STRATEGIC RESPONSES BY RIFT VALLEY RAILWAYS TO THE COMPETITIVE ENVIRONMENT FOLLOWING CONCESSION

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DECLARATION

This Management project is my original work and has not been submitted for a degree in any other University.

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This Research Project has been submitted for examination with my approval as University Supervisor.

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DEDICATION

This project is dedicated to my parents, for unwavering commitment and support to the education and learning of their children all the time, and the imparted high moral standards. And to my late brother Nicholas Murithi.

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I acknowledge the good cooperation of my supervisor, Duncan Ochoro, who guided me throughout the whole process of research. His professional guidance and valuable advice was invaluable to the development of this project.

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I further acknowledge overwhelming responses from the respondents; some board members, top management and staff of Rift valley Railways (K) Ltd. They are highly appreciated for the information provided to successfully complete this research.

Last but not least unconditional thanks go to God the almighty whose love and care made everything possible. I will always be grateful to him. Not that we ourselves are qualified to take credit of anything as coming from us; rather our qualification comes from God (2corinthians 3:5)

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ABSTRACT

An organizations success is very much determined by its ability to appropriately respond to the fast changing environment. Gone are the days of protected market and dominant market positions. The firm's environment is turbulent. In turbulence environment real time response is very important for the success of the organization. This case study sought to establish the responses that Rift Valley Railways has adopted to cope with competitive environment.

Data for this study was primary, collected by the researcher through personal interviews at corporate levels. A total number of ten members of management team were interviewed.

The findings were analyzed through the content analysis technique. The findings generally indicate that the external environment for Rift valley railways experienced changes for the period under study. The scope of the changes covered was; political, economic, social and technological. The key political changes were the recent political instability and policy changes on axles load, economically high inflation rates and trends impacted negatively to set budgets and the instability of the forex. The technology front was faced with the demand for more effective ways of monitoring customer goods in the system and the need to network Stations to increase efficiency and cut down on costs.
The organization needs to formulate sustainable competitive strategies to defend its market share and realize success in the railway sub industry.

Rift valley Railways responded to each of the changes in a unique way. The organization has put in place a strategic plan to guide and integrate its corporate operations. Other responses deployed are adopting of superior technology, strengthening of the organization internal capabilities and competences, collaboration, human resource development, corporate image and marketing strategies. The external environment plays a significant role in the existence of players in the transport industry. This role has continued dictating the way the way firms run their business in term of strategy. The case of rift valley railways demonstrates a firm that has played its level best catch to changes in external environment with some degree of success.

The study recommends that a study should be carried out to find how effective these responses are to enable Rift Valley Railways to achieve its vision. An empirical study should also be carried out to establish which firms don't respond to changes in external environment. This will serve to explain whether there are exemptions to the results obtained by this study

CHAPTER ONE: INTRODUCTION

1.1 Background

All types of organization are in existence to serve the different needs of the society. It is the process of satisfying the needs of the society they have to ensure that they exist long enough to be able to retain sustainable benefits to those who have created them. However organizations over time have realized survival is not guaranteed. Organizations have to justify their continued existence in society by their activities (Aosa, 1998). External environment refers to factors outside the organization that influence the way the organization operates (Pearce & Robinson 2005). It is everything that is outside the organization boundaries that directly impacts on the success of the organization.

The external environment provides the opportunities and threats for the organization. Opportunity presents as avenues for improving performance for the organization while a threat carries the potential to inhibit the success of the organization. A good understanding of the two forces is desirable if the organization is to remain relevant and competitive to ensure success in business. Cole (1990) states that open systems are those which do interact with their environment on which they rely for obtaining essential inputs and for the discharge of their systems outputs. Firms therefore as open systems must interact with their environment for survival as it gives better part of its resources to those firms that conform to its standards and weeds those that don't.

Ansoff and McDonnell (1990) state that successful environment serving organizations are open systems and the open property is made necessary by two factors: Continued organization survival depends on its ability to secure rewards from the environment which replenish the resources consumed in conversion process. Continued maintenance by the organization of its social legitimacy. Government systems in developing countries regulated economic aspects of firms' behavior which hampered competition. The practice encouraged the existence of unprofitable and inefficient firms and blocked new entrants. The restrictive trade practices resulted benefits accruing to protected firms due to manipulation from the system rather than from innovation and adoption of new technologies (World Bank Report, 1994). This led to the need to liberate and privatize public corporations.

1.2 Role of Rail Transport in Kenya

Railway transport plays a very important role in Kenya's social and economic development. It is a capital-intensive undertaking requiring heavy investment of capital. Partly for this, and also due to political interference, little if any, improvements have been made to the original railway line established over one hundred years ago (World Bank report, 2005)

For a long time, rail transport industry in Kenya has been profitable greatly benefiting from its position of monopoly. Its twin advantages of bulk transport and cheapness promised great savings to freight transport customers. The railway line has served Kenya and the neighboring countries relying on the port of Mombasa for handling bulk imports which are then transported inland. By acting as a connecting the outside world with Kenya's landlocked neighbors. The Kenya Railways Corporation has benefited from this ready and profitable market (Privatization and Public Private Partnership, PWC 2007)

Unfortunately, as with many public sector enterprises, political involvement has led to a decline in Kenya Railways' profitability, a trend which has finally become unsustainable for the state. It is almost a truism that government corporations are synonymous with waste, inefficiency, and mismanagement. In theory, the State (through the minister concerned) should have no day-to-day interference in the running of the corporation. In practice, government interference, through its minister, in the running of public sector firms is much more frequent than was envisaged by the original statutes which created these industries (Privatization and Public Private Partnership, PWC 2007)

Under the "Economic Recovery Strategy for Wealth and Employment Creation" (ERS 2003-2007), the transport sector had been identified as the third pillar to the Kenya's economic recovery.

Agarwal Vishal (Privatization and Public Private Partnership, PWC 2007) stated that the railway played a key role in the early development of East Africa by serving for decades as the most important means of moving people and goods back and forth between inland population centers and the sea port of Mombasa". Railway provides the cheapest mode of transport for bulky goods. Most of the Kenyan towns are located along the railway line and owe their origin to the construction of same. The Railway makes a major contribution to the development of the economies of the Region. The Ministry of Transport has a Railways Division which is responsible for the Railways Sub-sector.

1.3 Rift Valley Railways (K) Limited

Rift Valley Railways like all organizations operate within the environment and are environment dependent (Ansoff and McDonnell, 1990). The organizations environment consists of the conditions and forces that affect its strategic options and define its competitive situation (Pearce and Robinson, 1977). Organizations, in order to survive, have to pay close attention to the external environment. Failure to do so will affect future survival of the organization. Over the last three decades, the railway transport industry like all industries in the country have been faced with various challenges arising from changes in the environment such as liberazation, a turbulent economy and government policies such as large-scale privatization of certain public sector corporations.

