

**RESPONSES ADOPTED BY PRIVATE UNIVERSITIES IN  
KENYA TO COPE WITH THE CHANGING HIGHER  
EDUCATION ENVIRONMENT**

**BY:**

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**A Research Project Presented in Partial Fulfillment of the Requirement of  
the Degree of Master of Business Administration, School of Business,  
University of Nairobi**

**2007**

# DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the University of Nairobi for academic credit.

**Signed:** \_\_\_\_\_

**Date:** \_\_\_\_\_

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**D61/P/8490/2004**

This project has been presented for examination with my approval as the appointed supervisor.

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**Date:** \_\_\_\_\_

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## **ABSTRACT**

This study was on responses adopted by private universities operating in Kenya to cope with the changing higher education competitive environment; and the challenges, which the private universities are facing in responding to their environment.

Data was collected from 17 private universities in Kenya. The collected data was analyzed and interpreted in line with the aims of the study. The respondents were senior administrators, the Vice-Chancellors of the private universities. A questionnaire with open ended and closed ended question was developed by the researcher and used in data collection. Literature review items were used to come up with the items on the questionnaire. Data analysis tools used in the research was Excel and SPSS and data was presented in form of tables and charts. Summary is based on the two research questions. Out of the 17 private universities to whom the questionnaires were administered, only 14 responded. This gave a response rate of 82% percent.

The research methodology was based on the fact that the study was a census design. This method allowed the collection of a large amount of descriptive information that was analyzed. The study concludes that private universities have long-term policies and plans for using their resources to support their long-term competitive strategy, the major contribution of the operations department to the changing competitive environment is to set tight standards in product delivery and a verification of support base, in order to achieve cost leadership and provide services cheaper than the competition, private universities have restructured to cut on costs over the last 5 years with the process being accelerated during the last 1 year. The objectives of restructuring were aimed at increasing efficiency and improving service delivery, in the advent of increased competition and price wars marketing, most universities are soliciting a direct response, which is specific and quantifiable from the all the stakeholders. Over the last 5 years many changes in IT have taken place in most private universities with the process being accelerated during the last 3 years, the objectives of the IT changes were to facilitate efficiency in management process to improve the quality in delivery of academic services and communication within and outside university. The other

responses the private universities have made use of to respond to the changing competitive situation facing them ranged from introducing competitive courses and ethics in all over courses, revising the curriculum and programmes and new creations to town campuses characterized with diversification of programmes to the satellite campuses in major towns in Kenya.

The three major challenges that the private universities are facing are: lack of skills and poor communication; poor facilitation and support from the private universities' stakeholders; and lastly, the absence of appropriate re-sourcing.

Crucially further research should be done to determine how strategic responses could contribute to a company financial performance and to what extent can the benefits if any be quantified by the organizations.

## ACKNOWLEDGEMENT

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I thank the Almighty God for the plans he has for us, “Jeremiah 29:11.”

## **DEDICATION**

**To My Late Daughter, Lorna,  
You will forever be in my heart**

**To My Parents Mr. and Mrs. Philemon Abong'o,**

**You have made me what I am, Thank You for Taking Me to School and for your Moral  
and Financial Support for this MBA Programme.**

**To My Husband Tom,  
Thank You for Your Love.**

**My Children – David and Esther**

**You are Wonderful Gifts**

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# CHAPTER ONE: INTRODUCTION

## 1.1 Background

### 1.1.1 Organization Dynamics and Responses

Given the fast pace of the 21<sup>st</sup> century, working environments and businesses are changing, as are customer needs. The dynamism of the environment implies that organizations have to constantly redesign their strategies in order to remain competitive. These responses may include asset and liability strategy, market strategy (segmentation, price, delivery and distribution products, promotion), human resource strategic (staff costs, staff quality – culture and training), IT strategy and organizational strategy (operational procedures (hub and spoke operation unit grouping, internal control systems). Failure to effectively adapt the organization to its environment, according to Ansoff and McDonnell (1990), leads, to a strategic problem. Such a problem will be evidenced by a mismatch between what the organization offer and what the market demands.

In order for organization to achieve their goals and objectives, it is necessary to adjust to their environment (Pearce and Robinson, 1997). The changes in higher education (HE) are because of five primary factors: higher public expectations over what universities should be delivering; increasing parental concern about the quality of education; greater emphasis on college ratings; demographic changes in student population; and higher costs. In the changing environment, producing more is not always better. Yet, most universities have increased student to faculty ratios and costs. For them to compete in the global environment, universities must have quality beyond the competition, technology before the competition and costs below the competition (Watson, 1996).

Thompson (1997) defines strategic adaptations as changes that take place over time to the strategies and objectives of an organization. Such change can be gradual or evolutionary, or more dramatic, even revolutionary. Such responses may take many forms depending on the organization's capability and the environment in which it operates. Well-developed and targeted strategic responses are formidable weapons for a firm in acquiring and sustaining a competitive edge. These responses include restructuring, marketing, information technology,

operational, culture change, marketing and asset/liability. Ansoff and McDonnell (1990) also noted that the responses involve changes to the organization's strategic behaviour.

Gavigan (1992), articulated this strategy as: it is much easier, and cheaper, to sell to "warm bodies"; and farming an existing account base is much better than hunting for new customers. According to Thompson and Strickland (1993), environmental scanning enables managers to identify potential developments that could have an important impact on industry conditions leading to the emergence of opportunities and threats. This will help the managers to develop appropriate strategies given the industry competitive situation. The marketing strategies include Segmentation, Pricing, Delivery and Distribution, Products, Promotion.

The importance of human resource strategy is crucial, as the performance and cost of those employed in the industry are fundamental to its future success. This is another area where organizations are attempting to raise quality and at the same time cutting costs. Human resource strategies must support the strategic direction of the organization. Cost is a major differentiator in higher education services and all major participants must pay attention to staff costs, which is their major cost driver, to remain competitive. Players in the industry will continue to match each other around the market price, so other forms of differentiation are needed, with service quality being increasingly important in achieving competitive advantage. The strategic challenge of the 1990s is thus to reduce costs while simultaneously improving quality.

Luftman (1996) adds that the way a firm views its businesses, customers and competition is critical to successfully aligning its business and IT strategy. IT is used to automate processes and to augment the skills of the organization's staff. Rayport and Sviokla (1995) stated that competition is defined along two dimensions: the physical world of resources and a virtual world of information. Information supports and enhances every activity in the organization and it can itself be a source of added value and hence, competition advantage, provided organizations are able to draw that value. Gilbert (1995) notes that strategically successful organizations obtain market feedback continuously and rapidly, and adapt to the feedback ahead of their rivals. They exploit the potential of strategic as well as competitive and

operating information systems. Some of the information technology variables that can influence a firm's response to competition include the usage of real-time systems, extent of interconnectivity of distribution channels, as well and the efficiency of the telecommunication systems.

One of the major activities of restructuring is business process reengineering. Hammer (1996), notes that "companies can dramatically improve their efficiency and quality by focusing on customers and the processes that create value for them. Processes have come to be more important than their products and are in fact defining the market places in which the companies compete". Outsourcing, for instance, would enable an organization to concentrate on its core businesses, while benefiting from the cost efficiencies of those companies that specialize on the outsourced activity. Firms can design their strategies based on their processes, for instance, through intensification where processes are mapped and improved to enhance customer service, or through extension where strong processes enable entry to new markets. Wilson and Rosenfeld (1990) define organization structure as the established pattern of relationships between component parts of an organization outlining communication, control and authority patterns. Thus, structure distinguishes the parts of the organization and delineates the relationship between them.

### **1.1.2 Higher Education and Private University Education In Kenya**

Higher education is a commodity service and the effects of these changes are therefore experienced by most of the population. Responsiveness and flexibility are increasing important factors that determine the success of an organization (Grundy, 1995). Current thinking on strategy in the sector is being shaped by the performance of the smaller institutes and polytechnics over the past decade. The increasing market focus, points the way to the strategies that universities must continue to develop to be successful. The achievement of superior efficiency, quality, innovation and responsiveness enables an organization to create superior values and attain competitive advantage (Hill and Jones, 2001). Kenya has attached education to economic and social development since 1963 (Sifuna, 1998). This led to the rapid expansion of the education system to provide qualified persons for the growing economic and administrative institutions and to undertake some reforms to reflect the aspirations of an independent state (Court and Ghai, 1974).

Higher education in Kenya can be traced back to 1922, when the then Makerere College in Uganda was established as a small technical college which was then expanded to meet the needs of the three East African countries i.e. Kenya, Uganda, Tanganyika and Zanzibar, as well as Zambia and Malawi. In the 1940's and early 50's, it was only this college that was providing university education in East Africa. This lasted until 1956, when the Royal Technical College was established in Nairobi. In 1963, the Royal Technical College became University College Nairobi, following the establishment of the University Of East Africa with three constituent colleges in Nairobi, Dar es salaam and Kampala (Makerere). The University of East Africa offered degree programmes of the University of London till 1966. In 1970, the University of Nairobi was established as the first university in Kenya.

Higher education in Kenya is run by the Commission for Higher Education (CHE) established in 1995 under provisions of the University Act with some of the major functions such as; to accrediting universities; to promote the objectives of university education namely the development; processing, storage and dissemination of knowledge for the benefit of mankind; advice minister on development of the public university and cooperate with the government in the planned development of university education; regular re-inspection of universities; co-ordination and regulation of admission to universities; documentation, information services and public relations for higher education and training . Above all, to examine and approve proposals for courses of study and course regulations submitted to it by private universities. Although these functions are considerable statutory to CHE to run university education, a number of criticisms have been leveled to the operations of the organization (Sifuna, 1998). An article in the Standard, dated April 21,2007, noted that with the current standards customarily applied in evaluating and accrediting convectional campus-based local higher education programme, the CHE is not equipped to assess the quality and effectiveness of for example, online courses and other modalities of higher education.

Due to the demand for qualified personnel for both the private and public sector in the 1970's, the number of Kenyans seeking university education exceeded the capacity of the only then, University of Nairobi. From then, university education in Kenya has expanded with a rise in student enrolments, expansions of Universities, diversity of programmes and setting up of new universities and campuses. From one (1) university in 1970 the number has increased to seven (7) public universities and seventeen (17) private universities.

There has been a rise in enrolment in public and private universities, the proliferation of more private universities and the establishment of the private wings (self sponsored programmes) in the public universities. Student enrolment in Kenyan public universities has increased very rapidly between 1964 to date. In 1970 student enrollment stood roughly at 3,443 (Sifuna, 1998). According to an article in the *Daily Nation*, dated and posted to the web on December 8, 2005, with the additional students in the parallel degree programmes, the total enrolment in both public and private universities has grown from 55,200 students in 1998 to 91,541 students (33,550 females and 57,991 males) in 2005. Financing higher education in Kenya like most African countries was historically free, with the public purse covering both tuition and living allowances (Weldman, 1995). The rationale for free higher education in Kenya was based on, among other things, the country's desire to create highly trained manpower that could replace the departing colonial administrators. In return, graduates were bound to work in the public sector for three years.

Thus, within a new global market, characterized by rapid information change, intense information flows and increasing competition through the reduction of barriers to trade and exchange, higher education institutions, particularly private universities in Kenya, are slowly emerging as organizations driven by the commercial imperative of market led forces. Yet their strategies for resource utilization are embedded in models of higher education. This has been coupled with other major challenges such as: inadequate funding especially for research and development, quality and relevance, inadequate use of ICT, lack of a unified accreditation system, un-harmonized legal frameworks, inadequate management capacity, drug and substance abuse.

According to Sifuna (1998), only one CHE's statutory function, that is, the accreditation of private universities has been its main preoccupation since its secretariat became operational in 1986. The politicization of planning and development of university education has effectively denied the commission its roles. Sifuna (1998) further observed that there had been no planning in university education for a considerable length of time. The last planning effort in university education was before rapid expansion started. The increasing demand for higher education is also seen to have contributed to lack of planning. Sifuna's study (1998) revealed that rapid expansion of university education was a spontaneous response to the higher demand.



There were a number of challenges facing the Kenyan private universities regardless of the rapid expansion of university education. These included low funding from the sponsors; increased enrolment; limited access compared to the population level; increased enrolment without commensurate improvement in available resources and facilities; gender inequality and a low research capacity which does not support the development agenda; due to failure by the private universities to attract and increase income from research grants and contracts which can be sourced for from government, local authorities, industry and commerce; failure to meet the industry and development needs, are among some of the problems facing the private universities in Kenya. The problems have led to fears that quality of education is in a downward trend in most of the private universities. This was depicted in the number of the students seeking higher education outside the country (UNESCO, 1998).

Other threats that were especially unique to private universities include the competition in higher education whereby the public universities have private wings (Module II programmes), charging an equivalent or a lesser fee compared to what the private universities are currently levying. For instance, tuition fees for a degree program in master of business administration at the University of Nairobi is approximately US\$ 4,000, Strathmore US \$9,600 and United States of International University-Africa US\$ 4,600 respectively. Secondly, private universities depend on the revenues generated from the tuition fee charged on their students, such heavy dependence on tuition coupled with lack of alternative income sources have made the private universities expensive, and thus unaffordable to most Kenyans. This in effect limited their services to the children of high socio-economic status. Private universities also sought to strive for international competitiveness with curricula that take cognizance of universal graduate standards and in the midst of these challenges, some grapple with requirements of their owners who often interfere with governance, recruitment of personnel and academic progress (Nyaigoti- Chacha , 2004).

There also loomed a strong public perception that public universities are academically better than private universities even when a few of the private universities hire the best academic staff and maintain new and up-to-date facilities, The government has also formulated policies that tightly regulate private universities, this they claim is aimed at quality assurance ( Nyaigoti Chacha , 2004).

## 1.2 Statement of the Research Problem

There was interest among researchers on the subject of responses by organizations to relevant environmental changes. Sarah *et al.*, (1995) studied the strategic issues for higher education strategies in the UK with a political contingency perspective. They observed that “strategic issue picture” of the HE environment have emerged as one which projects the spectra of organizational failure for those HE organizations which do not attractively recruit and satisfy customers. HE education environmental conditions present new opportunities, but also gather power in increasingly hostile and threatening ways.

Their conclusions were broadly in agreement with Kotler (1996), who pointed out that organizational change usually lags behind environmental change. Their observation points towards the likelihood that most HE organization systems are currently utilizing inappropriate customer responsiveness systems and are increasingly in urgent need of environmentally-fitting organizational change. Kandie (2001) undertook a study on the strategic responses to competition by Telkom Kenya and Kathuku (2005) also undertook a study on the strategic responses to changes in the environment by the Co-operative Bank of Kenya as the Second largest commercial banks. They both found out that the organization had made some strategic adaptations in its products, markets, and technology as well as making strategic alliances.

Although researches had been done on strategic responses locally and globally, none had focused on private universities operating in Kenya. Being seventeen (17) in number, as opposed to the seven (7) public universities, and key players in the Kenyan higher education sector, what responses had these private universities operating in Kenya adopted to cope with changing competitive environment? Moreover, what challenges were they facing in responding to their environment?

Hence, there was need to explore ways of reversing and addressing the above challenges through sound responses, to meet the best practices for private universities to remain competitive. From the foregoing, it was necessary to conduct a study documenting the responses; which had been adapted by the Kenyan private universities in the volatile education sector, to exploit opportunities which included a very large base in higher

education capacity, a number of institutions with infrastructural capacity and adequately trained human resource, and the underutilized existing infrastructure and human resources capacity (Nyaigoti-Chacha, 2004).

### **1.3 Objectives of the Study**

- (a) To determine the responses adopted by private universities operating in Kenya to cope with the changing higher education competitive environment;
- (b) To determine the challenges which were facing the private universities operating in Kenya in responding to their environment

### **1.4 Significance of the Study**

The finding from this study will benefit the following groups/stakeholders:

#### **a) Investors in Higher Education**

The stakeholders and all those who have invested in the higher education sector, particularly private universities and other decision makers who will be more accountable in their way of responding to an ever-changing HE environment will get an insight into the benefits of using organization-wide approach of providing quality HE in both private and public education service delivery. This will enable HE sector in the formulation and implementation of competitive strategies.

#### **b) Private Universities in Kenya and the Higher Education Sector**

For the policy makers in private universities in Kenya and the higher education sector, the findings from this will provide pertinent information on the extent of the effectiveness of the responses adopted by private universities to competitive pressure, as well as the limitations of such responses.

#### **c) Researchers**

The literature will add to the body of knowledge for the scholars and academicians.

