appendix 2: Research Questionnaire

This questionnaire is aimed at gathering information on the competitive strategies employed by universities in Kenya established between the years 2012 to 2015 and the forces of competition.

**Section A: General data**

Name of University? ……………………………………………………………………

What position do you hold? …………………………………………………………..

**Section B: Forces within the industry**

Tick to what extent the following factors have affected the setting up or running of the institution. Use the scale provided below;

5=Very high extent, 4=High extent, 3=Lower extent, 2=Very low extent 1=Not at all.

| Factor / Scale | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|
| Government actions through legislations and regulatory bodies e.g. CUE, CLE, EBK etc. | | | | | |
| Technological factors and shifts. | | | | | |
| Social cultural factors such as demographics, social class mobility. | | | | | |
| International events such performance of world economies, wars, oil prices etc. | | | | | |
| Entry barriers e.g. Set –up finances, regulations, | | | | | |
| Introduction of substitute course content by other universities or course imitation. | | | | | |
| Bargaining power of suppliers e.g. Allocations by JAB, secondary schools. | | | | | |
| Bargaining Power of students for lower fees for courses. | | | | | |
| Rivalry from other universities in terms of Lower fee charges, advertisements, lower entry criteria etc. | | | | | |

Any other (specify) and rate as before

| Factor / scale | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|
| 1. | | | | | |
| 2. | | | | | |
| 3. | | | | | |
| 4. | | | | | |
| 5. | | | | | |

**Section C: Competitive strategies**

Tick the extent to which the University has applied the below strategies for competitive advantage**;** Use the scale below

5= Very high extent, 4=High extent, 3=Lower extent, 2=Very low extent, 1=Not at all

| Strategy / scale | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|
| Better price/fee offerings than other universities. | | | | | |
| Unique quality programs and courses offered. | | | | | |
| Wide variety of course offerings in many industries e.g. tourism, engineering, medical, agriculture etc. | | | | | |
| Wide reach through opening new campuses/colleges in new regions. | | | | | |
| Introduction of new course programs not provided elsewhere. | | | | | |
| Through Masters and doctorate programs. | | | | | |
| Acquisition of middle level colleges or schools. | | | | | |
| Alliances with other universities, local or foreign. | | | | | |
| Diversification outside the education sector | | | | | |

Any other (specify) and rate as before

| Strategy / scale | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|
| 1. | | | | | |
| 2. | | | | | |
| 3. | | | | | |
| 4. | | | | | |
| 5. | | | | | |

## Appendix 3: List of Accredited Public Universities in Kenya, 2015

| No. | Public chartered University | Year of establishment |
|---|---|---|
| 1 | University of Nairobi (UoN) | 1970 |
| 2 | Moi University (MU) | 1984 |
| 3 | Kenyatta University (KU) | 1985 |
| 4 | Egerton University (EU) | 1987 |
| 5 | Jomo Kenyatta University of Agriculture and Technology (JKUAT) | 1994 |
| 6 | Maseno University (MASENO) | 2001 |
| 7 | Masinde Muliro University of Science and Technology (MMUST) | 2007 |
| 8 | Dedan Kimathi University of Technology | 2012 |
| 9 | Chuka University | 2013 |
| 10 | Technical University of Kenya | 2013 |
| 11 | Technical University of Mombasa | 2013 |
| 12 | Pwani University | 2013 |
| 13 | Kisii University | 2013 |
| 14 | University of Eldoret | 2013 |
| 15 | Maasai Mara University | 2013 |
| 16 | Jaramogi Oginga Odinga University of Science and Technology | 2013 |
| 17 | Laikipia University | 2013 |
| 18 | South Eastern Kenya University | 2013 |
| 19 | Meru University of Science and Technology | 2013 |
| 20 | Multimedia University of Kenya | 2013 |
| 21 | University of Kabianga | 2013 |
| 22 | Karatina University | 2013 |
| 23 | Kibabii University | 2015 |

| No. | Public university constituent college | Year of establishment |
|---|---|---|
| 1 | Murang'a University College (JKUAT) | 2011 |
| 2 | Machakos University College (KU) | 2011 |
| 3 | The Co-operative University College of Kenya (JKUAT) | 2011 |
| 4 | Embu University College (UoN) | 2011 |
| 5 | Kirinyaga University College (JKUAT) | 2011 |
| 6 | Rongo University College (MU) | 2011 |
| 7 | Kibabii University College (MMUST) | 2011 |
| 8 | Garissa University College (MU) | 2011 |
| 9 | Taita Taveta University College (JKUAT) | 2011 |

## Appendix 4: List of Accredited Private Universities in Kenya, 2015

| No. | Private Chartered University | Year of establishment |
|---|---|---|
| 1 | University of Eastern Africa, Baraton | 1991 |
| 2 | Catholic University of Eastern Africa (CUEA) | 1992 |
| 3 | Daystar University | 1994 |
| 4 | Scott Christian University | 1997 |
| 5 | United States International University | 1999 |
| 6 | Africa Nazarene University | 2002 |
| 7 | Kenya Methodist University | 2006 |
| 8 | St. Paul's University | 2007 |
| 9 | Pan Africa Christian University | 2008 |
| 10 | Strathmore University | 2008 |
| 11 | Kabarak University | 2008 |
| 12 | Mount Kenya University | 2011 |
| 13 | Africa International University | 2011 |
| 14 | Kenya Highlands Evangelical University | 2011 |
| 15 | Great Lakes University of Kisumu | 2012 |
| 16 | KCA University | 2013 |
| 17 | Adventist University of Africa | 2013 |

| No. | Private University Constituent Colleges | Year of establishment |
|---|---|---|
| 1 | Hekima University College (CUEA) | 1993 |
| 2 | Tangaza University College (CUEA) | 1997 |
| 3 | Marist International University College (CUEA) | 2002 |
| 4 | Regina Pacis University College (CUEA) | 2010 |
| 5 | Uzima University College (CUEA) | 2012 |