The history of Railways in Kenya can be traced to the beginning of 1900 when the British government (then the colonial masters in Kenya and Uganda) desired to establish a railway line linking the landlocked country of Uganda with the Indian Ocean coast.
After independence, Kenya and Uganda, together with Tanzania, formed a customs union known as the East African Community through a Treaty. Under the terms of the Treaty, common services were put under the administration of the Community. The Railway system in the three countries came under a body known as the East African Railways and Harbors. Kenya Railways Corporation was legalized by the Act of parliament Cap. 397 of the laws of Kenya in 1977 after the breakup of the East Africa Community in August 1976 due to financial problems. The operations of Kenya Railways became formalized by the enactment of legislation in January 1978, which established a Kenya Railways Corporation owned by the government but to run as an autonomous commercial enterprise. (KR Development Plan, 1978- 1983).

An important aspect of government policy in Kenya from the 1980s to date has been the large-scale privatization of certain public sector corporations. The privatization Programme was designed to achieve the government's stated objective to reduce the size and importance of the public sector in the economy, reduce attendant losses brought about by waste and inefficiency while limiting government's role to the provision of a good regulatory environment. The social benefits include increased efficiency to users and a reduction in the public sector borrowing from the Treasury.

However the social costs of privatization include a threat to public interest and creation of private monopolies, among others. This is because industries such as railways are natural monopolies. It can thus be argued that these kinds of industries should remain subject to some government control even when privatized. This is the case in what is known as Concessioning. Concession of Kenya Railways is a new concept in Kenya although it has been done in other parts of the world. The government settled on of granting rights to the concessionaire (Rift Valley Railways (Kenya) Limited) to operate and maintain the conceded Assets and provide the services for a period of twenty five years for Freight Service and five years for Passenger Service, while retaining ownership of the Assets and monitoring the performance. After the expiry of the contract everything reverts to the Kenya Government or a new contract is signed.

After many years of decline in the overall performance of Kenya railways, a decision was made to concession freight and passenger services. This has now been implemented with the signing of the concession agreement between the government of Kenya, Kenya railways and the concessionaire rift valley railways. Following the signing of the agreement rail transport operations were handed over to the concessionaire on the 1st of November 2006 for the next 25 years for freight services and 5 years for passenger services.

The Rift Valley Railways Corporation operates 2650 kilometers of permanent way (Track) from Mombasa to Malaba and Kisumu. The mainline runs from Mombasa to Malaba, while the branch lines diverting from mainline to Kisumu, Taveta, Magadi, Nanyuki, Nyahururu, Kitale and Butere. Rift Valley Railways will remit US$ 40 million annually to the Government as annual fee. The Rift Valley Railways Corporation is expected to invest US$ 280million to rehabilitate existing assets and US$42 million investment in new rolling stock and operating equipment over the concession term. US $80 out of US $322m total investment is anticipated within the first five years (Privatization and Public Private Partnership, PWC 2007).

1.4 Statement of the Problem

Harsh economic conditions in Kenya have seriously affected the profitability and market share of companies (Economic Survey, 1999). The business environment in Kenya has drastically changed. The changes poised serious strategic threat to existing firms. Strategic responses have been necessitated by major changes that have occurred in the railway sub sector. The Kenya Railway Corporation Act was amended to make it possible for the board of directors to enter into a concession agreement for the provision of the rail transport services. Prior to the amendment rail transport was the reserve of Kenya railways

Kenya Railways has undergone difficult times for several decades. Revenue and profitability has been on the decline due to inadequate investment in the track, rolling stock, locomotives, coupled with mismanagement. This has been compounded by service interruptions due to lack of critical supply and low staff morale. The result has been poor service delivery that triggered a shift to other modes of transport.

The strategic responses by Rift Valley Railways outline measures to be taken to improve performance. The internal and external environment within which Rift Valley Railways operates on will be analyzed and this includes the emerging environmental factors. This will be basis for the objectives and activities aimed at making maximum use of the organization opportunities and strengths and mitigating against threats and weaknesses. The strategic responses will be an expression of Rift valley railways determination to position itself as a key player in transport service provision in Kenya and East Africa in general.

The strategic responses will be a basis of annual performance contract with Government of Kenya. To achieve the payment of annual payment of the concession fee (11.1% of annual gross revenue) the organization needs to achieve its strategic objectives and targets and also to maintain a highly effective and motivated team. Therefore depending on how responsive the Rift Valley Railways is to its environment it will be able to achieve its vision of being a world class transport system that is integrated and responsive to the needs of the people and industry.

Numerous studies have been done in the western world. Local studies have been done in the in railway sub-industry in Kenya but not on the response to changed environment. This study therefore is meant to fill the void thus to study how Rift Valley Railways has responded to changes in the environment. In changed environment firms should cope with the changes by adopting various strategies such as differentiation, focus, marketing mix variables, segmentation, positioning, strategic alliance, improvement in quality of products and services among others.

The research problem is therefore to develop a better understanding of the organization's response to the changes in the environment. Specifically, to study the competitive environment the railway is operating in and the strategic responses they have put in place in order to become competitive and position itself in the industry.

The study will address the following questions;
What are the strategic responses adopted by Rift Valley Railways and has there been any significant realization of the expected outcomes of the strategic responses put forth by rift valley railways after the concessionment? Has strategic responses of rail business improved efficiency and delivery of acceptable standards of service to the customers?

1.5 Research Objective

To determine the strategic responses of Rift Valley Railways to the competitive environment.

1.6 Importance of the Study

This study will benefit Rift Valley Railways as it is expected to establish the adequacy of their responses in the face of increased competitive environment and also identifying forces in the external environment affecting their organization and possible responses to these forces

The findings are expected to help Rift Valley Railways identify any strategic gaps in their strategic responses and which they will adapt to counter the threat

The study will be of interest to government agencies and policy makers in the development of policy framework: such as formulating policies on deregulations, liberazation and privatization of state owned corporation.

Apart from contributing to the existing literature in the field academicians will find it useful as basis for further research. It is expected to generate interest in the academic circles since the area has not been studied before, at least locally.