## **CHAPTER TWO: LITERATURE REVIEW**

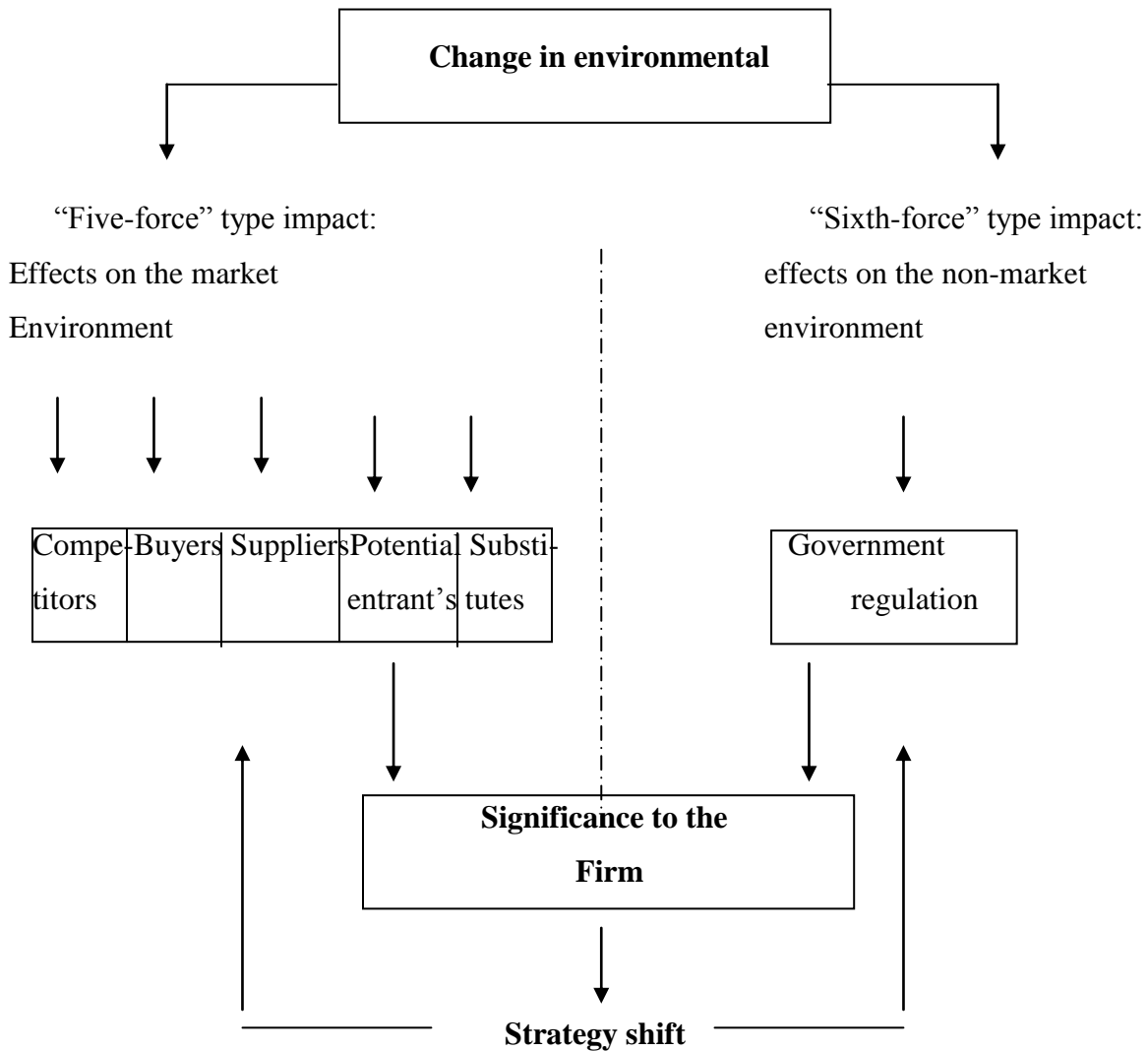
### **2.0 Introduction**

### **2.1 Organization and the Environment**

The dynamism of the environment implies that organizations have to constantly redesign their strategies in order to remain competitive. The concept of organizational responses to environmental changes can be viewed from two dimensions, the strategic responses and operational responses. The strategic responses include; Market Penetration, Product development, Market development and Diversification. Other operational responses may include asset and liability strategy, market strategy (segmentation, price, delivery and distribution products, promotion), human resource strategic (staff costs, staff quality – culture and training), IT strategy and organizational strategy (operational procedures (hub and spoke operation unit grouping, internal control systems). “To survive and succeed in an industry, the firm must match the aggressiveness of its operating and strategic behaviours to the changeability of demands and opportunities in the market place” (Ansoff, 1965). Failure to effectively adapt the organization to its environment, according to Ansoff and McDonnell (1990), leads, to a strategic problem. Such a problem will be evidenced by a mismatch between what the organization offer and what the market demands.

Hax and Majiluf (1996) view organizational strategic management as a way of conducting a firm. It has the ultimate objective of the development of corporate values, managerial capabilities, responsibilities and administrative systems that link strategic and operational decision making at all levels of the organization in one direction. Organizational strategic management has also been defined as “the art and science of formulating, implementing and evaluating cross-functional decisions that enable an organization to achieve its objectives” (David, 2001). It implies focusing on integrating management, marketing, finance/accounting, production/operations, research and development, and computer information systems to achieve organizational success. All the definitions on organizational strategic management emphasize the fact that it is dynamic and concerned with providing, and continuously adjusting the means by which organization can effectively cope with environmental change. Therefore, organizational strategic management is a continuous and dynamic process.

**Figure 2.1: The Impact of Changes in Environmental Regulations on Corporate Strategy**



*Source: Teece, and Pisano, (1998) The Dynamic Capabilities of Firms; pp 193-214*

Using the above reasoning, the result is a three part analysis of environmental changes and the strategic responses. Environmental changes reflect one of the most rapidly growing fields of organizational intervention. Government regulation is perceived as having a major impact on the functioning of an industry, then, the use of the conventional five forces model would translate this impact into relevant effects on the firm through some or all of the five forces. From a normative perspective, the predicted effects could then lead to a change in firm behaviour if such a change were viewed as beneficial to the firm. The predicted effects

would not be viewed as exogenously determined constraints on firm behaviour but as outcomes which, at least in terms of significance to the firm, could be altered by a shift in firm strategy. This also implies that a change in environment may not only call for a change in the firm's strategy vis-à-vis these conventional market forces, but also a change in strategy towards the environment itself. The above analysis can be described as in figure 2.1. It is suggested that a change in the environment may be through its impact on the five conventional market forces and strategies (Teece and Pisano, 1998).

The achievement of superior efficiency quality, innovation and responsiveness enables an organization to create superior values and attain competitive advantage (Hill and Jones, 2001). Strategy can be defined as the establishment of the long-term goals and objectives of an organization, including the taking of actions and allocation of resources for achieving these goals (Chandler, 1962). Due to the scarcity of resources, the strategy that is chosen should be one that optimizes these resources in the pursuit of the organizational goals and objectives. “Strategy can be seen either as the building of defenses against competitive forces, or as the finding of positions in the industry where competitive forces are weakest” (Pearce and Robinson, 1997, p.136). Grant (2000) adds that the ability to identify and occupy attractive segments of an industry is critical to the success of an organization.

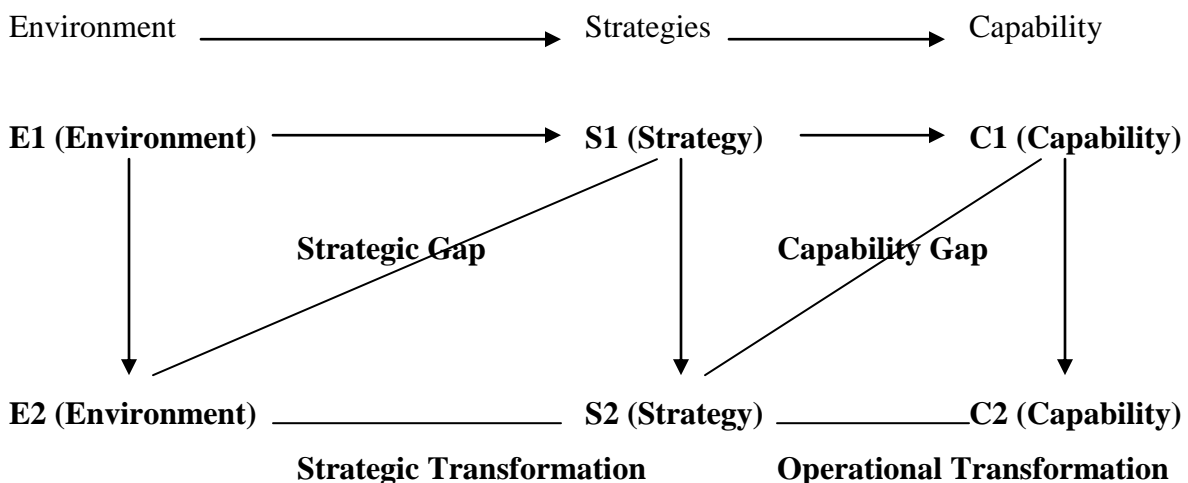
By combining a variety of theoretical perspectives, an integrated framework is developed that examines these interrelationships as seen in figure 2.2. The results show that managerial perception of environmental change influences the strategic adaptive response of the organization and the selection of top managers. Further, it was found that organizations that are able to achieve the alignment among perceived environmental change–strategic adaptive response–managerial characteristics exhibit superior performance in terms of a variety of performance outcomes as compared to organizations where such alignment is lacking.

Most strategy researchers agree that the environment is central to a firm’s existence, and acknowledge that there is indeed a close relationship between strategic and organizational choices made, on the one hand, and the characteristics of an organization’s environment, on the other (Aldrich, 1979; Lawrence and Lorsch, 1967; Rumelt, 1974). This notion is extended further to emphasize the centrality of the environment, both in a normative and in

an empirical sense, in that some strategies are considered to be “better” suited to certain types of environments than others (Hambrick, 1983; Segev, 1987; Snow and Hrebiniak, 1980).

Perhaps one of the more systematized descriptions of the environment has been provided by Duncan (1972), who has suggested that environments can be viewed in terms of two dimensions: simple-complex versus stable-dynamic. Duncan’s (1972) first dimension, simple-complex, refers to the number of disparate elements that are pertinent to the organization, while the second dimension, stable-dynamic, refers to whether or not the elements in the environment are unstable. Following this, Daft and Weick (1984) have developed a model combining assumptions about the environment along with an appropriate response sequence by an organization. An organization’s level of intrusion or response would depend on whether the environment was considered analyzable or un-analyzable. Daft and Lengel (1986), in a further refinement to modeling the environment, have included the dimensions of unequi-vocality, certainty, analyzability, variety, and intrusiveness to Daft and Weick’s (1984) model. Waddock and Isabella (1989), in assessing managerial beliefs about the environment in a simulation study, used the dimensions of analyzability, predictability and understandability to capture this construct.

**Figure 2.2 Strategic Transformation and Operational Transformation**



*Aldrich, H.E (1979), Organizations and Environments, pp 79*

A significant change in the environment and no shift in the strategy will lead to gaps and these gaps lead to mal-performance. As such, strategies must match with the environment

and the internal capability must match with the strategy. In order for them to be properly aligned, there is a need for strategic and operational transformations through sound strategic and operational responses.

## **2.2 Strategic Responses**

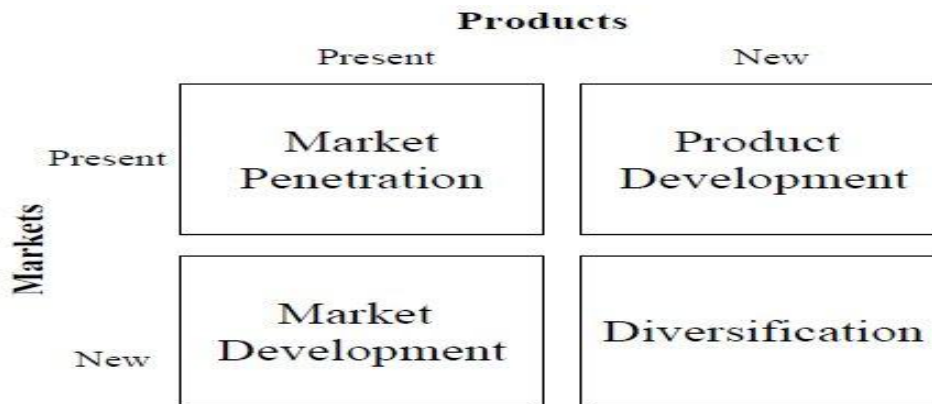
According to Andrews (1971), “strategy is a pattern of objectives, purposes, or goals and the major policies and plans for achieving these goals stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be”. Strategy, therefore, not only focuses on the goals and objectives of organizations and the means of achieving them, but also gives an indication of the nature of the company and its business, both in the present and in the long-run. Hill and Jones (2001) conclude that the strategies an organization pursues have a major impact on its performance relative to its peers. Porter (1980) states that strategy is basically about competition and the means by which an organization tries to gain a competitive advantage. According to Ohmae (1983), the only purpose of strategic planning is to empower an organization to efficiently gain a sustainable competitive edge over its competitors. Therefore, corporate strategy implies an attempt to change, in the most efficient way, a company’s strength relative to that of its competitors.

### **2.2.1 Product-Market Growth Matrix**

In Igor Ansoff’s model, “Strategy is designed to transform the firm from the present position to the position described by the objectives, subject to the constraints of the capabilities and the potential” of the organization. This model specifically stresses two concepts. Gap analysis is designed to evaluate the “difference (gap) between the current position of the firm and its objectives. The organization chooses the strategy that “substantially closes the gap.” Synergy refers to the idea that firms must seek “Product-Market posture with a combined performance that is greater than the sum of its parts” more commonly known as “2+2=5” formula (Ansoff, 1965). The four types of synergies Igor Ansoff is referring to are marketing synergies, operating synergies, investment synergies and management synergies.



## Product-Market Growth Matrix



Source: Ansoff, I., Strategies for Diversification, *Harvard Business Review*, Vol. 35 Issue 5, Sep-Oct 1957, pp.113-124

The Ansoff **Product-Market Growth Matrix** is a marketing tool created by Igor Ansoff. The matrix allows marketers to consider ways to grow the business via existing and/or new products, in existing and/or new markets – there are four possible product/market combinations. Even the originator of the product-market growth matrix, Ansoff (1957), is inconsistent. He describes market development as "a strategy in which the company attempts to adapt its present product line (*generally with some modification of the product characteristics*) to new missions but then goes right on to describe product development as a strategy that "retains the present mission and develops products that have new and different characteristics such as will improve the performance of the mission." (p.114). To be fair, he's talking about different missions, but the fact of the matter is that everyone else is talking about product changes as the point of differentiation between the two concepts. This matrix helps companies decide what course of action should be taken given current performance. The matrix consists of four strategies:

**Market Penetration** (existing markets, existing products): Market penetration occurs when a company enters/penetrates a market with current products. The best way to achieve this is by gaining competitors' customers (part of their market share). Other ways include attracting non-users of your product or convincing current clients to use more of your product/service, with advertising or other promotions. Dalrymple and Parsons (1995) say that "promotion of more frequent and varied usage among current users" (market penetration) involves finding

and promoting new *uses* among existing customers, which seems like it would be finding new target markets for the product, Lamb, Hair and McDaniel's (1992) definition of market development. For example, the makers of Silly Putty have found a new target market in adults who use the product as a stress reducer, so in this case the new use implies a new target market.

**Market development** (new markets, existing products): An established product in the marketplace can be targeted to a different customer segment, as a strategy to earn more revenue for the firm. This may involve moving into another region or expanding into another country. It can also be implored by connecting through an alliance. Aaker (1988) says that selling to nonusers is an example of market development but Guiltinan and Gordon (1982) say that selling to nonusers is market penetration. Lewison (1996) says that serving new groups of customers (new market segments) is market development, giving the example of a fashion designer who develops a less-expensive line of clothing for the mass market, which surely is a strategy to "identify unmet consumer needs and develop new products to meet those needs," this being his definition of product development.

**Diversification** (new markets, new products):, This involve entering product-market different from those in which a firm is currently engaged. It can also be implemented by acquisition or a new business venture. Booth (1990) gives the example of developing an entirely new product based on new technology as one showing "diversification" (product diversification). Urban and Star (1991) describe "enter new markets with new products" (product diversification) as undertaking major product design and implementation programs, something that virtually everyone else calls product development, even them! Their definition of "new products to serve existing markets better" (product development), is "emphasis on product development," exactly the same thing. For the most part, any discussion of product diversification in these textbooks is about corporate diversification or without any examples at all.

To simplify, consider a brand and a product to be the same thing, i.e., a named product (brand). Unless discussing the product life cycle where product will refer to product Category. This will make it easier to understand and use the product-market growth matrix. Each separately-named product in a product line can be considered a different product. For

example, Cheerios and Honey Nut Cheerios are two products. But some brands cover multiple “models,” as in automobiles. The Honda Civic is marketed separately from the Honda Accord, probably using different product management groups for each brand. But this would not be the case for different models of Civic or Accord any more than it would be the case for different package sizes of Cheerios. This is called here *product diversification* not just diversification to signify that it is an aspect of product management decision making, not corporate decision making. A company would pursue product diversification only if the product managers (possibly the group product managers or managers of the strategic business unit that the product is in) wanted to grow sales in this way. In other words, like other cells in the product-market growth matrix, it is a way to manage a brand in this case by basically redefining “brand” strategy. In some cases, product diversification may even result in a new brand management group.

**Product development** (existing markets, new products): A firm with a market for its current products might embark on a strategy of developing other products catering to the same market. Frequently, when a firm creates new products, it can gain new customers for these products. Aaker (1988) says that developing new products for existing markets such as Arm & Hammer introducing a new laundry detergent is product development even though laundry must be a new market since it is a new market segment, his definition of market development. Aaker further notes that developing new generation technologies is product development.