CHAPTER TWO: LITERATURE REVIEW

2.1 Organization Relation with Business Environment

Pearce and Robinson (1997) states that a host of factors influence a firm's choice of direction and action and ultimately its organizational structure and internal processes. These factors which constitute the external environment can be divided into remote environment, industry environment and operating environment. Sauve (2002) notes that environment is a critical factor for any organization survival and success. It should be seen as a biosphere in which individual organizations use over along term as a community project in which to be actually involved. It is a resource to be managed and to be shared hence the need to effectively manage the value chain system and establish collaboration partnerships and to get involved in social responsibility to enrich this resource and enhance corporate image of the organization

Pearce and Robinson (1997) States that remote environment comprises of factors that originate beyond and usually irrespective of any firms operating situation. These factors include: economic, political, technological and ecological factors. The environment presents firms with opportunities and threats but rarely does a single firm extend any meaningful reciprocal influence. Forces at work in the external environment are dynamic and include economics, political, technological and social factors (Kotler and Armstrong, 1990). The external environment changes do impact on the operational dynamics of the organizations internal environment and creates a mismatch on the already existing strategies that link the two environments. The external environment can be described as all conditions that affect a firm's strategic option but which are beyond the firms' control (Pearce and Robinson, 1991)

The external factors influence organizations choice of direction and actions, which can be categorized as the remote, industry and operating environment. Their extensive understandings of the environment that will help a firm define its objectives and develop competitive strategies. An understanding of the environment therefore enables affirm to define its objectives and to develop new strategies that are best suited to cope with the change. Dess and Origer (1980) argue that, looking beyond the organizations immediate operating environment to the industry in which it competes has long been advocated.

Porter (1980) points out that essence of formulating a competitive strategy in relating the company to its environment and the key aspects of the firms environment is in the industry in which it competes.

Dess and Bland (1984) gave theoretical support for what they described as essential features of industry environment. They include the availability of resources with which the environment can support sustained organization growth. The extent of unpredictable change in environment elements; and a heterogeneity of and range of environment activities; environmental assessment is considered an antecedent activity to the formulation of the company objectives and competitive methods. Porter (1991) argues that the environment shapes how activities are configured uniquely and what commitment can be made successfully. The environment is therefore important in providing initial insight that underpins competitive advantage, the input needed to act on it, an accumulated knowledge and skills overtime and forces needed to keep progressing. He further argues that the environment through its attributes affects both the firm's initial conditions and its managerial choices.

In the 1990,s different firms faced different and changing challenges (Ansoff and McDonnell, 1990). Ansoff and McDonnell further stated that these challenges continue to change are different with time. As a consequence each organisation needs to diagnose its unique pattern of future challenges, threats and opportunities and advance its respective response to these challenges. They continue to emphasize that strategic responses involved changes an organisation s behavior to assure success in the management of the strategic change in line with the demands of future environment. This is in line with alignment of the internal capabilities that include processes, structures and relationships. The generic strategic success hypothesis advance advocates that an organisation performance is optimum when three conditionalities are satisfied.
Aggressiveness of the firms strategic behavior matches the turbulence of its environment; responsiveness of the organisation capability (includes structure and resources both tangible and intangible) to match the aggressiveness of the strategy; and the components of the organisation capability should be supportive of one another. The above demonstrates that a firm cannot afford not to adjust the internal capability in order to score as intended on the strategic response that matches the environment.

Organizations that do not respond to changing environment demand or do not adapt to keep pace with the change; and even in some situations fail to anticipate such changes are likely to suffer and become irrelevant. Porter (1985) noted that environment turbulence call for continuous change to keep pace with the fast change. Kotter (1996) also noted that change efforts have helped some organizations adapt significantly to shifting conditions, hence have improved the competitive standing of others, while they have positioned a few for further better future.

2.2 Competition

One of the environmental influences to a business arises from competition. Increased competition threatens the attractiveness of an industry by reducing the profitability of players. Competition exerts pressure on firms to be proactive and to formulate successful response strategies in the competitive environment: all in the effort to gain competitive advantage. Firms that do not respond effectively to increased competition are not likely to succeed in business. Competition denotes the existence of firms that try to sell identical products or services to the same group of customers. A firm's competition may change overtime in terms of their characteristics, strategies and strategic focus due to environmental factors that affect the structure of the industry (Guiltinan and Paul, 1994). Industry and competitive analyst seek to analyze the industry's competitive process to discover the main source of competitive pressure and how strong each of the forces is. Industry analysis and subsequent review of the generic strategies are largely the work of strategic management guru, Michael porter and this study will draw heavily from his work.

Porter (1980) explains his strategic options in light of analyzing the market opportunities and threats, which form the background of competitive behaviour. Industry analysis is oriented towards an assessment of industry attractiveness and as such, competitive strategy therefore aims to establish a profitable and sustainable position against the forces which determines competition (Lowes et al, 1994). According to porter (1983) the key to successful competitive strategy is to establish a position which is less vulnerable to attack from competition and to erosion from buyers, suppliers and substitute goods. Porter (1980) argues that most businesses must respond to five basic competitive forces that drive industry competition. According to him, the collective strength of these forces determines the ultimate profit potential of the industry and thus its attractiveness.

The five forces are threat of new entrant, bargaining power of buyers and supplier, threat of substitutes, rivalry within competition. Porter's model is a powerful tool for systematically diagnosing the chief competitive pressures in a market and assessing how strong and important each one is (Thompson, 1998). A proper analysis of the five forces will help a firm choose one of the porter's generic strategies that will effectively enable the firm to compete profitably in an industry. Porter (1998) discusses government as a force in industry competition. He explains that government at all levels must be recognized as potentially influential in many if not all aspects of industry structure both directly or indirectly. In many industries, government is a buyer or a supplier and can influence industry competition by the policies it adopts. Government can also affect the position of an industry with substitutes through regulations or other means. Thus no structural analysis is complete without a diagnosis of how present and future government policy all levels will affect structural conditions.

2.2.1 Competitive strategy

Companies pursue competitive strategies to gain a competitive advantage that allows them to outperform rivals and achieve above average profitability. Developing a competitive strategy is essentially developing a broad formula of how a business is going to compete, what its goals should be and what policies are needed to carry out these goals. Competitive strategy grows out of an understanding of the rules that guide competition. A business strategy is only powerful if it produces a sizeable and sustainable competitive advantage. The strategy should therefore emphasize an improvement to the competitive position of the firm's product in the industry. If the firm is to prosper within an industry it must establish a competitive advantage over its rival's also known as competitive strategy. It focuses on improving the competitive position of a company's services or products within the specific market segment that they do or its business serves (Wheelen and Hunger, 1996)

2.3 Strategic Responses

Strategic responses according to Pearce and Robinson (1991) are the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a firms objectives. Strategic responses are part of competitive strategies that organizations develop in defining the goals and policies. They are reactions to what is happening in the environment of the organization. Porter (1980) observes that the knowledge of the underlying sources of competitive pressure provides the groundwork for strategic agenda in action. When organization are faced with unfamiliar changes they should revise their strategies to match their turbulence levels (Ansoff and McDonnell, 1990) New technologies, new competition new dimensions of social control and above all an unprecedented questioning of the organization role in the society define the unfamiliar world. Organizations must adapt their strategies to new environment (Ansoff, 1999). Changes in external environment will require new strategies which will in turn call for reformed organization capability.