Firm might also involve itself in adding product features which will involve marketing, operations, management or it may also create new generation products. Hence, new product development can be a crucial business development strategy for firms to stay competitive.

## **2.2.2 Generic Strategies and Industry Forces Model**

Porter (1980) presents his five forces and generic strategies in discussing how to recognize and act on market signals and how to forecast the evolution of an organization’s structure. He further notes that the five principal forces that determine industry competition are Threat of New Entrants, Threat of Substitution, Bargaining Power of Buyers, Bargaining Power of

Suppliers and Rivalry amongst existing competition in the industry. He also emphasizes on the following generic strategies which are cost leadership, differentiation and focus strategy that can serve against competitive forces.

Cost Leadership calls for the ability to cut prices, offer lower price to buyers, better suppliers, using low price to defend against substitution and better able to compare on price. In addition to WalMart, firms that have successfully employed low cost leadership include Lincoln Electric, Emerson Electric, Black and Decker and Nucor Steel. Nucor is a particularly interesting example. They have aggressively pursued low cost leadership in a highly competitive industry and have not had a financial loss for 35 years running. Their approach to low cost leadership has been the use of advanced technology (electric furnace and continuous casting) and a remarkable incentive and benefits program that has allowed them to operate as a non-union firm in a highly unionized industry. It is likely that Nucor's "flat" organizational structure (only four levels of management) and highly decentralized approach are key elements in their low cost leadership strategy (Iverson, 1998). No discussion of low cost leadership would be complete without mentioning Southwest Airlines. They have, for years, been the most profitable airline in an industry that has been drowning in "red ink" since deregulation. Southwest Airlines, under the leadership of Herb Kelleher (Freiberg & Freiberg, 1996), has employed the following techniques to achieve the lowest cost per mile in the industry: One type of airplane - the Boeing 737, Highly motivated work force, Point to point operations rather than "hub and spoke", Very fast gate turnarounds and high utilization rates, Quick response to changing conditions and new opportunities and It is also important to note that Southwest Airlines faced high barriers to entry (initially) but those barriers became barriers to repositioning and retaliating for the entrenched incumbents.

Differentiation means developing a product or service that offers unique attributes that are valued by customers and perceived to be better than or different from products of the competition. The uniqueness may allow a firm to charge a premium price for it and organizations that succeed in this strategy often have access to leading scientific research, highly skilled and creative product development team and also strong sales team with the ability to successfully communicate the perceived strengths of the product,. Customers became attached to differentiating attributes hence reducing threat of substitutes and brand

loyalty. It has also been theorized that differentiation strategies are most appropriate in dynamic and uncertain environments (Hambrick 1983; Miller 1988; Kim and Lim 1988). The strategy of differentiation aims to create a product or service that customers see as unique. Differentiation often involves new technologies, unforeseen customer and competitor reactions, and the confluence of many unstructured marketing problems (Hofer and Schendel 1978; Miles and Snow 1978; and Miller and Friesen 1984). All of these factors increase environmental unpredictability. Thus, a differentiation strategy 's most effective in dynamic environments in which products, services, and Practices change quickly (Duncan 1972) or where it can be used to avoid more costly forms of competition like simple price cutting (Hambrick 1983; Hofer and Schendel 1978; Miller 1988; Porter 1980).

The Focus Strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation. Focusing develops core competencies that can act as entry barriers, A differentiation focused firm is better able to pass on supplier price increases, Specialized products and core competencies protect against substitutes and rivals cannot meet differentiation-focused customer needs. The essence of a firm's business-level strategy is choosing to perform activities differently or to perform different activities from rivals (Hill et al., 2001). Michael Porter's theory of business-level generic strategy contains two elements; first a scheme for describing firms' competitive strategies according to their market scope that is focused or broad, and second, their source of competitive advantage that is cost or Differentiation (Swink and Hegarty, 1998).

### **2.3 Operational Responses**

Operational responses are concerned with setting broad policies and plans for using the resources of the firm to support its long-term competitive strategy. It is very comprehensive and intergrate the cooperate strategy. The strategy here are those that focus on giving high service quality (Chase et al; 1988), low production costs (Dooner, 1991), having flexible facilities and process (Garvin, 1988), ability to deliver with speed (Dooner, 1991) and innovativeness (Unilever,2001).

Quinn (1980) identifies strategy as a plan that puts together an organization's major goals, policies and action sequences. A well-formulated strategy enables an organization marshal and allocates its resources in a unique way on the basis of its relative internal competencies and limitations, expected changes in the environment, and contingent actions by competitors.

The operational responses can be discussed as below:

## **2.4 Restructuring**

Wilson and Rosenfeld (1990) defined organization structure as the established pattern of relationships between component parts of an organization outlining communication, control and authority patterns. Thus, structure distinguishes the parts of the organization and delineates the relationship between them. One of the major activities of restructuring is business process reengineering. Hammer (1996), notes that "companies can dramatically improve their efficiency and quality by focusing on customers and the processes that create value for them. Processes have come to be more important than their products and are in fact defining the marketplaces in which the companies compete". Outsourcing, for instance, would enable an organization to concentrate on its core businesses, while benefiting from the cost efficiencies of those companies that specialize on the outsourced activity. Firms can design their strategies based on their processes, for instance, through intensification where processes are mapped and improved to enhance customer service, or through extension where strong processes enable entry to new markets.

Senior(1997) notes that there are various catalysts for organizational changes such as restructuring. These triggers may include the purchases of a new IT equipment or system, business process reengineering through process intensification/extension, the redesign of a group of jobs, staff right-sizing and subsequent staff cutbacks, as well as staff redundancies. With regards to the number of levels in the structure of the organization, often referred to as the scalar chain, Drucker (1989) suggests that these should be as few as possible. Too many levels bring difficulties in the understanding of objectives and communicating both up and down the hierarchy. According to Quinn (1992), enterprises generally obtain strategic advantage by focusing on the smallest activity or cost units that can be efficiently replicated.

Cost-cutting efforts will lead to dramatically lower overhead costs and part of these savings can then be passed to the customer in terms of lower prices.

Thompson (1997) states that radical business process reengineering implies that a firm completely rethinks how certain tasks are carried out and searches for new ways through which performance can be improved. It leads to breaking down functional and individual job boundaries as the processes do not have to coincide with the existing departmental structures. Grundy (1995), however, cautions that speeding activities up without detriment to quality, and without increasing costs, demands more effective learning and feedback in the management process. Accelerating processes, with continual and open learning, avoid costly errors. Reichheld (1996) suggested that by searching for the root causes of customer departures, companies with the desire and capacity to learn can identify business practices that need fixing and, sometimes, can win the customer back and re-establish the relationship firmly.

## **2.5 Marketing Strategy**

Kotler and Armstrong (1999) define marketing as a social and managerial process. It is the process by which individual and groups obtain what they need through creating and exchanging products and value with others. Basically, it is all about satisfying customer needs and wants. Kotler (2000) observes that marketing helps to define the business mission, as well as analyzing the environment, competitive, and business situations. It, therefore, plays a major role in the organization's strategic planning process.

The other key factor that will influence progress in the industry is the market strategy. Capital is in short supply, with over-capacity in the services industry; therefore organizations make the classic strategic decisions as to which market segments they wish to service and in what way. Organizations had previously attempted to be "all things to all men" as they embarked on mass marketing campaigns; now increasing efforts are being expended in determining which customer segments provide the most profit potential. The basic thrust of marketing strategies in the 1990s was to increase the penetration of products to their existing customers through more effective cross-selling. Gavigan (1992), articulated this strategy as: it is much easier, and cheaper, to sell to "warm bodies"; and farming an existing account base

is much better than hunting for new customers. This combines an expansion into a new area of operation with a low cost, convenient telephone delivery system.

According to Thompson and Strickland (1993), environmental scanning enables managers to identify potential developments that could have an important impact on industry conditions leading to the emergence of opportunities and threats. This will help the managers to develop appropriate strategies given the industry competitive situation. The strategic marketing responses are based on the marketing mix elements of products, price, distribution and promotion.

### **2.5.1 Segmentation**

Thompson and Strickland (1993) also notes that huge relational databases are being built that will capture data on customers from their day-to-day transactions through the bank's Information Technology (IT) systems. This provides organizations' marketers with information to improve techniques to identify customer segments and predict customer needs. Segmentation, in the past, was a crude affair used to blanket the market with fairly unsophisticated marketing techniques such as the ubiquitous mailshot. The objectives of segmentation in the 1990s are to profile the lifestyle of those in the customer base (in addition to their demographics) in order to tailor products and delivery to meet the needs of the selected segments. Adrian payne *et al.*(1998) notes that the segmentation approach suggests that the vendor must implement a separate marketing strategy for each segment selected as a target market including products or services that deliver benefits uniquely sought by members of each segment.

### **2.5.2 Price**

Organizations are increasingly anxious to measure the profitability of their products, and with this knowledge, to aggregate a customer's product portfolio to determine the profitability of each customer. Similarly, by consolidating the profitability of similar customers, segment profitability can be determined, and this indicates which segments are attractive for marketing.



Shapiro *et al.* (1987) explained customer profitability as falling into quadrants as shown in figure I. These classes of customer are increasingly being recognized, with organizations tailoring their strategies to target those segments that match their own positioning. Crane and Eccles (1987) suggested that business units should be treated as a separate business. Once separated then each division can develop its own strategy based on the segment it serves.

Figure 2.3 Shapiro’s Matrix of Customer traits

<b>High Price</b>	<b>Passive</b>	<b>Carriage</b>
↑	Will pay high prices (due to high dependence or Low product significance)	Will pay top prices Tailored products that include quality and service
	<b>Bargain Basement</b>	<b>Aggressive</b>
	Sensitive to price Relatively insensitive to service Quality standards set for low costs	Powerful customers Price sensitive Quality sensitive Service sensitive
	<b>Low</b>	<b>Cost to Serve</b>
	→	

**High**

Source: Shapiro *et al.* (1987)

An organization may adopt a relationship strategy based on attracting the low profit cash transmission business of customers in the “carriage trade” segment, and then deepen the relationship by superior service, to cross-sell more profitable products. The same organization may use another division to service the “bargain basement customers”, through a non-branch telephone organization system, which has a product-based focus. Obviously those organizations that operate on low costs and have good credit policies can offer lower prices, and will dictate prices in the industry.

### 2.5.3 Delivery and Distribution

The delivery of products to the personal sector is an important area of strategic thinking, as there is a perception of non-availability of branch service. Pottruck (1992) stated that product innovation no longer offers organizations a source of sustainable competitive advantage, as sophistication in IT means that products can be quickly copied. Changing lifestyles and increased affluence lead to higher service expectations by the customer, this has made distribution the key marketing variable of the 1990s. This statement has gained 84 per cent agreement in surveys. The traditional delivery channel is the branch network. The mass marketing era saw the establishment of branches on every main thoroughfare, however as this investment took place it was not fully recognized that these new non-business customers did not have the same discretionary time to visit the branches as the business community on which organizations had traditionally focused.

Marketing strategy is thus increasingly focused on delivery. The numbers of organizations offering an alternative to the traditional branch network has increased, and the types of these channels will also increase. These channels offer the following advantages:

**Convenience.** Products are delivered direct into the customers' living room, thus removing the time and place variables of the marketing mix; **Totally sales-oriented.** Allows focus on high standards of retailing skills, rather than staff also having to be concerned with account administration and maintenance. A highly trained staff, whose only focus is on retailing skills, enables the customer's full potential business to be realized; **Low maintenance costs.** Although there are high initial set-up costs, there are no multiple branch networks to staff and maintain in high cost commercial locations. Economies of scale can be realized in sitting this delivery channel in one location, which need not be in a high cost prime commercial site. Empirical studies indicate that convenience influences critical marketing consequences including customer evaluation and purchase behavior (Rust, Lemon and Zeithaml, 2004).

**Branch networks.** They are the primary delivery channels for services, and also act as a barrier to entry in the industry. However, today's networks are largely unplanned affairs, resulting from the merger and acquisition activity of the 1960s. They are also vulnerable to incurring excessive costs. Many branches were designed in the past to reflect the solidity of

the parent organization, not the needs of the mass-market personal customer. However, their architectural features have attracted preservation orders making them difficult to renovate for today's needs. This increasingly leads to the following strategic issues: all branches necessary and in appropriate locations? Is a high street presence valued over convenient car parking? An acceptable payback is achieved by amalgamating or relocating selected branches?

#### **2.5.4 Products**

Products are no longer seen as providing organizations with sustainable competitive advantage, however extending the range of services that are available through branches may improve the effectiveness of these channels. Organizations have the people and the systems to distribute "information-based" products that are linked to their core activities, such as travel services, house sales and conveyance. Bert Rosenbloom (1995) suggests that product service strategies or any good service strategies require channel member support if they are to work well.

#### **2.5.5 Promotion**

Organizations at present use a mix of advertising and sponsorships at national, regional and local levels. Many organizations' promotion strategies are now turning to building a cultural identity of sales and service excellence that will be recognizable to their customers and the marketplace in general; the type of positioning that Marks & Spencer have cultivated in their market. Whitley (1991) suggested four points to achieve good third party reputations through the quality of their sales and service:

Service quality must be intertwined. This requires commitment to the concept from the whole organization. The burden should not fall solely on front-line staff in each "moment of truth" for quality, to achieve the required standards of service. The production and support process must be tracked back through the organization and the contribution of all involved should meet these standards. Consistency in product and delivery standards requires careful design of both factors to minimize the variability of the human resource. Must achieve control of standards by adopting techniques that will turn service into tangible measurements. Will

continue to improve, therefore what was good today may not be good enough in a year's time, therefore chosen quality levels must be kept under review. Organizations today need to work hard to repair their image; it is a paradox that when the consumer is seeking higher standards of quality, much of the focus of organization strategy is on managing to survive with depleted capital following past strategic mistakes.

## **2.6 Information Technology Strategy**

Over the past two decades IT has allowed organizations to expand their activities to the mass market. According to Porter (1985), technological change, especially IT, is amongst the most important forces that can alter the rules of competition. This is because most activities of an organization generate and utilize information. Porter and Millar (1985) contend that IT can also create new businesses from within a company's existing activities. McFarlan et al (1983) contribute that IT offers a scope for product differentiation that enables the company to effectively service the needs of its market niche. Luftman (1996) adds that the way a firm views its businesses, customers and competition is critical to successfully aligning its business and IT strategy. IT is used to automate processes and to augment the skills of the organization's staff.

Rayport and Sviokla (1995) stated that competition is defined along two dimensions: the physical world of resources and a virtual world of information. Information supports and enhances every activity in the organization and it can itself be a source of added value and hence, competition advantage, provided organizations are able to draw that value. Gilbert (1995) notes that strategically successful organizations obtain market feedback continuously and rapidly, and adapt to the feedback ahead of their rivals. They exploit the potential of strategic as well as competitive and operating information systems. Some of the information technology variables that can influence a firm's response to competition include the usage of real-time systems, extent of interconnectivity of distribution channels, as well and the efficiency of the telecommunication systems.

The first generation of automation has now passed, and in retrospect three main failings have been identified: First, systems were initially designed with a product focus. This has led to systems in organizations resembling patchwork quilts, constantly in a state of repair and

modification. Problems associated with systems that no longer match the needs of the business are: Line staff being unable to cope with the administrative burden, caused by the work generated to achieve operating plans. This resulted in poor performance in cross selling, which is the very area that organizations are staking out as their main marketing strategy. Secondly, lack of user involvement in the design and implementation of the systems. The first generation of systems analysts consulted with users and then disappeared until implementation date when it was too late for users to comment on the systems that they would have to use every day.

Lastly, many organizations set up their initial IT accounting systems at account level, to reflect the way they had administered their old manual systems. It was easy to detect the extent of a customer's overall relationship by examining physical ledger pages. However, automating this arrangement gave real headaches in retrieving customers' files from all around their systems. Paradoxically, just as organizations' systems are addressing this issue, the organizations voluntary code of practice is placing constraints on how they use information on their personal customers.

Although capital is scarce, organizations continue to invest huge sums in IT, as it is acknowledged that lack of investment in this area damages an organizations' ability to compete effectively. Organizations are making the transition to customer-based information being held on relational databases in their efforts to become more market-oriented and to resolve the difficulties of holding details of customers at account level. The details of individual accounts are clustered around the customer's static details records, such as name and age. The speed at which technology continues to develop makes predicting the future of systems difficult, but IT solutions to business problems must: provide information support to place the customer in the center of their operations; aid in-time compression in the development of organizations' products and services; and reduce overall costs by improving productivity throughout the organization.

## **2.6.1 E-Learning**

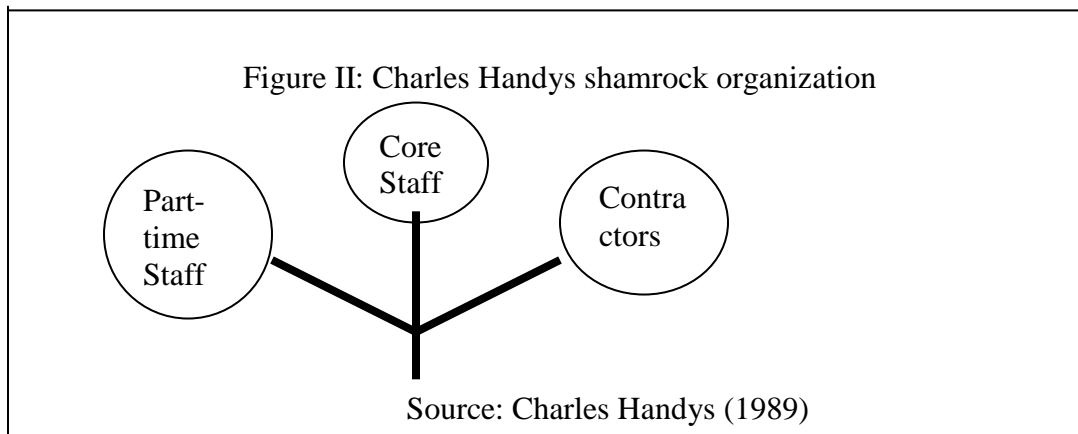
In our fast changing world, web based distance learning or E-Learning is becoming progressively more popular with institutes of higher education. Online education is one of the technology enhanced ways to teach and train people who choose not to breach their professional familiar and personal responsibilities through attendance of traditional face to face classes. An article in the Daily Nation, dated February 25, 2007 states that sustainable management of a centre of excellence for e-learning can only be guaranteed if it is linked to regional e-learning networks, The selection of Kenya to host the second National e-learning centre under the regional e-learning development and implementation program is therefore a very positive development.

## **2.7 Human Resource Strategies**

Michael Armstrong (1999) notes that strategic human resource management decisions provide the framework for human resource strategies and these he says, will focus on the specific intentions of the organization on what needs to be done and what needs to be changed about people. The issues with which these strategies will be concerned include providing for the organization to obtain and keep the people it needs, ensuring employees are trained, developed, motivated and properly rewarded and also taking steps to create a good employee relations climate. These strategies take into account the responsibilities of the organization to its employees as stakeholders which will include providing them with a reasonable quality of working life.

### **2.7.1 Staff Costs**

The deregulation of financial services has pitted organizations against building societies, especially in the personal sector. Building societies enjoy competitive advantage in pricing, principally due to lower staff costs. During the 1980s, organizations began to address this cost area by restructuring their staff, moving towards what Handy (1989) described as the “shamrock organization”, the elements of which are shown in figure II.



Organizations, in the past, needed large numbers of clerical staff to process the paper that snowballed because of the business generated by the mass marketing campaigns of the late 1960s. Technology increasingly is providing solutions to the administration of the organizations' business. This has led to a waning of union power and a large drop in the numbers employed in the industry. The obvious place for capital-hungry organizations to save costs is in reducing their biggest cost area - staff. The rising proportion of part-time staff and contractors is contrasting the reduction in overall numbers. Organizations thus all individually engage in non-core activities, which lead to dis-economies of scale in premises, capital and manpower, thus raising the general level of costs in the industry. A greater emphasis on contractors will only occur when suppliers emerge that will provide the same services at a lower cost. As well as being part of the value chain, contractors will also be part of the quality chain, and must therefore be as reliable as the systems that currently pay dearly to control themselves. Empirical evidence for this view is provided by Clifford Adelman (1992) and his finding that community colleges functioned in a variety of "occasional" adhoc and utilitarian roles for individuals included in the National Longitudinal Study of the High School Class of 1972. Shosana Zuboff (1988) contends that the Nature of Work in the Future will be significantly altered by Technology.

## 2.7.2 Staff Quality

**Culture:** In addition to saving costs, organizations also take the opportunity to indoctrinate the lower cost replacements with the new emerging “sales and service” culture, rather than the administration culture required of the last generation. This culture can be achieved in existing core staff by articulating a clear vision of “what organizations are changing into”, and by understanding and counseling their staff on the psychology of change. **Training:** Organizations’ current difficulties have not only led to a cut in staff numbers, but also in training budgets. Training has been traditionally focused on administrative tasks (that reflected the tasks that the organizations required prior to automation). Now, however, there is a growing focus on market-oriented training, in addition to these retailing skills, the following areas are also be addressed: Organizations have become highly dependent on IT but understand little about systems and software that can make them more productive. Most organizations’ staff understands IT only as the “batched” commands coded on their computers.

Organizations receive little training specifically on the business, and how their own organization functions. Organizations are traditionally more comfortable interpreting their customers’ profit and loss accounts. There is also little formal understanding of the organizational structure, or in its co-coordinating mechanisms that impact daily on the working life of the staff. Staff will always be more effective if they understand the process in which they are involved. Net worth/financial assessment is traditionally what organizations’ should excel in, however, the experience of the past few years points to a need for further training in this area. Lending account managers should have some exposure in industry to experience the trials and tribulations of their clients. They also spend some time in their own head office/regional office lending control function to experience life from that side of the fence. Lessons can also be learned when an organization does lose money.

A report of the Task Force in Workforce Development by the Albert Shanker Institute and the New Economy information service, April 20, 2004, found out that the future strength of the American Economy rests in large measure on the skills and adaptability of the American workforce and that a national consensus is building in support of a far reaching transformation of strategies and programs for workforce development.



## **2.8 Organizational Challenges in Responding to the Environment**

Barriers or Obstacles are problems, challenges, rule or situations that prevent and make something impossible. It is a level or number, which is difficult to get past. Some of the barriers that can hinder an organization from responding effectively to its ever changing environment include:

### **2.8.1 Rigidity or Resistance to Change.**

Some systems have maintained status quo that they cannot be supportive to any formulation of new ideas in order to respond to an ever changing environment. The most common resistance is second level management resistance with fear of openness. During implementation, which brings about change, the typical resistance is resistance to change. Rigidity or resistance to change is severe if: The organization is successful, there is a particular deep-seated culture, there has been a great deal of change already, and the change lacks legitimacy. This can also be due to: Lack of skills and poor communication, Lack of participation and involvement, Poor facilitation and support, and No negotiation and agreement. This can be only overcome by: Appropriate resourcing, Supportive culture and Create perceived need. Brown (1998), defines organization culture as “the pattern of beliefs, values, and learned ways of coping with experience that have developed during the course of an organization’s history and which tend to be manifested in its material arrangements and in the behaviours of its members”. Thus, an appropriate and cohesive culture can be a source of competitive advantage. This is because it promotes consistency, co-ordination and control and reduces uncertainty while enhancing motivation and organizational effectiveness, all of which facilitate the chances of being successful in the marketplace. Therefore, corporate cultural identity, for the marketer, is a strategic tool that is used to manipulate consumer perceptions of an organization and its products/ services.

### **2.8.2. Bureaucracy and Lack of Top Management Support.**

Formulation of company policies in bureaucratic environments usually does not yield to any at all. It consumes a lot of time and resources (money). The treatment of responding to the changing environment as a never- ending improvement does not hold in bureaucratic situations. Top management support and involvement if not sufficiently realized leads or becomes a barrier during the formulation and implementation stage. In most cases, top management fails to support strategic responses implementation in term of resources, constituting teams and providing a conducive environment for the same. They also Shawn-down ideas generated by lower level management thus a barrier to the implementation process.

According to Thompson (1997), the potential for changing the culture of an organization is affected by the strength and history of the existing culture, how well the culture is understood, the personality and beliefs of the strategic leader, and the extent of the strategic need. The culture of the organization would need to be changed when it does fit well with the requirements of the environment or the organization's resources, the company is not performing well and needs major strategic changes, or the company is growing rapidly in a changing environment and needs to adapt. Kotter (1996) notes that truly adaptive firms with adaptive cultures are awesome competitive machines. They produce superb products and services faster and better, even when they have fewer resources or less market share. Hamel and Prahalad (1989) add that companies that have arisen to global leadership began with strategic intents that were disproportional to their resources and capabilities. Sadler (1988) concludes that successful organizations must be able, not only to deliver a high level of customer-service, but also manage cultural change.

### **2.8.3. Insufficient Resources.**

It is evident that various strategic areas above cannot be viewed discretely; capital adequacy is influencing marketing strategy, which in turn is influencing human resource and IT strategies. These in turn are closely linked to how organizations operate and organize themselves. At present, organizations are highly bureaucratized organizations that are set up

to excel in administrative procedures rather than as retailers. This is achieved by using the divisionalized form supported by machine bureaucracies that have served an organization well and will continue to predominate. This provides tight controls of standards and performance, both in the internal operation of organizations, and in facilitating fairness and standards to the customer, especially as a major part of their operation entails performing a number of tasks routinely, many times and across a large number of remote locations. Organizations will continue to fine-tune their organizations to facilitate change, to be more market-oriented and to save costs.

#### **2.8.4 Poor Organizational Structures and Inadequate Information Technology**

There are some institutions with poor organizational structures and in-adequate information technology resources which hinder the appropriate responses to the changing environment. By implementing wider, flatter organizations with improved internal communication by initiatives such as: *Hub and spoke operations*. IT offers the potential to reduce manual administration further and de-skill lending and product delivery. It is increasingly feasible to lower costs by removing expensive tiers of management from “spoke” branches, and concentrate fewer number of managers in “hub” branches, from which they will service these spokes when necessary: *Unit grouping*. Organizations are one of the few retailers whose staff is grouped along the functional lines of the administrative tasks that take up most of their time. Jobs are thus still classified as cashiers, typists and keyboard operators. The official leaves his or her functional role when retailing, and becomes a “jack of all trades” across the product range. A few have been moving to a customer grouping, by whom officials specialize in servicing the needs of a customer segment, and are expert at market communication and delivery for the products and services suitable for this segment: *Internal control systems*. Organizations are implementing increasingly sophisticated management planning and information systems, so that expected performance from each unit can be planned and controlled on an exception basis, thus allowing fewer managers to control the business. Ashoka M et al.(1992) stresses that organizational innovation should focus on the decentralization of decision-making, which in turn requires better trained and more experienced decision- makers. Information technology is used best when small decision

making units are part of a network that facilitates the flow of new and complementary information, which can in turn be tailored to local needs.

## **2.9 Strategic Processes**

Due to the increasing changeability of the environment and the decreasing predictability of the future, it becomes difficult to sense and understand the various issues since new challenges arise. It is therefore essential to engage in strategic processes necessary to control the environment.

### **2.9.1 Strategic Issue Management and Periodic Planning**

Strategic issue management, a real time response, argues that issue management is not just one of the many communication functions but a management function that can entail use of public resources to achieve harmony with the key publics. Issue Management entails understanding and achieving high standards of corporate responsibility by listening to and acknowledging soundness of the opinions of key public. Ansoff et al.(1990) notes that continuous surveillance of fast issues which may arise in between reviews is necessary and requires timely response. Strategic issue Management has emerged to fill a gap in periodic planning and not to replace it. An enterprise which is well coordinated and which has well developed strategic thrusts may need only a simple periodic system but if external and or internal environments are turbulent, such an enterprise will be advised to use Strategic Issue Management

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Research Design**

This was a survey on the responses adopted by private universities in Kenya. The study was limited to private universities only and did not include other institutions of higher learning and public universities that offer higher education, because the unit of study was private universities. This was to enable the searcher get a comprehensive view of a situation in the Private Universities in detail, especially to inspect, examine, or appraise formally or officially in order to ascertain condition and value of responding effectively to the ever-changing higher education environment. A survey may focus on opinion or factual information depending on its purpose, and many surveys involve administering questions to individuals. Surveys are flexible in the sense that a wide range of information can be collected. They can be used to study attitudes, values, beliefs, and past behaviours. They are also standardized, and relatively free from several types of errors. Lastly, they are relatively easy to administer. (Kothari, 1990).

### **3.2 Population**

The population of this study therefore constituted of seventeen (17) private universities in Kenya as per the Commission of Higher Education report for December 2006. The unit of analysis was the private university's academic function. This entailed distribution of questionnaires to the informants i.e. Vice-Chancellors, of all the private universities. This was possible because the number was not too big; meaning the seventeen (17) private universities (see appendix 3) were visited within a very short duration of time.

### **3.3 Data Collection**

This study relied on primary data collection methods. The items in the instrument (Questionnaire) had been developed from the literature review to assist in the collection of primary data, (see Appendix 2). It was delivered to all the private universities' Vice-Chancellors. The questionnaire was self administered in that it involved the 'drop-and-pick-

later' approach. This gave the respondents ample amount of time to think through the questions before answering them. I was however, available to clarify some questions.

The questionnaire had four parts with different sets of questions. The questions were both closed and of open-ended type. The closed ended questions aimed at obtaining of specific responses while the open-ended bit gave flexibility for the respondent to answer. The questionnaire composed of four sections: Section A -Respondent's Profile; Section B - Challenges Facing Kenyan Private Universities in Kenya; Section - Responses; Section - Challenges in Responding to the Ever-Changing Environment was analyzed as follows. All the respondents/informants are expected to answer all questions in the four parts.

### **3.4 Data Analysis**

The process of data analysis involved several stages. Completed questionnaires were edited for completeness and consistency. The data was then coded and checked for any errors and omissions (Kaewsonth & Harding, 1992). The data was analyzed using procedures within Statistical Package for Social Sciences (SPSS)\_PC version 12.

The responses from part one to part three were analyzed to answer the first objective, and the question in part four were analyzed to answer the second objective. The responses from the open-ended questions were coded; the mean and standard deviation was used for likert-scale responses. Content analysis was also be used in the analysis of some of the open-ended questions. Content analysis was used in analyzing the in-depth qualitative data to be collected. This type of analysis had been used in similar studies in the past including Kombo (1997), Njau (2000), and Kandie (2001). For closed questions, a comparative analysis using distribution tables, quantiles (percentiles) and graphical analysis was done to improve the presentation of the analyzed results for ease of interpretation.

## **CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSIONS**

### **4.1 Introduction**

This chapter covers data analysis and findings of the research. The data is summarized and presented in the form of proportions, means, tables and charts. Data was collected from 17 private universities in Kenya. The collected data has been analyzed interpreted in line with the aims of the study namely, to determine the responses adopted by private universities operating in Kenya to cope with the changing higher education competitive environment; and to determine the challenges, which were facing the private universities operating in Kenya in responding to their environment. The respondents were senior administrators, the Vice-Chancellors of the private universities. Out of the 17 private universities to whom the questionnaires were administered, only 14 responded. This gave a response rate of 82% percent.

### **4.2 Organizational Profile**

This section covers the number of years in operation, number of courses and students in undergraduate and postgraduate, and the respondents' highest level of education.

#### **4.2.1 Number of Years in Operation**

The number of years a university has been in operation determines the experience of the university in responding to its environment. It also determines one's ability to evaluate an old response, when changing to a new strategic arena. The respondents were asked to give the number of years their universities have been in operation, and the results are as in table 4.1.

**Table 4.1 Number of Years in Operation**

Number of Years in Operation	Distribution	
	Frequency	Percentage
1-10	1	7
11-20	1	7
21 and above	12	86
<b>TOTAL</b>	<b>14</b>	<b>100</b>

Source: research Data

From the results in table 4.1, it was found that most private universities have been in operation for more than eleven years, that is 86% of the private universities have been in operation for over 21 years, while 7% of them have been in operation for between 1 and 10 years, and 11 and 20 years respectively. This is an indication that experienced private universities and informants gave the information provided in this study.

#### **4.2.2 Number of Courses offered in Undergraduate and Postgraduate**

The number of courses offered in undergraduate and postgraduate is an issue of capacity of private universities to hold the form four graduates who can not be absorbed by the public universities. The higher the number of courses offered, the higher the admission capacity. The respondents were asked to indicate the number of courses offered in undergraduate and postgraduate, and the results are as in table 4.2.

**Table 4.2 Number of Courses Offered**

Number of Courses Offered	Distribution(Frequencies)		Distribution (Percentage)	
	Undergraduate	Postgraduate	Undergraduate	Postgraduate
0-10	10	7	71.5	50
11-20	0	2	0	14
21-30	1	1	7	7
Over 30	3	0	21.5	0
NONE	-	4	-	29
<b>TOTAL</b>	<b>14</b>	<b>14</b>	<b>100</b>	<b>100</b>

Source: research Data



From the results in table 4.2, it was found that most private universities do not have sufficient capacity to hold the form four graduates who can not be absorbed by the public universities as 71.5% of them have less than 20 unit courses for the undergraduate students to choose from. With the issue of postgraduate courses, they have enough capacity, looking the small number that go for postgraduate studies in Kenya. This is an indication that the private universities do not have the capacity (higher the number of courses) for higher admission capacity.

### 4.2.3 Number of Students in Undergraduate and Postgraduate

The number of courses offered by a university gives students a wide range of alternatives in the training they want to undertake. This will also have an impact on the student population for both undergraduate and postgraduate studies. The universities, which have adopted well to their changing environment, are likely to have more students. The respondents were asked to indicate the number of students in both undergraduate and postgraduate.

**Table 4.3 Number of Students**

Number of Students	Distribution(Frequencies)		Distribution (Percentage)	
	Undergraduate	Postgraduate	Undergraduate	Postgraduate
0-100	0	7	0	50
101-500	7	4	50	29
501-1000	2	1	14	7
1001-1500	-	0	0	0
Over 1500	3	0	21.5	0
NO RESPONSE	2	2	14	14
<b>TOTAL</b>	<b>14</b>	<b>14</b>	<b>100</b>	<b>100</b>

Source: research Data

From the results in table 4.3 below, most universities have between 101 to five hundred undergraduate students and below 100 postgraduate students. This is an indication that most private universities have the ability and capacity to improve on their capacity to hold a high number of student population especially the form four graduates.