Pearce and Robinson (1997) assert that the degree of competitiveness is manifested not only in other players but rather other competitive forces exist that go well beyond the established combatants in a particular industry. Porter (1980) identifies five forces that affect the rules of competition embodied in the entry of new competitors, the threat of substitutes, the bargaining power of supplier and the rivalry among the existing competitors. Organizations are environment dependent. No organization can exist without the environment for the survival and they have to scan the environment in an effort of budding trends and conditions that would eventually affect the industry and adapt to them Such scanning involves studying and interpreting social political economic and technological events so as to identify trend that could eventually affect the industry. Environmental scanning enables the manager to become aware of developments that could pose new opportunities and threats to the organization. (Thompson and Strickland, 1993). Failure to do this leads to serious strategic problem characterized by mal adjustment of organization output and demands of the external environment (Ansoff, 1984)

Organizations exist in the context of complex environment. Most writers categorize the external environment into remote, macro, industry and operating environment. Most organizations have little or no influence or on control over the economic, social, political, technological and ecological factors. The environment changes can be relatively stable or turbulent and environment forces differ in importance from one organization to another and overtime their importance may change.

Strategic managers are often put to task in determining what responses to take towards different environment changes. These responses can either be operational or strategic or both. Strategic decisions are likely to affect the operational decisions. An organization strategy cannot succeed if the operation aspects of the organization are not in line with the strategy. Organizations that have successfully managed change have been able to link strategic change with operational change and every aspect of organization in relation to the dynamic external environment.

Kotler (1998) observed that marketing plays a critical role in the company's strategic planning process and that is the most significant contributor to this process. Marketing plays a role in defining the business mission, analyzing the environment, competitive and business situations.

Porter (1980) asserts that to achieve cost leadership in an industry, a firm can adopt functional policies and resort to aggressiveness construction of efficient scale facilities. This is possible by sourcing inputs from cheaper suppliers or by putting up sate of art equipment, which can reduce costs of customer service delays and minimize the cost of errors. Porter (1980), a firm can adopt a strategy of differentiating its products or services as a way of creating something that is considered unique industry wide. For instance product uniqueness can be achieved through design and creation of innovative features. Focus strategy, Porter (1980) argues that firms have to focus on a particular buyer group, segmentations of the product line or geographical market. This assertion is based on the realization in competition environment firms should trim their operation and target specific markets so as to development a competitive edge.

Ansoff (1999) discusses the role of general management into organization strategic responses. He states that for an organization to implement a strategic response, three components are essential. These are the right climate (will to respond), competence (ability to respond) and capacity (volume of responses).The general management should therefore ensure that the organization engage in behavior which will optimize the attainment of the org long tern objectives. Climate setting determines the organization culture and involves mentality and power positions of the managers. Competence determines the organizations structures, systems and shared knowledge and involves the talents, skills and knowledge of management. It also involves capacity to accommodate various management challenges that may arise over time.

Bett (1995) studied the dairy industry in Kenya and found that due to the ongoing economic reforms in this country, firms in the industry made certain adjustments. In the marketing mix component of product, price, promotion and place in order to adapt to changes and remain competitive in the liberalized industry. Kombo (1997) found that as a result of the on going economic reforms, firms in the motor industry adjusted their variable substantially so as to survive in a competitive environment. The firms in this industry introduced new technology of product development, differentiated their products, segmented and targeted their customer more and improved their customer service.

Njau (2000) found that in its response to threat posed by increased competition due to liberalization, EABL adjusted to the strategic variables of products, promotion, cost structure, market research and development and market predisposition. The company also adopted cost structure strategies involving changes in the management structure and staff retrenchment. Chepkwony (2001) found that firms operating in the oil industry laid more emphasize on strategic planning. Many of these firms also redesigned their organisation structure in a bid to making the organisation more efficient. Most firms adjust their products strategies so as to improve the quality of their products to meet their ever changing needs of their customers. Chepkwony further noted that more emphasize on research and development, which aimed at establishing the needs of their customers and to help them keep abreast of the competition activities.

2.3.1 Generic Strategies

The aim of any firm should be to develop a distinctive competence that is greater than its competitors. (Porter 1988) identifies three generic strategies for achieving the above average performance in an individual. These are cost leadership, differentiation and focus. To be an average performer a firm has must generally make a choice amongst them rather than attempt to address all of them at once. According to Hitt and his colleagues was originally determined that firms choose from among four generic business levels strategies to establish and exploit a competitive advantage within a particular competitive scope: Cost leadership, differentiation, focused low cost and focused differentiation. A fifth generic business level strategy, the integrated low cost differentiation strategy, has evolved through firm's effort to find the most effective ways to exploit heir competitive advantage. None of the five business level strategies is inherently or universally superior to the other. The effectiveness of each strategy is contingent on the opportunities and threats in a firm's external environment and possibilities permitted by the firm's unique resources, capabilities and core competences.

Overall cost leadership

Businesses following this strategy ensure that their processes made them the lowest cost producer or supplier in the market. Striving to the industry's overall lowest cost provider is a powerful competition approach in many markets where buyers are price sensitive. Cost leadership requires aggressive construction of efficient scale facilities, vigorous pursuit of cost reduction from experience, high cost control curve and cost minimization in various functions (Porter 1980). In pursuing low cost leadership manager must take care to include features and services that buyer consider essential. The value of a cost advantage depends on its sustainability whether rivals find it easy or inexpensive to imitate the low cost method will determine the duration of the advantage.

The cost leadership strategy benefits the firms in that it is able to withstand intense price competition and buyers may appreciate the offer for low prices (Thompson and Strickland, 1998). New entrants are also deterred by low cost capabilities and supply prices increases are more easily absorbed.