#### 4.2.4 Highest Level of Education and Number of years of service

The position of a Vice-Chancellor requires the office holder to have a PhD, which will enable him/her to deal with administrative matters ranging from marketing, information technology, restructuring, and culture change effectively. The respondents were asked to indicate their highest level of education and the results are as in table 4.4.

**Table 4.4 Highest Level of Education**

Highest Level of Education	Distribution	
	Frequency	Percentage
PhD	14	100
<b>TOTAL</b>	<b>14</b>	<b>100</b>

Source: research Data

From the results in table 4.4 above, all the respondents had a PhD degree. All of them had some sound experience in the University of more than 10 years. An indication that their contributions to the strategic responses of private universities in Kenya to the changing competitive situation were drawn from abroad reservoir of experiences and knowledge. Indeed these people were involved in formulation of the responses that were being studied. The same groups of people are the ones who are actually involved in the monitoring and implementation process.

#### 4.3 Changes Affecting Universities

The dynamism of the environment implies that organizations have to constantly redesign their strategies in order to remain competitive. Private Universities have for the last ten years experienced a changing competitive situations, the customer is no longer the one to go looking for the university, but instead the universities are the ones doing hard selling, technology has changed, let a lone e-learning and have posed various challenges to the Kenyan private universities.

### 4.3.1 The Effect of Changes in the Last Ten Years on Universities

The study sought to establish the changes have taken place in the last ten years, in the higher education environment. The respondents were asked to indicate the extent to which the changes that have taken place, within the last 10 years, in higher education environment have affected the private universities in Kenya, and the results are as in table 4.5 below.

**Table 4.5 The Effect of the Changes that have Taken Place, within the Last 10 Years on Private Universities**

Changes	Very High Extent	High Extent	No Effect	Low Extent	Very Low Extent	Non-Response
	(1)	(2)	(3)	(4)	(5)	
	%	%	%	%	%	%
The proliferation of more private universities	7	50	29	0	7	7
Brain Drain	0	21	36	21	0	21
A rise in enrolment in public and private universities	29	29	21	14	7	
Failure by the private universities To attract research grants	7	50	14	14	7	7
Increased number of students seeking higher education outside Kenya	0	43	21	14	7	14
The establishment of the private wings (self sponsored programmes)	7	21	7	29	21	14

Changes	Mean
The proliferation of more private universities	2.286
Brain Drain	2.357
A rise in enrolment in public and private universities	2.429
Failure by the private universities to attract research grants	2.429
Increased number of students seeking higher education in Kenya	2.429
The establishment of the private wings (self sponsored programmes)	3.357

Source: Research Data

From the results in table 4.5 above, the changes that have affected the private universities largely were found to be: the proliferation of more private universities; Brain Drain; a rise in enrolment in public and private universities; failure by the private universities to attract research grants; and increased number of students seeking higher education outside Kenya. This concurs with Watson's (1996) observation that producing more is not always better. Yet, most universities have increased student to faculty ratios and costs. According to Watson (1996), the changes in higher education (HE) are because of five primary factors: higher public expectations over what universities should be delivering; increasing parental concern about the quality of education; greater emphasis on college ratings; demographic changes in student population; and higher costs. For them to compete in the global environment, universities must have quality beyond the competition, technology before the competition and costs below the competition.

### 4.3.2 Challenges Experienced as a Result of Changes in Higher Education

There are many challenges which are specifically facing private universities in Kenya compared to their public counter parts. The respondents were asked to indicate the extent to which the private universities have experienced the above challenges, and the results are as in table 4.6.

**Table 4.6 The Challenges Experienced by Private Universities as a Result of the Changes in Higher Education**

Challenges	Very High Extent	High Extent	No Effect	Low Extent	Very Low Extent	Non-Response
	(1)	(2)	(3)	(4)	(5)	
	%	%	%	%	%	%
Public perception	14	36	29	7	14	-
Government policies	14	36	14	29	7	-
Low funding from the sponsors	14	29	29	14	14	-
Increased enrolment without commensurate resources and facilities	7	14	36	36	7	-
International competitiveness	0	29	29	29	14	-
A low research capacity, which does not support the development agenda	7	21.5	14	36	21.5	-

<b>Challenges</b>	Mean
Public perception	2.714
Government policies	2.786
Low funding from the sponsors	2.857
Increased enrolment without commensurate resources and facilities	3.214
International competitiveness	3.286
A low research capacity, which does not support the development agenda	3.429

Source: Research Data

From the results in table 4.6, the two major challenges (with mean of 2.7) facing the private universities are: the public perception and unfavorable government policies.

According to Sifuna (1998) and Weldman (1995), within a new global market, characterized by rapid information change, intense information flows and increasing competition through the reduction of barriers to trade and exchange, higher education institutions, particularly private universities in Kenya, are slowly emerging as organizations driven by the commercial imperative of market led forces.

This has been coupled with other major challenges such as: inadequate funding especially for research and development, quality and relevance, inadequate use of ICT, lack of a unified accreditation system, un-harmonized legal frameworks, inadequate management capacity, drug and substance abuse.

### **4.3.3 Milestones Achieved since Inception**

The study sought to establish the milestones achieved by private universities since inception. The respondents were asked to indicate the extent to which their respective universities have achieved the above milestones since their inception, and the results are in table 4.7.

**Table 4.7 Milestones Achieved by Private Universities since Inception**

Milestones	Very High Extent	High Extent	No Effect	Low Extent	Very Low Extent	Non-Response
	(1)	(2)	(3)	(4)	(5)	
Creation of superior values	%	%	%	%	%	%
	50	50	-	-	-	-
Superior efficiency and quality graduates	57	35.7	7	-	-	-
Innovativeness in the academic services	36	57	7	-	-	-
High Levels of competitiveness	36	50	7	7	-	-
Responsiveness to the surrounding environment	21.5	71.5	7	-	-	-

Milestones	Mean
Creation of superior values	1.5
Superior efficiency and quality graduates	1.5
Innovativeness in the academic services	1.714
High Levels of competitiveness	1.857
Responsiveness to the surrounding environment	1.857

Source: Research Data

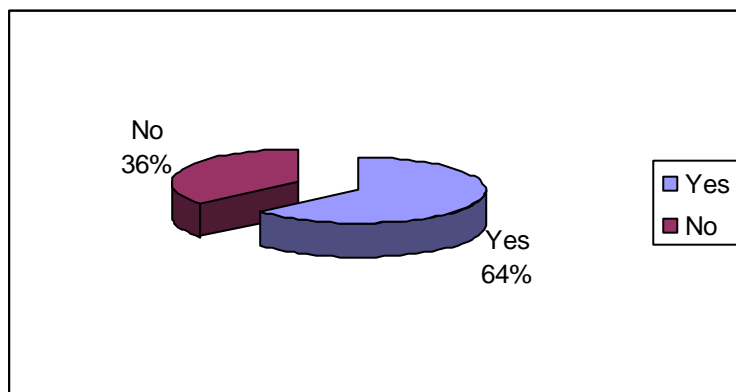
From the results in table 4.7 above, the private universities in Kenya have created superior values; superior efficiency and high quality graduates; innovativeness in the academic services; high levels of competitiveness; and lastly held responsiveness to the surrounding environment. This is inline with the above observations made by Hill and Jones (2001). According to Chandler, (1962) and Hill and Jones, (2001) the achievement of superior efficiency quality, innovation and responsiveness enables an organization to create superior values and attain competitive advantage. This should be based on long-term established goals and objectives of an organization, including the taking of actions and allocation of resources for achieving these goals. The above are the milestones in an organization’s life.

### 4.3.4 Kenya's Attachment of Education to Economic and Social Development

The study sought to establish Kenya's attachment of Education to Economic and Social Development.

The respondents were asked to evaluate this goal, by indicating whether Kenya has attached education to economic and social development citing reasons, and the results are as in figure 4.1.

**Figure 4.1 Kenya's Attachment of Education to Economic and Social Development**



Source: Research Data

From the results in figure 4.1, 64% of those who were interviewed indicated that Kenya has attached education to economic and social development since 1963. This concurs with Sifuna's, (1998) documentation. The reasons cited included the government's commitment to give scholarship for student and delivery of quality education. For the 36% who indicated that the government has not attached education to economic and social development cited the inadequate capacity and cost of building facility and cost of land, with lack of a charter. Kenya's post-independence educational goals were to create rapid expansion of the education system to provide qualified persons for the growing economic and administrative institutions and to undertake some reforms to reflect the aspirations of an independent state (Court and Ghai, 1974).

### 4.3.5 The Extent to Which the Major Functions of (CHE) Have Been Implemented

The study sought to evaluate the implementation of the major functions of Commission of Higher Education.

The respondents were to indicate the extent to which the major functions of the commission have been implemented in the private universities, and the results are in table 4.8.

**Table 4.8 Major Functions Commission for Higher Education (CHE) Implementation**

Functions	Very High Extent	High Extent	No Effect	Low Extent	Very Low Extent	Non-Response	Mean
	(1)	(2)	(3)	(4)	(5)		
	%	%	%	%	%	%	
Accreditation	7	22	7	7	7	7	1.786
Planning for establishment and development of higher education and training	7	43	14	7	7	22	2
Examination and approving proposals for courses of study and course regulations submitted	22	29	29	7	7	7	2.286
Documentation, information services and public relations for higher education and training	14	36	14	7	14	14	2.286
Co-ordination and regulation of admission to Universities	14	22	14	7	22	22	2.357
Development; processing, storage and dissemination of knowledge for the benefit of mankind	14	43	7	22	7	7	2.429
Regular re-inspection of Universities	14	29	7	22	14	14	2.5
Advising minister on development of the university and cooperation with the government	7	50	0	22	14	7	2.643
Mobilization of resources for higher education and training	7	29	0	29	22	14	2.857

Source: Research Data

From the results in table 4.8, the functions of the CHE have been felt/implemented by the private universities to a very great extent are the accreditation process; the planning for



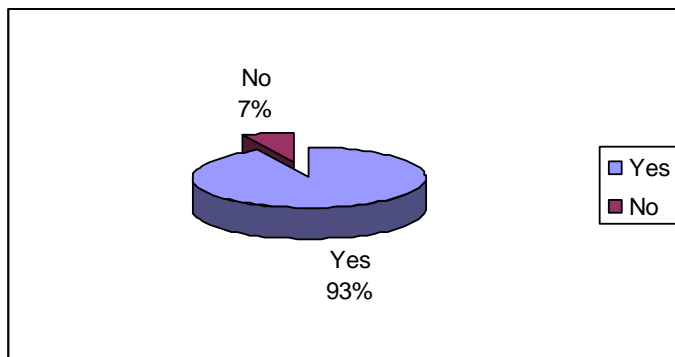
establishment and development of higher education and training; the examination and approval of proposals for courses of study and course regulations submitted; and lastly the documentation, information services and public relations for higher education and training. The only criticism is on failure to advise the minister on development of the university and cooperation with the government: and the failure to mobilize resources for higher education and training. Higher education in Kenya is run by the Commission for Higher Education (CHE) established in 1995 under provisions of the University Act. Although the commission's functions are considerable statutory to CHE to run university education, a number of criticisms have been leveled to the operations of the organization (Sifuna, 1998).

## 4.4 Responses

### 4.4.1 Private Universities Response to the Environment Changes

Considering the environment under which the private universities are operating in and their structures, there is need for them to respond to their environment in order to remain competitive in offering their educational services. The respondents were asked to indicate whether their institutions have responded to the environmental changes and the responses are as in figure 4.2.

**Figure 4.2 Private Universities Responses to the Environment Changes**



Source: Research Data

From the results in figure 4.2, 93% of the respondents indicated that the private universities have indeed responded to tier changing environment or the environmental changes. Hence

the need to explore the tactics the private universities use when responding to the environmental changes.

#### 4.4.2 Tactics Used to Remain Competitive With the Changes in Higher Education

Several tactics can be used by organizations to remain competitive with the changing environment. The respondents were asked to indicate the extent to which the private universities use some tactics to remain competitive when responding to the changes in higher education environment in Kenya; and the results are as in table 4.9.

**Table 4.9 Tactics Used By Private Universities to Remain Competitive**

Tactics	Very High Extent	High Extent	No Effect	Low Extent	Very Low Extent	Non-Response
	(1)	(2)	(3)	(4)	(5)	
	%	%	%	%	%	%
<b>Cost Leadership):</b> A University can acquire cost advantage by lowering the fees)	71	22	7	-	-	-
<b>Differentiation):</b> The university might introduce something unique in its products/academic programs not found in other universities.	64	29	7	-	-	-
<b>Product development):</b> university current products/academic programs might embark on a strategy of developing other products Catering to the same market.	50	43	0	7	-	-
<b>Focus):</b> A university might concentrate on a narrow segment and attempt to achieve either a cost advantage or differentiation	29	57	0	7	-	7
<b>Market Penetration):</b> Market penetration occurs when a university enters/penetrates a market with current products/academic programs	36	50	14	-	-	-
<b>Diversification (new markets, new Products/academic programs)</b>	29	57	14	-	-	-

Table 4.9 Continued						
<b>Market development):</b> An established product in the marketplace can be tweaked or targeted to a different customer segment, as a strategy to earn more revenue for the firm	29	29	22	7	7	7

<b>Tactics</b>	Mean
<b>Cost Leadership</b>	1.3571
<b>Differentiation</b>	1.4285
<b>Product development</b>	1.6428
<b>Focus</b>	1.714
<b>Market Penetration</b>	1.7857
<b>Diversification</b>	1.857
<b>Market development</b>	2.1428

Source: Research Data

Failure to adapt effectively the organization to its environment, according to Ansoff and McDonnell (1990), leads, to a strategic problem. From the results in table 4.9, the three major tactics used by private universities in Kenya in order to remain competitive are: Cost Leadership by lowering their fees; differentiation by introducing something unique academic programs not found in other universities; Product development hereby the private universities' current products/academic programs have embarked on a strategy of developing other products catering to the same market; Focus, whereby, a university might concentrate on a narrow segment and attempt to achieve either a cost advantage or differentiation, and Market Penetration as the private universities enter/penetrate a market with current academic programs. This is in line with Ansoff's, (1965) preposition that to survive and succeed in an industry, the firm must match the aggressiveness of its operating and strategic behaviours to the changeability of demands and opportunities in the market place.

### 4.4.3 Current Critical Strategic Issues to Remain Competitive in Kenya

Strategic issues are the fundamental policy choices facing organizations or system's vision, mandates, values, services, clients, resources, or operations. When addressing "strategic" issues, an organization is being proactive in positioning itself for the future, rather than simply reacting to problems. Strategic issues are those fundamental policy choices or critical challenges that must be addressed for an organization to achieve its vision. The respondents were asked to indicate the extent to which they had faced a number of strategic issues when responding to the changing higher education environment; and the results are as in table 4.10.

**Table 4.10 Current Critical Strategic Issues for the Private Universities**

Strategic Issues	Very High Extent	High Extent	No Effect	Low Extent	Very Low Extent	Non-Response	Mean
	(1)	(2)	(3)	(4)	(5)		
	%	%	%	%	%	%	
Demand for study programmes and harness I.T & newer styles of programme delivery;	50	43	-	-	-	7	1.3571
Equitable student access to education, and quality working lives for employees who same time required to work in customer-quality-conscious and "more for less", working conditions.	36	29	29	-	-	7	1.7857
Social responsibility movement	36	29	29	-	-	7	1.7857
Demonstrating quality of teaching and research activities and link between positive external evaluations and the attraction of further funds;	29	43	21	-	-	7	1.7857
Stratification of universities depending on their research and teaching activities;	21.5	50	7	14	-	7	2
Difficult labour market, leading to emphasis on graduate flexibility and breadth of skills;	21.5	29	21.5	14	-	14	2
Need to view activities in a international context and develop awareness and ,skills in students .	21.5	50	-	21.5	-	7	2.0714

Growth in consumerism, with students shopping for courses and funding councils viewing themselves as purchasers of HE services;	21.5	29	36	7	-	7	2.1428
Increased localization of the undergraduate population;	7	43	36	7	-	7	2.2857
25 per cent decline in the unit of resource funding, coupled to the need to protect standards;	14	7	50	21.5	-	7	2.64285
Temporary halt or even reversal in undergraduate expansion at a time when there is increasing competition	7	14	50	21.5	-	7	2.71428

Source: Research Data

From the results in table 4.10, the strategic issues facing the private universities are; The demand for increasingly flexible study programmes and the associated need to harness the benefits of information technology & newer styles of programme delivery; Providing equitable student access to education, and ensuring high quality working lives for employees who are, at the same time, being required to work in customer-quality-conscious and “more for less”, diverse and changing, working conditions; The social responsibility movement which demands more considered and considerate responses to the challenges of managing in an ecologically friendly way; and lastly the necessity of demonstrating the quality of teaching and research activities and the increasingly important link between positive external evaluations and the attraction of further funds.

The strategic issues that are facing private universities to a high extent (mean of 2) are: Stratification of universities depending on their research and teaching activities; An increasingly difficult labour market, leading to an emphasis on graduate flexibility and breadth of skills; the need to view activities in a European and international context and to develop awareness and skills in students which will enable them to operate successfully in a world work arena; The continued growth in consumerism, with students effectively shopping around for courses and funding councils increasingly viewing themselves as purchasers of HE services; and the implications of an increased localization of the undergraduate population.

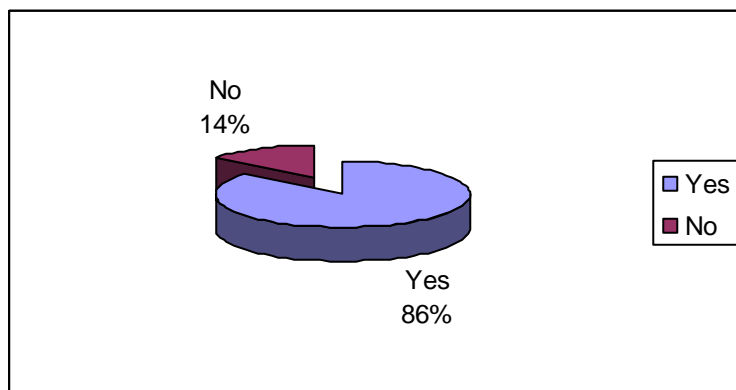
## 4.5. Specific Responses Adopted to cope with Competitive Environment

Private Universities have been responding to the environmental changes that have influenced their competitive situation. Some of the strategic responses include restructuring, more focused marketing, information technology adaptations, and culture change.

### a) Existence of Long Term Policies and Plans

For any organization to address the strategic issues facing its operations there is need to specify how the firm will employ its production capabilities to support its corporate strategy. The respondents were asked to indicate whether they have long-term policies and plans for using university resources, and results are as in figure 4.3.

**Figure 4.3 Long Term Policies and Plans for Using University Resources**



Source: Research Data

From the results in figure 4.3 above, 86% of the respondents indicated that they have such policies, an indication that private universities have long-term policies and plans for using their resources to support their long-term competitive strategy.

From the research data, the major the major contributions of the operations department to the changing competitive environment are: the private universities are planning to introduce a masters programme that will lift the market in the region; they have an administrative department to ensure that policies are implemented effectively; there are tight standards in

product delivery; there is always a verification of support base; and lastly, there is liaising with element authorities or elections in view of any new development. According to David, (2001) organizational strategic management is very important in the formulation, implementation and evaluation of cross-functional decisions that enable an organization to achieve its objectives.

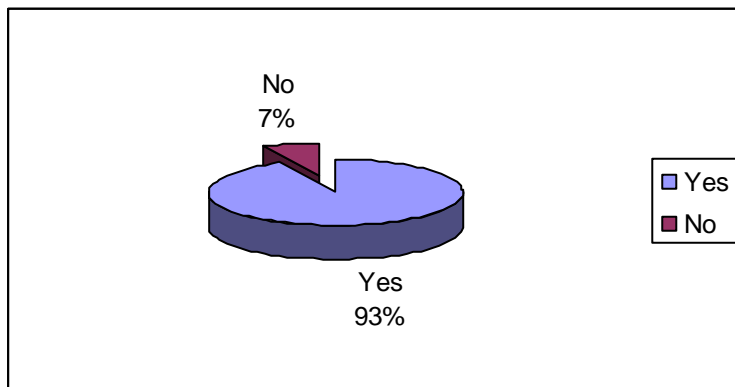
#### **4.5.1 Restructuring**

The study sought to establish restructuring in the private universities in the last 5 years.

In order to achieve cost leadership and provide services cheaper than the competition organizations have restructured to cut on costs.

The respondents were asked to indicate whether any form of restructuring has been taking place in the private universities and the results are as in figure 4.4. From the results in figure 4.4, 93% of the respondents indicated that over the last 5 years, most private universities have been undertaking corporate restructuring, with the process being accelerated during the last 1 year.

**Figure 4.4 Restructuring in the Private Universities in the Last Five Years**



Source: Research Data

##### **a) The Objectives of the Restructuring Process**

The respondents were also asked to give the objectives of the restructuring process. The responses were that the objectives of restructuring were aimed at: maximizing benefits from

the little resources they have; increasing efficiency; improving service delivery; to phase out programmes that do not attract more students and also seek for additional scholarship funds; to accommodate more programmes, and increase the competitiveness of the university in the fast changing academic environment; realignment to conform with CHE standards; To attract more students and retain highly qualified faculty staff; and lastly to be effective and reduce costs.

#### **b) How the Process of Restructuring was undertaken**

The respondents were also asked to indicate how restructuring process was undertaken. For some the process is ongoing and a committee was put in place which is still working on it; They established also that the processes was done through the involvement of faculty and the board as well as the sponsorship; through needs assessment research; through review of existing structures and survey of what other institutions are doing into reorganization of functioning into units/sections and department deliver cash; through deliberate analysis of all areas and function of the university, to assess contribution to the university goals; through the involvement of the various stakeholders such as members of college council community and alumni; through job evaluation.

Others did it in situations where the academic council meet and decided to introduce extension programmes; others through a systematically, incrementally and well planned manner with consultation with the existing staff. Some lastly did restructuring using redeployment with a gradual participative process

#### **c) Challenges faced by the Private Universities during Restructuring**

The respondents were also asked to indicate the challenges that were faced by the universities during restructuring. They indicated some of the challenges faced, which included the following: Much time was needed to study the best way of restructuring people's fear and resort change. Acceptance of change characterized with rigidity and conservation. There was also an increase in operation costs-higher qualification higher pay. The timing whereby some changes/restructuring was urgent hence no time for consultation or preparation. Some of the



processes were not real where a majority of staff and students did not like. Not all the stakeholders were for the new changes. They preferred status quo especially the missionary's elements who raised a very stiff challenge for they did not want change.

#### **d) Extent to which the Objectives for Restructuring have been met**

The respondents were asked to indicate the extent to which the objectives for restructuring at the private universities had been met. The respondents indicated that regardless of the challenges, the objectives have been met largely (almost 100%) in form of good projections on surplus, employment of qualified staff for departments and the installation of computerized systems in every department.

#### **e) The Current Status of the Restructuring Exercise**

The respondents were also asked to indicate the status of the restructuring exercise. From the research data, the respondents indicated that this is a continuous improvement exercise with very many on-going strategic changes with their universities rolling out strategic plans for the next 10 years. Most universities have been fully chartered hence working well.

### **4.5.2 Marketing**

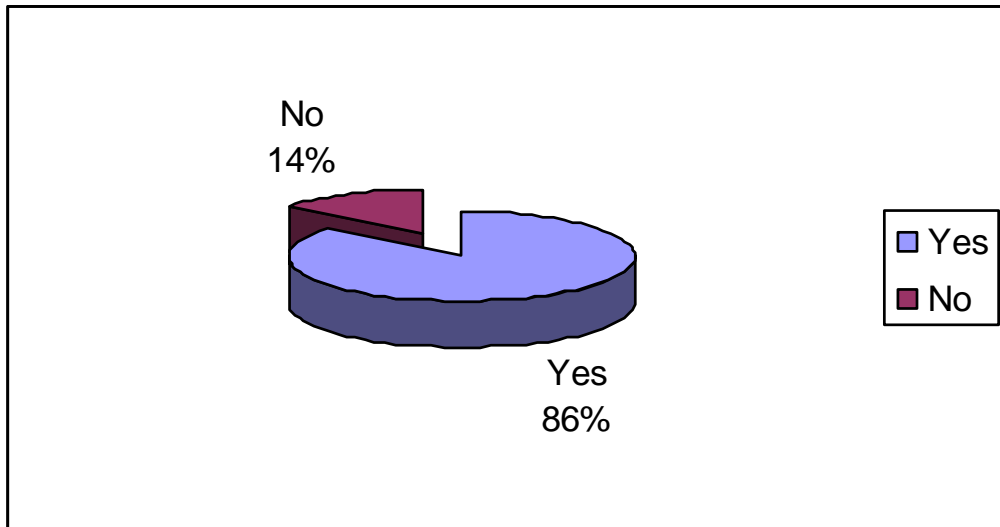
In the advent of increased competition and price wars marketing. Most universities are soliciting a direct response which is specific and quantifiable from the all the stakeholders. They are common forms such infomercials. They try to achieve a direct response via television presentations. The customers respond via telephone or internet, other means like magazines, newspapers, radio, and e-mail can be used to elicit the response.

#### **a) Changes in Marketing in the Private Universities in the Last 5 Years**

The respondents were asked to indicate whether any changes in marketing have been taking place in the private universities and the results are as in figure 4.5. From the results in figure

4.5, 86% of the respondents indicated that over the last 5 years, many changes in marketing have taken place in most private universities, with the process being accelerated during the last 2 year.

**Figure 4.5** Changes in Marketing at Private Universities in the Last Five Years



Source: Research Data

### **b) The Objectives of the Marketing Changes**

The respondents were also asked to give the objectives of the marketing changes. They indicated that research data, the objectives of the marketing changes were to facilitate access to education by majority; to increase in enrollment of students; to adopt the programs to meet the market needs; to attract and retain high quality students; to increase awareness of the university of the public; to develop funds; to make private academic programmes known, by increasing name recognition compiled with clear description of institutional uniqueness; to reach a wider clientele. Lastly, for mission universities, to employ marketing procedures and tactics that reach beyond religious circles (i.e.) with the introduction of secular programmes.

### **c) How the Marketing Changes Were Effectuated**

The respondents were also asked to indicate how marketing changes were undertaken. They established that changes were effected through the employment of new staff and introduction of a public relation office/department. Others through diversification of marketing – medical, radio, T.V, Newspaper, internet etc and increased allocation of funds in university budget. Some through a developed marketing strategy involving the creation of a communication and development office; through introducing new academic programmes; through participation in national events and student recruitment drives; hiring a marketing manager whose role was to implement the marketing plan of the university, sending people out to promote the university among the target groups and lastly through general and university exhibition

### **d) Challenges faced while making the Marketing Changes**

The respondents were also asked to indicate the challenges that faced the universities in the implementation of marketing changes. Some of the challenges faced included the following: high costs incurred since financial and other resources challenges have been an area the institutions have had to address. In addition, most prospective students went for distance learning programmes, due to increase in fees to meet the acquisition of competent trained staff in the working divisions. This was because not all the stakeholders were for the new changes, as most of them preferred status quo. There is still insufficient funds to advertise their programs, as the reception of news that universities are diversifying their programme was initially seen as a deviation.

### **e) Extent to Which Objectives for Marketing Changes have been met**

The respondents were asked to indicate the extent to which the objectives of implementing marketing changes at the private universities had been met. The respondents indicated that regardless of the challenges, this is an ongoing process deliberately in addressing the changing competitive environment. But is generally impressive and encouraging.

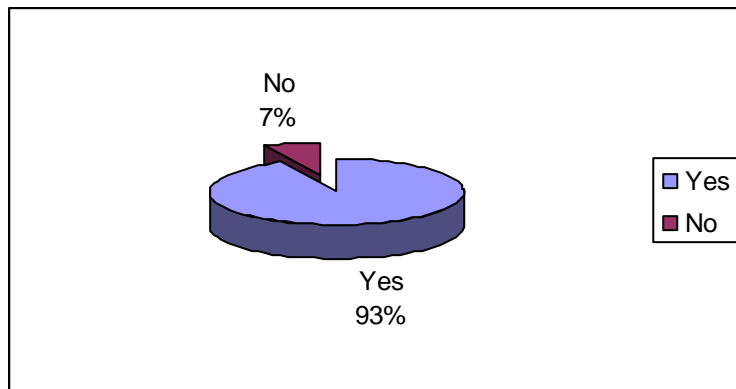
## F) Current Status of Marketing Responses to Changing Situation

The respondents were also asked to indicate the status of the current status of the marketing responses to the changing competitive situation. They indicated that this is above 70% attributing it to the following: they have full-time public relation officers, the student enrollment has increased significantly; the enrolment rate has increased to 50% and largely plans are underway to increase student number by 70%.

### 4.5.3 Information Technology

#### a) Changes in IT in the Private Universities in the last 5 Years

**Figure 4.6** Changes in IT at the Private Universities in the Last Five Years



Source: Research Data

The respondents were asked to indicate whether any changes in IT have been taking place in the private universities and the results are as in figure 4.6. From the results in figure 4.6, 96% of the respondents indicated that over the last 5 years, many changes in IT have taken place in most private universities, with the process being accelerated during the last 3 year. Information Technology is a computer based information management systems allowing an institution to collect information from many different sources and develop a composite picture about its customers, its market position in different financial centers, and its net exposure in those markets (Swanson, 1997).

## **b) The Objectives of the IT Changes**

The respondents were also asked to give the objectives of the IT changes. They indicated that the objectives of the IT changes were to facilitate efficiency in management process; to improve the quality in delivery of academic services; to improve communication within and outside university; to raise the availability of up to date IT facilities; to create awareness on the use of IT as a teaching and communication tool through enhanced IT services, e-mail, continuous internet, e-journals, and automated library. Some implemented the changes to offer the students and staff to good uninterrupted services, exposing the students to the IT world and help them interact with the world outside; as well as keeping in touch with market changes.

## **c) How the IT Changes Effected**

The respondents were also asked to indicate how IT changes were effected and it was found that the changes were effected through the introduction of computer lessons to all students and staff; acquisition of additional personal computers with an increase in space of the resources centre. Some established IT department and hired new IT, and acquiring new equipments and computer software

## **d) Challenges That were faced while making IT Changes**

The respondents were also asked to indicate the challenges that faced the universities in the implementation of IT changes. Some of the challenges faced included the following: it was hard getting used to embrace the new technology and the funding since the universities wanted to more. The acceptability issues since some people wanted to go the traditional way of doing things, for example at first, the missionaries resisted; but later grudgingly accepted the inevitable. There was also lack of equipments for examples computers for everyone. There was also the problem of finding efficient internet provider. The staff also needed some training for capacity building in relevant offices. Inadequate power supply and frequent blackouts.

**e) The Extent to which the Objectives for IT Changes have been met**

The respondents were asked to indicate the extent to which the objectives of implementing IT changes at the private universities had been met. The respondents indicated that regardless of the challenges, that they have achieved 80% of the objectives, with caution that this is an area that needs constant addressing since IT is fast changing area of the world today.

**f) Current Status of the IT Responses to Changing Situation**

The respondents were also asked to indicate the status of the current status of the IT changes and responses to the changing competitive situation. The respondents indicated that this is an on-going process there is always a demand of new and faster computers, with increasing resources to cope with the demand for IT services and also scanning the environment for new technology in IT

**4.5.4 Other Responses**

**a) Other Responses as a Result of the Changing Competitive Situation**

The respondents were asked to give any other responses the private universities have made use of because of responding to the changing competitive situation facing them. They highlighted their marketing strategies, they have introduced competitive courses and ethics in all over courses. They private universities have equally revised their curriculum and programmes. Some have even expanded to new creations and town campuses characterized with diversification of programmes to the satellite campuses in major towns in Kenya, especially school based or distance learning coupled with collaboration.

**b) How other Responses have been Effected in the Private Universities**

The respondents were also asked to indicate how other changes were effected. It was found that the changes were effected through the network campuses, and restructuring the courses being offered.

**c) The Challenges faced while implementing such Responses**

The respondents were also asked to indicate the challenges that faced the universities in the implementation of other changes. Some of the challenges faced included the following: it was hard getting used collaboration partners, and it required a lot of funds to run programs.

**d) Extent to which the Objectives of These Responses Have Been Met**

The respondents were asked to give the extent to which the objectives of the above responses had been met. They indicated that they are slowly implementing the strategies because of capital funding, some have sought and found new partners for collaboration. Above all, they have revised the curriculum and added new courses while dropping others with a strong marketing team and with its activities strengthened.

**e) Status of these Responses to their Changing Competitive Situation**

The respondents were also asked to give the current status of these responses, and they indicated that the universities have re-organized their processes, but the only problem they have is on which course to drop from the programme- and which course to add- without affecting the programme negatively. They also have resources inadequate, in identifying serious partners that are live members; the training staff rental charges communication systems and management coordination with members serving in various committees not always attending meetings.

**4.6 Challenges faced in responding to their Ever-Changing Environment**

There are many challenges, which are specifically facing private universities in Kenya compared to their public counter parts. The respondents were asked to indicate the extent to which they have experienced some challenges as a private university operating in Kenya in responding to its ever-changing environment. The results are as in table 4.11

**Table 4.11 Challenges when responding to the Ever-changing Environment**

Challenges	Very High Extent	High Extent	No Effect	Low Extent	Very Low Extent	Non-Response	Mean
	(1)	(2)	(3)	(4)	(5)		
	%	%	%	%	%	%	
Lack of skills and poor communication	7	36	14	14	21.5	7	2.1428
Bureaucratic environments	7	29	14	14	21.5	14	2.7142
No appropriate re-sourcing	0	64	7	7	21.5	-	2.8571
Some Universities think no need for change	0	36	14	29	14	7	3
Uncertainty while enhancing organizational effectiveness	0	43	7	14	29	7	3.0714
Stakeholders and top management fails to support implementation in term of resources providing a conducive environment for the strategy implementation	0	36	7	36	14	7	3.0714
Poor facilitation and support from the stakeholders	7	29	21.5	29	14	-	3.1428
Deep-seated culture in the Private universities thus change lacks legitimacy	0	43	14	29	14	-	3.1428
Resistance from second level management with fear of openness	7	29	21.5	29	14	-	3.1428
Stakeholders and top management fails to support implementation in term of resources constituting teams	0	14	29	36	14	7	3.2857
Lack of participation of stakeholders	0	29	29	21.5	21.5	-	3.3571
Stakeholders and top management fails to support implementation in term of resources	0	21.5	7	50	14	7	3.3571
No negotiation and agreement from stakeholders	0	21.5	29	29	21.5	-	3.5

Source: Research Data



From the results in table 4.11, the three major challenges (with mean 2) that the private universities are facing are: lack of skills and poor communication; Bureaucratic environments usually does not yield to any at all ; and lastly, the absence of appropriate resourcing.