Differentiation

Differentiation is where the business creates differentiation advantage through features or services that sets it apart from others in the market. The essence of differentiation is to be unique in ways that are valuable to customers and that can be sustained (Pearce and Robinson, 1997). For a company to be successful in the strategy it has to study buyer's needs and behavior carefully to learn what they consider important, with value and what they are willing to pay for it. There is no limit to a firms opportunities depends on the nature and characteristics of the product. However it has been claimed that anything can be turned into value added product or service for a welled fined or newly created market (Porters, 1987)

The advantage or uniqueness maybe in the form of customer service, design, brand image or technology (Porter, 1980). Differentiation extends beyond the characteristics of the product to encompassing every possible interaction between the firm and its customers. Differentiation strategy are not about pursuing uniqueness for the sake of being different but about understanding the product, the service or the customer.
(Grant, 1998) differentiation insulates against competitive rivalry because of brand loyalty by customers and resultant lower sensitivity and price.
The strategy leads to higher margins which helps in dealing with supplier power, buyer power is also mitigated since the buyer lacks comparable alternatives to choose from and are therefore less sensitive to price.

Focus

T his is a strategy about identification of a particular customer segment or geographical market and coming up with products suitable for that segment. It is built around serving a particular target very well and once the segment is identified, then the firm may pursue either cost or differentiation strategies (Porter, 1980). The target segment may be defined by geographical uniqueness, specialized requirement in using the product or by special product attributes that only appeal to segment members. Cost focus is a low competition strategy that focuses on a particular buyer group or geographic market and attempts to serve only this niche. It seeks a cost advantage in its target segment (Hunger, 1995). Differentiation focus concentrates on a particular buyer group, product line segment while seeking differentiation on its target segment. It seeks to offer segment members something they perceive better.

According to Porter (1985), the target market segment must either have buyers with unusual needs or else the production and delivery systems that serve the market segment roust differ from that of other industry segment. Focusing is attractive where the segment has good growth potential and the focusing firm has the capabilities and resources to serve the targeted niche effectively. For most firms the ultimate aim is to make profit and to develop a distinctive competence greater than its competitors. The profit potential in an industry depends on the collective strength of the Competitive forces that determine industry attractiveness (Porter, 1980)

2.4 Concession

A concession offers a pragmatic way to improve operational performance through private participation in the management and operation of the railway without the government ceding permanent control of the strategic infrastructure assets as in an outright sale. Typically, in a concession, the concessionaire is given the right to manage the railway for an agreed period, normally between 20 and 30 years, under conditions that are specified in detail in a concession agreement, and is required to maintain the infrastructure and operating assets to specified standards during the concession period (World Bank Report, 2005).

Concession places severe restrictions on the concessionaire with respect to the use of assets other than transport. Private entrepreneurship, absence of government interference, freedom from adherence to bureaucratic procedures and motivation to earn the expected return on investments combine to make the railway under concessioning more efficient and profitable. By attracting private investment, concessioning relieves the government of the burden of investing in railways. By making the railways more efficient, concession leads to reduced government subsidy and budgetary drain and in fact, to increased revenues from the government. Concessioning ensures medium to long-term viability and provision of efficient, cost effective transport service.

2.4 The Concept of Concession and Strategy

Strategy is the match between organization resources and skills, the environment opportunities and risks it faces and the purposes it wishes to accomplish (Schendel & Hofer, 1971). The environment is changing rapidly and it is important for an organization to constantly adopt its activities to reflect the new requirement of the environment. Having a strategy therefore **enables** an **organization** to **ensure** that the **operational** decisions are made with the long term interests of the organization. According to Pearce **& Robinson** (1999), strategy can be viewed as **building** a defense against competitive forces or filing positions in the industry where forces are weakest. Porter (1980) sees strategy as being all **about** competition and trying to gain competitive advantage.

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). Pearce and Robinson (2000), define strategy as a company's game plan. They further say that by strategy, managers mean their large scale, future oriented plans for interacting with the competitive environment to achieve company objectives. Strategy in business is concerned with superior performance. The essence of formulating strategy is relating a company to its environment (Porter, 1998) According to Hamel and Prahalad (1994) the essence of strategy lies in creating tomorrow's competitive advantage faster than competitors before they mimic the ones you posses today.

Ansoff and Mc Donnel (1990) define strategy as a set of decision making rules for guidance of organization behaviour. Such rules are of four distinct types;
First they are yardsticks by which present and future performances of the firm are measured (goals and objectives) then there are rules for developing the firm relationship with its external environment (Business strategy). Next are rules for establishing the internal relations and processes within the organization (organizational concept). Finally there are rules by which the firm conducts its day to day business (operating policies). Johnson and Scholes (1999), identify three levels of strategy: corporate strategy, business unit strategy and operational strategy.

Corporate strategy is concerned with the overall purpose and scope of the organization to meet the expectations of the owner or major stakeholders and add value to the different parts of the enterprise. Business unit strategy is about how to compete successfully in a particular market. Operational strategy is concerned with how the component parts of the organization in terms of resources, processes, people and their skills effectively deliver corporate and business level strategic direction. Porter (1980) states that strategy is basically about competition and the means by which an organization tries to gain 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. 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) Grant (2000) adds that the ability to identify and occupy attractive segment of an industry is critical to the success of n organization. Hill and Jones (2001), conclude that the strategies an organization pursues have a major impact of its performance relative to its peers. Ohmae (1983) emphasizes on strategy as the way in which a corporation endeavors to differentiate itself positively from its competitors, using its relative strategies to better satisfy customer needs. Strategy is therefore considered as a preparation for the uncertainty of the future, by positioning the enterprise in the form of making it adaptable and thus prepared for the future.

According to Ansoff and Mc Donnel (1990), recourse to explicit strategy occurs when rapid and discontinuous changes occur in the environment of a firm. This may be due to saturation of tradition markets, technological discoveries or a sudden influx of new competitors with such changes in the environment. Organizations are no longer able to use their established traditions and experiences to cope with the new opportunities and threats. By implementing strategy the organization endeavors to match the skills and resources of the organization to opportunities found in the external environment. The decisions and actions taken will lead to development of an effective strategy, which will help achieve organization objectives (Jauch and Glueck, 1988). The main challenge that managers are faced with is to ensure the survival and success of the organization they manage. These organizations can only be successful if they adjust to meet the environment challenges. Failure to do this will cause the organization to experience a strategy problem, which arises out of a mismatch between the output of the company and the demands of the market place (ansoff, 1984). Strategy requires to be taken seriously as a managerial tool not only for the firm but also for a broad of social organizations.