The challenges which have also some effect on the private universities are that some Universities think they are successful hence no need for change; There is a lot of uncertainty while enhancing motivation and organizational effectiveness, Private universities' stakeholders and top management fails to support strategic responses implementation in term of resources constituting teams; Poor Facilitation and support from the private universities stakeholders; a particular deep-seated culture in the Private universities thus change lacks legitimacy; There is resistance from second level management in Private Universities with fear of openness; Status quo that they cannot be supportive to any formulation of new ideas in order to respond to an ever-changing environment in Kenyan higher Education. Private universities' stakeholders and top management fails to support strategic responses implementation in term of resources constituting teams and Lack of Negotiation and agreement from the private universities stakeholders.

# **CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

## **5.1 Introduction**

This chapter summarizes the findings and makes conclusions on this study on responses adopted by private universities operating in Kenya to cope with the changing higher education competitive environment; and the challenges which the private universities operating in Kenya are facing in responding to their environment. It also includes the study recommendations for improvement and for further research

## **5.2 Summary**

Data was collected from 17 private universities in Kenya. The collected data has been analyzed interpreted in line with the aims of the study namely, to determine the responses adopted by private universities operating in Kenya to cope with the changing higher education competitive environment; and to determine the challenges, which were facing the private universities operating in Kenya in responding to their environment. The respondents were senior administrators, the Vice-Chancellors of the private universities. Out of the 17 private universities to whom the questionnaires were administered, only 14 responded. This gave a response rate of 82% percent.

Literature review items were used to come up with the items on the questionnaire. The research methodology was based on the fact that the study was a census design. This method allowed the collection of a large amount of descriptive information that was analyzed.

A questionnaire with open ended and closed ended question was developed by the researcher and used in data collection. Data analysis tools used in the research were Excel and SPSS and data was presented in form of tables and graphs. Summary is based on the two research questions as follows.

### **5.2.1 Responses Adopted To Cope With The Changing Environment**

This part carries summary on the general information; general responses and specific responses adopted by private universities operating in Kenya to cope with the changing higher education competitive environment.

#### **a) The General Information**

It was found that most private universities have been in operation for more than eleven years, that is 86% of the private universities have been in operation for over 21 years. This is an indication that experienced private universities and informants gave the information provided in this study. The number of courses offered in undergraduate and postgraduate is an issue of capacity of private universities to hold the form four graduates who cannot be absorbed by the public universities. It was found that most private universities do not have sufficient capacity to hold the form four graduates who cannot be absorbed by the public universities as 71.5% of them have less than 20 unit courses for the undergraduate students to choose from. With the issue of postgraduate courses, they have enough capacity, looking the small number that go for postgraduate studies in Kenya. This is an indication that the private universities do not have the capacity (higher the number of courses) for higher admission capacity.

It was also found that most universities have between 101 to five hundred undergraduate students and below 100 postgraduate students. This is an indication that most private universities have the ability and capacity to improve on their capacity to hold a high number of student population especially the form four graduates.

The position of a Vice-Chancellor requires the office holder to have a PhD, which will enable him/her to deal with administrative matters ranging from marketing, information technology, restructuring, and culture change effectively. All the respondents had a PhD degree. All of them had some sound experience in the University of more than 10 years, an indication that their contributions to the Strategic responses of private universities in Kenya to the changing competitive situation were drawn from abroad reservoir of experiences and knowledge. Indeed these people were involved in formulation of the responses that were being studied.

The same groups of people are the ones who are actually involved in the monitoring and implementation process.

Also evident was that the changes that have affected the private universities largely were found to be: the proliferation of more private universities; Brain Drain; A rise in enrolment in public and private universities; failure by the private universities to attract research grants a rise in enrolment in public and private universities; and increased number of students seeking higher education outside Kenya. This concurs with Watson's (1995) observation that producing more is not always better. Yet, most universities have increased student to faculty ratios and costs.

According to Sifuna (1998) and Weldman (1995), within a new global market, characterized by rapid information change, intense information flows and increasing competition through the reduction of barriers to trade and exchange, higher education institutions, particularly private universities in Kenya, are slowly emerging as organizations driven by the commercial imperative of market led forces. This has been coupled with other major challenges such as: inadequate funding especially for research and development, quality and relevance, inadequate use of ICT, lack of a unified accreditation system, un-harmonized legal frameworks, inadequate management capacity, drug and substance abuse. It was established that the two major challenges (with mean of 2.7) facing the private universities are: the public perception and unfavorable government policies.

It was found that, the private universities in Kenya have created superior values; superior efficiency and high quality graduates; innovativeness in the academic services; high levels of competitiveness; and lastly held responsiveness to the surrounding environment. This is inline with the above observations made by Hill and Jones (2001).

Kenya's post-independence educational goals were to create rapid expansion of the education system to provide qualified persons for the growing economic and administrative institutions and to undertake some reforms to reflect the aspirations of an independent state (Court and Ghai, 1974). From the research data, 64% of those who were sampled indicated that Kenya has attached education to economic and social development since 1963. This concurs with

Sifuna's, (1998) documentation. The reasons cited included the government's commitment to give scholarship for student and delivery of quality education. For the 36% who indicated that the government has not attached education to economic and social development cited the inadequate capacity and cost of building facility and cost of land, with lack of a charter.

Higher education in Kenya is run by the Commission for Higher Education (CHE) established in 1995 under provisions of the University Act. Although the commission's functions are considerable statutory to CHE to run university education, a number of criticisms have been leveled to the operations of the organization (Sifuna, 1998). From the research findings, the functions of the CHE have been felt/implemented by the private universities to a very great extent are the accreditation process; the planning for establishment and development of higher education and training; the examination and approval of proposals for courses of study and course regulations submitted; and lastly the documentation, information services and public relations for higher education and training. The only criticism is on failure to advise the minister on development of the university and cooperation with the government: and the failure to mobilize resources for higher education and training.

## **b) General Responses**

Considering the environment under which the private universities are operating in and their structures, there is need for them to respond to their environment in order to remain competitive in offering their educational services. From the research findings, 93% of the respondents indicated that the private universities have indeed responded to tier changing environment or the environmental changes. Hence the need to explore the tactics the private universities use when responding to the environmental changes.

Several tactics can be used by organizations to remain competitive with the changing environment. Failure to adapt effectively the organization to its environment, according to Ansoff and McDonnell (1990), leads, to a strategic problem. From the research findings, the three major tactics used by private universities in Kenya in order to remain competitive are: Cost Leadership by lowering their fees; differentiation by introducing something unique

academic programs not found in other universities; Product development hereby the private universities' current products/academic programs have embarked on a strategy of developing other products catering to the same market; Focus, A University might concentrate on a narrow segment and attempt to achieve either a cost advantage or differentiation.; and Market Penetration as the private universities enter/penetrate a market with current academic programs. This is in line with Ansoff's, (1987) proposition that to survive and succeed in an industry, the firm must match the aggressiveness of its operating and strategic behaviours to the changeability of demands and opportunities in the market place.

From the research findings, the strategic issues facing the private universities are; The demand for increasingly flexible study programmes and the associated need to harness the benefits of information technology & newer styles of programme delivery; Providing equitable student access to education, and ensuring high quality working lives for employees who are, at the same time, being required to work in customer-quality-conscious and "more for less", diverse and changing, working conditions; The social responsibility movement which demands more considered and considerate responses to the challenges of managing in an ecologically friendly way; and lastly the necessity of demonstrating the quality of teaching and research activities and the increasingly important link between positive external evaluations and the attraction of further funds.

### **c) Specific Responses Adopted to Cope with the Changing Environment**

For any organization to address the strategic issues facing its operations there is need to specify how the firm will employ its production capabilities to support its corporate strategy.. From the research findings, 86% of the respondents indicated that they have such policies, an indication that private universities have long-term policies and plans for using their resources to support their long-term competitive strategy. From the research data, the major the major contributions of the operations department to the changing competitive environment are: the private universities are planning to introduce a masters programme that will lift the market in the region; they have an administrative department to ensure that policies are implemented effectively; there are tight standards in product delivery; there is always a verification of

support base; and lastly, there is liaising with element authorities or elections in view of any new development.

In order to achieve cost leadership and provide services cheaper than the competition organizations have restructured to cut on costs. From research findings, 93% of the respondents indicated that over the last 5 years, most private universities have been undertaking corporate restructuring, with the process being accelerated during the last 1 year. From the research data, the objectives of restructuring were aimed at: increasing efficiency; improving service delivery; to place out programmes that do not attract more students and also seek for additional scholarship funds; to accommodate more programmes, and increase the competitiveness of the university in the fast changing academic environment. From the research data, it was found that the processes was done through the involvement of faculty and the board as well as the sponsorship; through needs assessment research; through review of existing structures and survey of what other institutions are doing into reorganization of functioning into units/sections and department deliver cash. From the research data, some of the challenges faced included the following: Acceptance of change characterized with rigidity and conservation. There was also an increase in operation costs-higher qualification higher pay. From the research data, the respondents indicated that regardless of the challenges, the objectives have been met largely (almost 100%) in form of good projections on surplus, employment of qualified staff for departments and the installation of computerized systems in every department. From the research data, the respondents indicated that this is a continuous improvement exercise with very many on-going strategic changes with their universities rolling out strategic plans for the next 10 years. Most universities have been fully chartered hence working well.

In the advent of increased competition and price wars marketing, most universities are soliciting a direct response, which is specific and quantifiable from the all the stakeholders. They are common forms such infomercials. They try to achieve a direct response via television presentations. The customers respond via telephone or Internet, and other means like magazines, newspapers, radio, and e-mail can be used to elicit the response. From the research findings, 86% of the respondents indicated that over the last 5 years, many changes

in marketing have taken place in most private universities, with the process being accelerated during the last 2 years.

From the research data, the objectives of the marketing changes were to facilitate access to education by majority; to increase in enrollment of students; to attract and retain high quality students; to increase awareness of the university of the public; to develop funds; to make private academic programmes known, by increasing name recognition compiled with clear description of institutional uniqueness; to reach a wider clientele. From the research data, it was found that the changes were effected through the employment of new staff and introduction of a public relation office/department. Others through diversification of marketing – medical, radio, T.V, Newspaper etc and increased allocation of funds in university budget. From the research data, some of the challenges faced included the following: high costs incurred since financial and other resources challenges have been an area the institutions have hard to address. In addition, most prospective students went for distance learning programmes, due to increase in fees to meet the acquisition of competent trained staff in the working divisions. From the research data, the respondents indicated that regardless of the challenges, this is an ongoing process deliberately in addressing the changing competitive environment. But is generally impressive and encouraging. From the research data, the respondents indicated that this is above 70% attributing it to the following: they have full-time public relation officers, the student enrollment has increased significantly; the enrolment rate has increased to 50% and largely plans are underway to increase student number by 70%.

Information Technology is a computer based information management systems allowing an institution to collect information from many different sources and develop a composite picture about its customers, its market position in different financial centers, and its net exposure in those markets (Swanson, 1997). From the research findings, 96% of the respondents indicated that over the last 5 years, many changes in IT have taken place in most private universities, with the process being accelerated during the last 3 year. From the research data, the objectives of the IT changes were to facilitate efficiency in management process; to improve the quality in delivery of academic services; to improve communication within and outside university; to raise the availability of up to date IT facilities; to create awareness on the use of IT as a teaching and communication tool through enhanced IT



services, e-mail, continuous internet, e-journals, and automated library. Some implemented the changes to offer the students and staff to good uninterrupted services, exposing the students to the IT world and help them interact with the world outside; as well as keeping in touch with market changes.

From the research data, it was found that the changes were effected through the introduction of computer lessons to all students and staff; acquisition of additional personal computers with an increase in space of the resources centre. Some established IT department and hired new IT, and acquiring new equipments and computer software. From the research data, some of the challenges faced included the following: it was hard getting used to embrace the new technology and the funding since the universities wanted to more. The acceptability issues since some people wanted to go the traditional way of doing things, for example at first, the missionaries resisted; but later grudgingly accepted the inevitable. There was also lack of equipments for examples computers for everyone. There was also the problem of finding efficient internet provider. The staff also needed some training for capacity building in relevant offices. From the research data, the respondents indicated that regardless of the challenges, they respondents indicated that they have achieved 80% of the objectives, with caution that this is an area that needs constant addressing since IT is fast changing area of the world today. From the research data, the respondents indicated that this is an on-going process there is always a demand of new and faster computers, with increasing resources to cope with the demand for IT services and also scanning the environment for new technology in IT

#### **d) Other Responses**

The respondents were asked to give any other responses the private universities have made use of because of responding to the changing competitive situation facing them. From the research data, the private universities have highlighted their marketing strategies, they have introduced competitive courses and ethics in all over courses. They private universities have equally revised their curriculum and programmes. Some have even expanded to new creations and town campuses characterized with diversification of programmes to the satellite campuses in major towns in Kenya, especially school based or distance learning coupled with collaboration. From the research data, it was found that the changes were

effected through the network campuses, and restructuring the courses being offered. From the research data, some of the challenges faced included the following: it was hard getting used collaboration partners, and it required a lot of funds to run programs. From the research data, the respondents indicated that they are slowly implementing the strategies because of capital funding, some have sought and found new partners for collaboration. Above all, they have revised the curriculum and added new courses while dropping others with a strong marketing team and with its activities strengthened, and from the research data, the universities have re-organized their processes, but the only problem they have is on which course to drop from the programme- and which course to add- without affecting the programme negatively. They also have resources inadequate, in identifying serious partners that are live members; the training staff rental charges communication systems and management coordination with members serving in various committees not always attending meetings.

### **5.2.2 Challenges Faced In Responding To Their Environment**

There are many challenges, which are specifically facing private universities in Kenya compared to their public counter parts. From the research findings, the three major challenges (with mean 2) that the private universities are facing are: lack of skills and poor communication; There are Bureaucratic environments, which does not yield to any at all; and lastly, the absence of appropriate re-sourcing. The challenges which have also some effect on the private universities are: Some Universities think they are successful hence no need for change. There is a lot of uncertainty while enhancing motivation and organizational effectiveness; The stakeholders do not negotiate and agree to support strategic responses implementation in term of resources; Poor Facilitation and support from the private universities' stakeholders and a particular deep-seated culture in the Private universities thus change lacks legitimacy. There is resistance from second level management in Private Universities with fear of openness and Status quo that they cannot be supportive to any formulation of new ideas in order to respond to an ever-changing environment in Kenyan higher Education. The stakeholders and top management have failed to support strategic responses implementation in term of resources and also there being no appropriate negotiation and agreement from the private universities' stakeholders.

## **5.3 Conclusions**

Based on the results from data analysis and findings of the research, one can safely conclude the following, based on the objectives of the study;

### **5.3.1 Responses to Cope With the Competitive Environment**

Private universities have been responding to the environmental changes that have influenced their competitive situation. Some of the strategic responses include restructuring, more focused marketing, information technology adaptations, and culture change.

First, for any organization to address the strategic issues facing its operations there is need to specify how the firm will employ its production capabilities to support its corporate strategy. According to David, (2001) organizational strategic management is very important in the formulation, implementation and evaluation of cross-functional decisions that enable an organization to achieve its objectives. Private universities have long-term policies and plans for using their resources to support their long-term competitive strategy. The major contribution of the operations department to the changing competitive environment is to set tight standards in product delivery and a verification of support base

Secondly, in order to achieve cost leadership and provide services cheaper than the competition private universities have restructured to cut on costs over the last 5 years, with the process being accelerated during the last 1 year. The objectives of restructuring were aimed at: increasing efficiency and improving service delivery. The processes was done through the involvement of faculty and the board as well as the sponsorship. Some of the challenges faced included the following the acceptance of change characterized with rigidity and conservation. Regardless of the challenges, the objectives have been met largely (almost 100%) in form of good projections on surplus and the installation of computerized systems in every department. This is a continuous improvement exercise with very many on-going strategic changes with their universities rolling out strategic plans for the next 10 years. Most universities have been fully chartered hence working well.