Concessioning is relatively new in railways in sub-Saharan Africa, and there is not much post privatization experience. Nevertheless, a steadily increasing number of government have turned to the concession as the model of private -public partnership most accepted to turn around the failures of state owned railways (World Bank Report, 2005). Nine concessions have been awarded to date. Six have been competitively bid. The concessions in Cameroon, Gabon, Malawi, Madagascar, Zambia, and Senegal/Mali, cote d'ivoire/Burkina Faso, Mozambique. In addition several other governments are at an advanced stage of designing and bidding out new concession. Tanzania, Zambia and Swaziland (World Bank Report, 2005)

Need for revitalizing the railway: Kenya railways needed to be revitalized for it to be able to contribute effectively to the national economy. A revitalized and efficiently performing railway should lead to: a) shift of traffic from road to rail resulting in a reduced cost of maintenance, congestion and pollution, b) the railways financial self sustainability c) reduced cost of transportation for the rail customers thus making them more competitive in the international market d) elimination of any financial support from the government to the railways e) benefits to the neighboring countries and promotion of regional and international trade f) increased foreign exchange earnings for the country and g) reduced accidents

Private Sector Participation is the recommended strategy. Such a turnaround of Kenya Railways and return to profitability is unlikely under state management and culture regardless of the level of public capital that is provided by the company. The recommended strategy to revitalize the railways is for private sector participation in the operation and management of the railways. Private sector participation through a legally binding contract between the government and the private entrepreneur along with the private sector drive to increase profits can bring about the revitalization of the railways.

Under the private sector participation, unitary concession is the recommended option. It offers pragmatic way to improve the operational and financial performance through private participation in the management and operation of the railways without the government ceding permanent control of the strategic infrastructure assets as in an outright sale. A concession offers additional advantage in as much as the concession contract offers, a) Clear obligations in terms of service etc and penalties for failure, up to and include terminations, b) Clear process of termination giving GOK time to recruit replacements team (whether public or private) c) ability to concession for a better deal next time. d)flexibility to respond to changing circumstances i.e. changes in national circumstances or new government objectives, or increased standards, by reference to benchmark market parameters and e) reassurance to the public that assets are still owned by the government.

Huge outstanding liabilities (Kshs 20 billion) and recurring annual losses 9Kshs 4 billion) have made the radical restructuring and Concessioning of Kenya railways unavoidable. Maintaining the status quo would most likely result in collapse of the railways with huge costs to the national economy. Concessioning the railway to a private operator on the other hand would have many benefits (Privatization and Public Private Partnership, PWC 2007).The improved efficiency of railways would lead to shift of substantial amount freight traffic from road to rail and consequently to reduced road maintenance costs, reduced transport costs to customers improved global competitiveness of Kenya exports and reduced level of pollution and congestion of roads

Increased revenues coupled with reduced costs would make the railways financially sustaining with no need for recourse to finance support from the government. A long term concession would ensure not only rehabilitation of the railway infrastructure but also its maintenance to specified standards throughout the period of concession. A concession however cannot be expected to deal with mismanagement of the railway of the past. Example: cannot pay for all past liabilities or severance payments for the retrenchment of staff that will be rendered surplus consequent to concessioning or upgrading of parts of the railway system to standards beyond this required to serve the market on commercial basis

For the concessioning to be successful;

It needs to fairly balance the development objectives of the Government of Kenya and Uganda with private sector incentives and a fair return on private capital

The respective obligations, responsibilities and the rights of the government and the concession agreement in considerable detail to leave no room for ambiguity or differing interpretation.

Realizing that the future cannot be predicted accurately and completely, the scheme needs to be designed with sufficient flexibility to be adaptable to changed circumstances with the burden of sharing the uncertainties and risks of future shared equitably by the concessionaire and the government.

For the concession strategy in the case of Rift Valley Railways to work, the following ought to be accomplished;

I[st] year concessionaire will increase the efficiency of operations by reducing failures of equipment, detentions enroute, increasing number of block and dedicated trains. Other obvious actions which should lead to improved parameters (average speed of trains - 45kmph, load adjustment factor.95 and 365 numbers of working days. This will reduce the requirement of locos for the 2005-06 traffic of 2.2million tons to about 2.9 i.e. locomotives less than required earlier. Release of 11 locos will enable the railways carry additional 40% freight traffic during first year 2.2 to 3.0 million tons

2[nd] year, when there is no more possibility of operating efficiency, the concessionaire will generate additional locomotive capacity by investing in upgrading G.E locomotives or refurbishing 92/87 class locos or buy new ones or lease additional locos. This should enable shift of another 1.0 million tons hence 4 million tons

3[rd] year-require concessionaire to improve quality of service substantially in addition to increasing the capacity of locomotives and wagons traffic will increase approx .25million tons per year

Improved safety: more accidents happen on roads than railways, if railway is maintained and operated on well accidents frequency reduces. Railway is self regulated in safety aspects such as certification of drivers and equipment, investigation of accidents and assignment of responsibility

2.5 Railway Strategies used in Achieving Objectives

The building blocks for effective marketing strategy are: profitability analysis where it is important to understand the difference between tonnage moved and profit earned; targeting of customers and potential customers; pricing policy; an aggressive sales effort with the target customers; customer participation in investment on railways which tends to create a vested interest to the customers to use the rail mode; the joint railway marketing committees; customer relationship management (Kotler philip 2003).

Regional coordination will help to develop and implement a joint railway way bill and bill of lading with sister railways, the ports and shipping agents. It reduces on the tedious and long process of preparing documents as well as customer payments to each individual corporate company and creates a one stop center for service delivery. The regional coordination promotes the good working relationships in setting a competitive tariff and contract rates for transit traffic in the system. It enhances the customer care by establishing effective customer service desk and public relations to handle all clients' complaints at once irrespective of different systems.

Rolling stock and private investment participation; to acquire rolling stock and other equipment and as justified by financial and economic analysis to handle the commercial traffic on offer and will encourage shippers to invest in specialized wagons to protect their traffic and promote the railways services.

Information systems; a well fluid system known as operational simplified costing for African Railways (OSCAR) and rail tracker wagon control system enables quick customs documentation, timely delivery, creates checks and balances on delayed wagons at the stations, improves wagon monitoring, traffic routing, train design for selection of proper locomotive class and wagon types per commodities offered. The information system promotes and strengthens customer relationship management

Tariffs and compensation; a well developed system of evaluation and prompt payment of compensation for any loss/damage of customers good in the process of transportation enhances the customer - company relationship and promotes the image of the company.
A well structured and realistic tariff creates strong clientele of permanent and reliable customers who have more sizeable quantities of traffic through the use of contracts and volume rebates and any changes should be given least a minimum of say three month advance notice to allow customer analysis and adjustments in their contracts.

Block/ seamless and market segmentation; this is a useful marketing tool in running of trains either per customer, or selected group of customers with sensitive cargo, customers that require urgent delivery, cash customer and the tool can be used as a public relation to improve on the public image and customers retention.

In most modern companies, institutions, transport sector inclusive, the customer relationship management tools are the major focus of marketing strategy in order to increase the market share which involves the technologies, methodologies and capabilities that help an enterprise manage customer relationships (CRM) through the introduction of reliable systems processes and procedures (Kotler Philip 2003; Meyer 2005).

In a liberalized market economy, where transport sector was open to competition, the services offered ought to be reliable, timely, and customized. The effective policy implementations by the board and management is paramount and crucial in an attempt to find solutions to the challenges in managing the railway sector in the liberalized economy

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CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The study was conducted through a case study design. This was appropriate in that it gave a detailed investigation of a single subject and it involved a complete observation of the social unit emphasizing in depth rather than breadth analysis. Rift Valley Railways, being a major player in the transport industry, can be considered important in understanding the challenges of increase competition in the industry and the responses to such competition.

3.2 Data Collection

Given the nature of the study, both primary and secondary data was applied. Personal interviews were conducted with the ten management staff of the firm, each representing each of the ten departments and were guided by the questionnaires. These cadres of staff control the organization resources, make policy decisions and are therefore directly involved in making strategic decisions.

This research used an in depth type of interview with semi structured questionnaire mainly open ended questions. The questionnaire was structured in three sections. Part A: Aimed at obtaining demographics information of the respondents. Part B: Was designated to find out the impact of turbulent environment of increased competition and other influences of external environment to Rift Valley Railways. Part C: Aimed at establishing the specific responses that Rift valley Railways had undertaken. Secondary data was obtained from existing strategic corporate plans, records on past performance of the firm from Rift Valley Railways Journals and organization structures.

3.3 Data Analysis

Data collected was analyzed using content analysis. Content analysis is the systematic qualitative description of the composition of the objects or materials of study. This being a case study, most responses were qualitative in nature and hence necessitating content analysis. The type of analysis is deemed appropriate as it will not limit the respondents on the answers. Analysis of the collected data will show semantic relationship that exists between the company response and turbulent environment.

CHAPTER FOUR: DATA ANALYSIS AND PRESENTATION OF RESULTS

4.1 Introduction

The major objective of this study was to establish the strategic responses of Rift Valley Railways to competition. To achieve the stated research objective, primary data was collected by the researcher conducting personal interviews with a total number of ten members of the management team.

To capture the required information, the data was recorded by writing the responses as provided by the respondents during the interviews after which it was analyzed using content analysis. This chapter presents analysis of the data and findings from the analysis of the collected data pertaining to the responses by the Rift Valley Railways to increased competition.

4.2 The Organizational Review

The respondents indicated that the different directors assuming office occasionally dismantled previous organization structure and redeployed staff at their own whim.
The study established that rift valley has no stable organization structure since inception and has no continuity for direction. Further it was established that the organization lack a strategic positioning to face competition from other industry players and it has failed to meet its goal of being financially sustainable on its own. There has been a manifestation of low staff morale, lack of organization cohesiveness and identity, difficulties in mainstreaming projects, bloated support staff establishments, lack of standard policies and procedures, salary disparities, general financial inadequacy and reduced effectiveness in Rift Valley Railways supervisory and regulatory roles.

In day to day the management is faced with issues relating to duplicating of duties and unclear reporting lines contributing to apathy and low productivity within ranks of certain employees in the organization. Furthermore authority and resources have been consolidated at railways headquarter especially departmental heads leading to slow decision making and mismatch of responsibility and authority especially for senior officers. M oreover findings indicated that implementation of information technology capabilities has been haphazardly and mainly limited to few users. Information sharing and exchange has not been exploited to the full potential. The organizations financial plans have been elusive forcing the organization to continue operating with budgetary deficits. Finally the broaching of wagons and stealing of rail parts continue to be a major challenge facing Rift Valley Railways.

4.3 Description of Railway Competitive Environment

To achieve the objective of the study respondents were asked to provide a description of the organizations competitive position which would in turn lead to the establishment of the planned course of action. Most respondents recognized that RVR faces stiff competition emanating from road transport. Kenya's railway is not up to the competition in the region and the respondents observed that it is Rift Valley Railways that is underperforming

4.4 Description of Rift Valley Railway's Competitive Position

Respondents were asked to describe Rift Valley Railways competitive position in terms of its org structure, systems and policies, organization processes and procedures, staff and skills in terms of the organization resources. It was established that the organization has various strengths as well as weaknesses which describes its competitive position in the transport industry. Strength: good infrastructure, development in protected areas lead agency for exports and imports to Inland Container Depots.

Rift Valley Railways presents a national image and has a committed and competitive staff to effectively and efficiently perform in the competitive transport sector. In addition it enjoys support and goodwill of Kenyans, the government and other international agencies. The organization has ability to attract financial support from donors.

The organization Weaknesses identified are: ineffective operational processes, lack of schemes of service and organization structures, poor communication channels, internally and externally, inadequate information technology. It was established that the company is characterized by a tall bureaucratic structure that inhibits faster decision making. The organization structure is heavy and bloated at the head quarter but lean at the bottom. The authority, resources and decision making have been concentrated at the head quarter.

It is faced by problems in its operations because of inadequate information technology. The organization has failed to embrace latest technology in terms of upgrading computer systems and semi automatic PABX telephone. It has failed to network its stations majority of the processes at the organization are manual. Rift Valley Railways is still utilizing manual ticketing financial returns or revenue details as well as purchasing and stores management are done manually and brought to head quarter for reconciliation.
In terms of its human resources study established that there is a neglect of staff welfare and lack of regular refresher and advanced training. The employees have to contend with poor housing and utilities. They are used to working without proper working gear leading to lower staff morale and limits ability to perform. Other weaknesses: under exploitation of its revenue base, inadequate financial resources to cope with its mandate, inadequate cooperation between departments and lack of team spirit poor public relations with communities and fear among the staff hindering them making decisions outside the box.

4.5 Changes in External Environment Affecting Rift Valley Railways

Factors in the external remote environment are dynamic and include economic, political, technological, legal and social factors.

4.5.1 Economic Changes

Respondents established that Rift Valley Railways is affected by inflation rates and trends as it cannot adequately operationalize its strategies without them heavily impacting on its set budget for the same. It's also subject to foreign exchange rates because clients' deposit accounts for transit goods to neighbouring countries are done in dollars. However the organization has put in place measurements to curb the inflation and constant rising fuel prices by adding to its tariff the fuel levy and forex levy to make adjustments to foreign exchange instability. The Kenyan economy has not performed so well therefore the effect of poor economic conditions coupled with high rate of inflation has led to increased poverty. This has resulted in many organizations retrenching their employees, as the businesses are not able to retain all staff with reduced production as for the case of Rift Valley Railways.