Thirdly, in the advent of increased competition and price wars marketing, most universities are soliciting a direct response, which is specific and quantifiable from the all the stakeholders. They are common forms such as infomercials. They try to achieve a direct response via television presentations. The customers respond via telephone or Internet, credit card in hand. Other means like magazines, newspapers, radio, and e-mail can be used to elicit the response. Over the last 5 years, many changes in marketing have taken place in most private universities, with the process being accelerated during the last 2 year. The objectives of the marketing changes were to facilitate access to education by majority and to increase in enrollment of students. The marketing changes were effected through the employment of new staff and introduction of a public relation office/department. Some of the challenges faced included high costs incurred since financial and other resources challenges have been an area the institutions have hard to address. This is an ongoing process deliberately in addressing the changing competitive environment.

Fourthly, information Technology is a computer based information management systems allowing an institution to collect information from many different sources and develop a composite picture about its customers, its market position in different financial centers, and its net exposure in those markets (Swanson, 1997). Over the last 5 years, many changes in IT have taken place in most private universities, with the process being accelerated during the last 3 year. The objectives of the IT changes were to facilitate efficiency in management process were to improve the quality in delivery of academic services and communication within and outside university. The IT changes were effected through the introduction of computer lessons to all students and staff and acquisition of additional personal computers with an increase in space of the resources centers. The challenges faced included getting used to embrace the new technology and the funding since the universities wanted to more. There was also the problem of finding efficient Internet provider. The staff also needed some training for capacity building in relevant offices. Regardless of the challenges, the Private universities have achieved 80% of the objectives, with caution that this is an area that needs constant addressing since IT is fast changing area of the world today. But there is always a demand of new and faster computers, with increasing resources to cope with the demand for IT services and also scanning the environment for new technology in IT

Fifthly, the other responses the private universities have made use of to respond to the changing competitive situation facing them ranged from introducing competitive courses and ethics in all over courses, revising the curriculum and programmes and new creations to town campuses characterized with diversification of programmes to the satellite campuses in major towns in Kenya. The private universities are slowly implementing the strategies because of capital funding, some have sought and found new partners for collaboration. Above all, they have revised the curriculum and added new courses while dropping with a strong marketing team and with its activities strengthened.

### **5.3.2 Challenges Faced In Responding To Their Environment**

There are many challenges, which are specifically facing private universities in Kenya compared to their public counter parts. The three major challenges that the private universities are facing are: lack of skills and poor communication; poor facilitation and support from the private universities' stakeholders; and lastly, the absence of appropriate re-sourcing. The challenges which have also some effect on the private universities are: a particular deep-seated culture in the Private universities thus change lacks legitimacy. Some Universities think they are successful hence no need for change and the status quo that they cannot be supportive to any formulation of new ideas in order to respond to an ever-changing environment in Kenyan higher Education. There is resistance from second level management in Private Universities with fear of openness. There are bureaucratic environments, which does not yield to any at all. There is a lot of uncertainty while enhancing motivation and organizational effectiveness, as the stakeholders and top management have failed to support strategic responses implementation in term of resources providing a conducive environment for the strategy implementation. The stakeholders do not negotiate and agree to support strategic responses implementation in term of resources.

## **5.4 Recommendations**

The findings of the study indicate that there are a number of issues to be addressed and suggestions for further research.

### **5.4.1 Recommendations for Improvement**

The following challenges need to be addressed within the private universities: skills, communication/management support and funding.

Since the three major challenges that the private universities are facing are range from lack of skills and poor communication; poor facilitation and support from the private universities' stakeholders. The private universities should get a way o dealing with particular deep-seated culture in the Private universities to give any change taking place some degree of legitimacy. The private universities should not think that they are successful since there is no change, which is permanent. They should remove the status quo to be supportive to any formulation of new ideas in order to respond to an ever-changing environment in Kenyan higher Education. This will also curb the resistance from second level management in Private Universities with fear of openness.

### **5.4.2 Recommendations for Further Research**

Areas of further research that were identified include a similar study to be carried out on other sectors of higher education, A study on responses by businesses, benefits or challenges encountered and how efficient the businesses respond to their ever-changing environment. Crucially further research should be done to determine how strategic responses can contribute to a companies' financial performance and to what extent can the benefits if any be quantified by the organizations.

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## APPENDICES:

### APPENDIX 1: LETTER OF INTRODUCTION

Dear Respondent,

I am a student pursuing a postgraduate degree at the school of business, university of Nairobi, currently in research year. The title of my study is “**Responses Adopted by Private Universities in Kenya to the Changing Higher Education Environment**”. You have been selected to participate in this study as a categorical respondent in the University’s population because of your role in strategic management activities.

The questionnaire attached asks questions about your organization’s strategic management practices, responses and organizational commitment to the changing higher education environment. Your participation is essential to this study and will enhance our knowledge of strategic management practices in relation to responses to the ever-changing environment. I also wish to inform you that the information you provide will only be used for academic purposes and will be treated with strict confidentiality. If you would like, we can send to you the report of the findings on request. My address is provided below.

Thank you very much.

Abong’o E. Beatrice  
University of Nairobi  
P.O Box 30197  
Nairobi.  
Tel: 0722 - 941220  
Email: abdaves@yahoo.com

## APPENDIX 2: QUESTIONNAIRE.

### SECTION A: RESPONDENT’S PROFILE

1. Name of the university.....Number of Years in Operation.....
2. Number of Courses offered? Undergraduate.....Postgraduate.....
3. Location.....
4. Number of Students Approx. Undergraduate.....Postgraduate.....
5. Highest Level of Education and Job Title.....
6. Number of years of service at the University.....

### SECTION B: CHALLENGES FACING KENYAN PRIVATE UNIVERSITIES

1. Given some of the changes that have taken place, within the last 10 years, in higher education environment, to what extent have they affected your university?

Please rank the extent to which the following changes have affected your university.

For **Very high extent** = Tick (1)

For **High Extent** = Tick (2)

For **No Effect** = Tick (3)

For **Low Extent** = Tick (4)

For **Very Low Extent** = Tick (5)

<b>Changes</b>	<b>Extent of Effect</b>
A rise in enrolment in public and private universities	(1) (2) (3) (4) (5)
The proliferation of more private universities	(1) (2) (3) (4) (5)
The establishment of the private wings (self sponsored programmes)	(1) (2) (3) (4) (5)
Increased number of students seeking higher education outside Kenya	(1) (2) (3) (4) (5)
Brain Drain	(1) (2) (3) (4) (5)
Failure by the private universities to attract research grants	(1) (2) (3) (4) (5)
Others (Pls specify)_____	(1) (2) (3) (4) (5)

2. Given the above changes in higher education environment in Kenya, to what extent has your university experienced the following challenges (Please Tick  $\surd$  as appropriate using the key below)?

For **Very high extent** = Tick (1); For **High Extent** = Tick (2); For **No Effect** = Tick (3)  
 For **Low Extent** = Tick (4); For **Very Low Extent** = Tick (5)

<b>Challenges</b>	<b>Extent of Experience</b>
Low funding from the sponsors	(1) (2) (3) (4) (5)
International competitiveness	(1) (2) (3) (4) (5)
Government policies	(1) (2) (3) (4) (5)
Increased enrolment without commensurate resources and facilities	(1) (2) (3) (4) (5)
Public perception	(1) (2) (3) (4) (5)
A low research capacity, which does not support the development agenda	(1) (2) (3) (4) (5)
Others (Please specify)_____	(1) (2) (3) (4) (5)

3. To what has your university achieved the following milestones the time it has been in operation (Please Tick  $\surd$  as appropriate using the key below)?

For **Very high extent** = Tick (1); For **High Extent** = Tick (2); For **No Effect** = Tick (3)  
 For **Low Extent** = Tick (4); For **Very Low Extent** = Tick (5)

<b>Milestones</b>	<b>Extent of Achievement</b>
Superior efficiency and quality graduates	(1) (2) (3) (4) (5)
Innovativeness in the academic services	(1) (2) (3) (4) (5)
Responsiveness to the surrounding environment	(1) (2) (3) (4) (5)
Creation of superior values	(1) (2) (3) (4) (5)
High levels of competitiveness	(1) (2) (3) (4) (5)
Others(Pls specify)_____	(1) (2) (3) (4) (5)

4. Do you think Kenya has attached education to economic and social development?

a) Yes [ ] b) No [ ]

If yes from Question five (5) above, why do you think Kenya has attached education to economic and social development?

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6. With reference to the functions of the Commission for Higher Education (CHE) under provisions of the University Act, to what extent have the major functions been implemented in university as a private? (Please Tick  $\surd$  as appropriate using the key below).

For **Very high extent** = Tick (1); For **High Extent** = Tick (2); For **No Effect** = Tick (3)  
For **Low Extent** = Tick (4); For **Very Low Extent** = Tick (5)

**Functions**

**Extent of Implementation**

Accreditation	(1) (2) (3) (4) (5)
Development; processing, storage and dissemination of knowledge for the benefit of mankind	(1) (2) (3) (4) (5)
Advising minister on development of the university and cooperation with the government	(1) (2) (3) (4) (5)
Examination and approving proposals for courses of study and course regulations submitted	(1) (2) (3) (4) (5)
Planning for establishment and development of higher education and training	(1) (2) (3) (4) (5)
Mobilization of resources for higher education and training	(1) (2) (3) (4) (5)
Regular re-inspection of Universities	(1) (2) (3) (4) (5)
Co-ordination and regulation of admission to Universities	(1) (2) (3) (4) (5)
Documentation, information services and public relations for higher education and training	(1) (2) (3) (4) (5)



**SECTION C: RESPONSES**

1. Has your university responded to the above environment changes?

a) Yes [ ] b) No [ ]

2. Given the above changes in higher education environment in Kenya; to what extent has your university used the following tactics to remain competitive? (Please Tick ✓ as appropriate using the key below).

For **Very high extent** = Tick (1); For **High Extent** = Tick (2); For **No Effect** = Tick (3)  
 For **Low Extent** = Tick (4); For **Very Low Extent** = Tick (5)

<b>Strategy/Tactic</b>	<b>Extent of Use</b>
<b>Market Penetration</b> ):Market penetration occurs when a university enters/penetrates a market with current products/academic programs	<b>(1) (2) (3) (4) (5)</b>
<b>Product development</b> ):A university current products/academic programs might embark on a strategy of developing other products catering to the same market.	<b>(1) (2) (3) (4) (5)</b>
<b>Market development</b> ): An established product in the marketplace can be tweaked or targeted to a different customer segment, as a strategy to earn more revenue for the firm.	<b>(1) (2) (3) (4) (5)</b>
<b>Diversification</b> (new markets, new products/academic programs)	<b>(1) (2) (3) (4) (5)</b>
<b>Cost Leadership</b> ):A University can acquire cost advantage by lowering the fees)	<b>(1) (2) (3) (4) (5)</b>
<b>Differentiation</b> ):The university might introduce something unique in its products/academic	<b>(1) (2) (3) (4) (5)</b>

programs not found in other universities.

**Focus):** Auniversity might concentrate on a narrow segment and attempt to achieve either a cost advantage or differentiation. (1) (2) (3) (4) (5)

3. (i) Given the above changes and tactics used in/used by private universities in Kenya; to what extent do you consider the following strategic issues to be critical currently for your university to remain competitive in the Kenyan? (Please tick).

Stratification of universities depending on their research and teaching activities; (1) (2) (3) (4) (5)

The 25 per cent decline in the unit of resource funding over the last five years, with a further 5 per cent cut per year expected over the next three years, coupled to the need to protect standards; (1) (2) (3) (4) (5)

The necessity of demonstrating the quality of teaching and research activities and the increasingly important link between positive external evaluations and the attraction of further funds; (1) (2) (3) (4) (5)

The continued growth in consumerism, with students effectively shopping around for courses and funding councils increasingly viewing themselves as purchasers of HE services; (1) (2) (3) (4) (5)

The temporary halt or even reversal in undergraduate expansion at a time when there is increasing competition (through improved global access and mobility and the dismantling of the university/polytechnic divide, for example) in the sector; (1) (2) (3) (4) (5)

An increasingly difficult labour market, leading to an emphasis on graduate flexibility and breadth of skills; (1) (2) (3) (4) (5)

The implications of an increased localization of the undergraduate population; (1) (2) (3) (4) (5)

The need to view activities in a European and international context and to develop awareness and skills in students which will enable them to operate successfully in a world work arena; (1) (2) (3) (4) (5)

The demand for increasingly flexible study programmes and the associated need to harness the benefits of information technology and newer styles of programme delivery; (1) (2) (3) (4) (5)

The social responsibility movement which demands more

considered and considerate responses to the challenges of managing in an ecologically friendly way;

(1) (2) (3) (4) (5)

Providing equitable student access to education, and ensuring high quality working lives for employees who are, at the same time, being required to work in customer-quality-conscious and “more for less”, diverse and changing, working conditions.

(1) (2) (3) (4) (5)

3. (ii) Do you have long term policies and plans for using the resources of your university to support its long term competitive strategy? a) Yes [ ] b) No [ ]

(ii) What is the major contribution of the operations department to the changing competitive environment? \_\_\_\_\_

#### 4 a) Restructuring

**In order to achieve cost leadership and provide your services cheaper than your competition you have restructured so as to cut on costs.**

D) Has there been corporate restructuring at your university in the last 5 years?

a) Yes [ ] b) No [ ]

ii) What were the objectives of the restructuring process?

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iii) How was the process of restructuring undertaken?

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iv) Please indicate the challenges that were faced by your university during restructuring?

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v) To what extent have the objectives for restructuring at your university been met?

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(vi) What is the current status of the restructuring exercise?

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**(b) Marketing**

**In the advent of increased competition and price wars I see the need to ask you the following,**

(i) Have there been changes in marketing at your university in the 5 years?

a) Yes [ ] b) No [ ]

ii) What were the objectives of marketing changes?

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iii) How were these changes effected?

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iv) Please indicate the challenges faced by your university while making these changes?

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v) To what extent have objectives of these marketing changes been met?

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(vi) What is the current status of the marketing responses by your university to it changing competitive situation?

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**C) Information Technology.**

i) Have there been changes in IT at your university in the past 5 years?

a) Yes [ ] b) No [ ]

ii) What were the objectives of the IT changes?

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iii) How were these changes effected?

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iv) Please indicate the challenges faced by your university while making these changes?

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V) To what extent have the objectives of these IT changes been met?

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vi) What is the current status of the IT responses by your university to it's changing competitive situation?

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### **D) Other Responses**

i) Please state any other responses that your university has made as a result of the changing competitive situation facing your university

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ii) How have these responses been effected

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iii) Please indicate the challenges faced by your university while developing and / or implementing such responses

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iv) To what extent have the objectives of these responses been met?

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V) What is the current status of these responses by your university to its changing competitive situation?

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## SECTION D: CHALLENGES IN RESPONDING TO THE EVER-CHANGING ENVIRONMENT

i) To what extent has your university experienced the following challenges as a private university operating in Kenya in responding to its ever-changing environment? (Please Tick  $\surd$  as appropriate using the key below). For **Very high extent** = Tick (1); For **High Extent** = Tick (2); For **No Effect** = Tick (3) For **Low Extent** = Tick (4); For **Very Low Extent** = Tick (5)

<b>Challenges when responding to the Ever-changing Environment</b>	<b>Extent of Effect</b>
Lack of skills and poor communication	(1) (2) (3) (4) (5)
Lack of participation and involvement of all stakeholders	(1) (2) (3) (4) (5)
Poor facilitation and support from the private universities' stakeholders	(1) (2) (3) (4) (5)
No negotiation and agreement from the private universities' stakeholders	(1) (2) (3) (4) (5)
Status quo that they cannot be supportive to any formulation of new ideas in order to respond to an ever changing environment in Kenyan higher Education	(1) (2) (3) (4) (5)
Resistance from second level management in Private Universities with fear of openness	(1) (2) (3) (4) (5)
Some Universities think they are successful hence no need for change	(1) (2) (3) (4) (5)
There is a particular deep-seated culture in the Private universities thus change lacks legitimacy	(1) (2) (3) (4) (5)
No appropriate resourcing	(1) (2) (3) (4) (5)
A lot of uncertainty while enhancing motivation and organizational effectiveness	(1) (2) (3) (4) (5)
Bureaucratic environments usually does not yield to any at all	(1) (2) (3) (4) (5)
Private universities' stakeholders and top management fails to support strategic responses implementation in term of resources	(1) (2) (3) (4) (5)
Private universities' stakeholders and top management fails to support strategic responses implementation in term of resources constituting teams	(1) (2) (3) (4) (5)
Private universities' stakeholders and top management fails to support strategic responses implementation in term of resources providing a conducive environment for the strategy implementation	(1) (2) (3) (4) (5)

**THANKS FOR TAKING YOUR TIME OUT OF YOUR BUSY DUTIES TO ANSWER THIS QUESTIONNAIRE**

### **APPENDIX 3: LIST OF PRIVATE UNIVERSITIES OPERATING IN KENYA**

- 1) Daystar University
- 2) University of Eastern Africa, Baraton
- 3) Catholic University of Eastern Africa
- 4) United States of International University- Africa
- 5) Scott Theological
- 6) African Nazarene University
- 7) Kenya Methodist University
- 8) St Pauls' Theological College
- 9) Nairobi International School Of Theology
- 10) Pan African Christian College
- 11) East Africa School of Theology
- 12) Nairobi Evangelical Graduate School of Theology
- 13) Aga Khan University
- 14) Kabarak University
- 15) Strathmore university
- 16) Kenya Highland Bible College
- 17) Kiriri Women's University of Science and Technology