4.5.2 Socio Cultural Changes

Socio culturally the demographic changes have seen population explosion in the company that have increased human encroachment on the railways conflict. Due to its population explosion railway corridors are now being settled in and making it difficult for the operations to run smoothly. This is mostly common in the urban areas especially where the railway passes through slums and estates. Due to high unemployment levels in the country, the insecurity of railway materials is very high with high levels of looting from the lines and broaching of wagons along the line on a moving locomotive. This has led to the organization closing a number of branch lines to concentrate on the mainline till security matters improve.

4.5.3 Technological Changes

The respondents revealed that technology is essential, as it is key to innovation in communication and information management and security to reduce operations costs. Therefore technology is a key driver to be efficient in operations and the organization is therefore looking for ways to harness the benefits of technology towards reducing the cost of doing business. They revealed that this can be thorough ecommerce, internet advertising website, networking all stations, requisition of materials through the net and stores management through the same. However Rift Valley Railways lacks the ICT strategy that is necessary to adequately respond to its needs. The organization uses obsolete technology and is faced with inadequacy of financial resources to keep pace with advanced technology changes and thus does not adequately respond to the increased competition. Most head office computers are stand-alone computers and are not connected to the mainframe computer while most region offices are not computerized.

4.5.4 Political / Legal Changes

Rift Valley Railways is environment dependent. It sources its products from external environment and relies on the same to consume its output. Political environment in Kenya has been relatively stable and conducive for conducting business. However recently after the general election of 2007, there was political unrest that led to the organization incurring massive losses. A section of railway line was vandalized and looted therefore could not run the trains for a number of days leading to very high operational costs, loss of business and repair of the infrastructure. The government has also put in place the policy of trucks movement form four axle to three axles hence given railways a competitive edge over road users.

4.6 Rift Valley Railways Strategic Responses to the External Environment

The objective was to establish Strategic responses to competition. Rift Valley Railways has adopted various methods in an attempt to respond to increased competition.

4.6.1 Strategic planning

Rift Valley Railways has put in place a five year strategic plan to guide and integrate corporate mission and objectives in the competitive transport industry. The strategic plan looks at all Rift Valley Railway's activities and functions. All respondents embraced vision and mission statements.

The strategic plan was to focus on the mission and vision to ensure that the functions match the organizations new strategy. Management has to develop the strategic plan to focus the organization on commercialization and outsourcing of non core activities. As a move to enhance service delivery it was noted that the developed plan is to focus to develop appropriate partnership, mobilize resources from the government undertake demand driven research, acquire and develop appropriate staffing levels and ensure cost effective and efficient use of resources. It was established that the strategic plan is to enable Rift Valley Railways become proactive in its operations by providing directions and ensure continuity on agreed goals and objectives.

4.6.2 Sustainable Financial Base and Collaboration

The study found out from Rift Valley Railways internal records that the organization is working on a plan to raise funds for its heavy investments on the infrastructure and improvement of business processes. This will enhance the company to improve its performances and its image in the public eye in order to attract potential investors and same time utilizes full market gains. Rift Valley Railways aims to ensure a financially sound organization capable of meeting the needs of increased clientele with adequate funds for sustainability and growth. It was also established that the organization is seeking partnership with firms who have expertise to deal with economic challenges at the strategic level. The organization is also entering into collaborative arrangement in order to increase on its recognition linkages and relationship with stakeholders so as to achieve its mandate. Well structure linkages and relationships are critical for the attainment of the organization mandate.

4.6.3 Strengthening of the Organization Internal Capabilities and Competences

Respondents were asked if Rift Valley Railways had strengthened its internal structure and competences to stand the challenge of increased competition. It was established that the organization had strengthened its internal capacity so as to attain its operational and fiscal stability. Staff were competitively recruited and interviewed based on competence and professionalism. It has embarked on a job evaluation exercise to streamline salary disparities and grade jobs appropriately and established optimum staffing requirement. Rift Valley Railways intends to conduct staff skills audit to establish the missing skills in the organization and provide appropriate training. Competition has forced the organization to redefine its decision making policies; area managers are now empowered to make decisions. Rift Valley Railways is defining its organization policies so as to develop and implement its rationalized organization structure to decentralize and devolve its operations. The company has enhanced on the recruitment of staff from private sector to infuse profit minded ideas into their quasi organization. To standardize operations and ensure consistency each department has now been tasked to develop or review all its operating manuals.

4.6.4 Outsourcing

The respondents indicated that Rift Valley Railways is now outsourcing its non business activities such as cleaning and security, garbage collection, medical treatment services, transport and public relations. This will allow the organization to engage in activities that add value and profit and improve revenue generation.

4.6.5 Restructuring

Rift Valley Railways has responded by adopting new organization structures, establishment of new departments and synchronization of others in order to strengthen its overall organization cohesiveness so as to increase on its delivery to its clients. The organization is restructuring its stations on region based structure so as to decentralize of activities and facilitate faster decision making, enhanced communication and information flow within the organization. The study also established that Rift Valley Railways has been working on a retrenchment strategy to control its cost base due to the decline in volume of business, therefore we have freezing of hiring, retrenchment and natural attrition.

4.6.6 Technology Advancement

Rift Valley Railways has sought to improve the efficiency and effectiveness of its staff by implementing information technology based service delivery systems. It has put a mechanism to ensure system is continuously upgraded to enhance its revenue collection. Rift Valley Railways has upgraded its financial system and network, rail tracker for tracking of clients' goods along the system, computerized procurement and stores management, payroll software and human resources on leave computations. It has successfully implemented QAD a financial system that has been integrated to EAM which is an asset management aspect of the business. Currently it has a system called rail tracker which is to be replaced by TMS (Transport Management System). This is a rail path management system that will be fully integrated to the financial (QAD) and EAM. To compliment this Rift Valley Railways has in phases been introducing a wide area network to ensure online processing of data on these systems.

4.6.7 Marketing Strategies

Rift Valley Railways has increased its marketing due to increased competition. Turnaround involves a rollout of new services for a market that has been starved of innovativeness. Therefore the organization has developed products and services that are responsive to market needs and which will ensure it maintains its market niche. Improved signage through branding. Branding entails office renovations and refurbishment, renovation of gates, improvement of signage, beautification of compound, sanitary facilities, logos with brand image and colour - publications and letterhead for the organization, rebranding the locomotives and wagons.

4.6.8 Human Resources Development

Rift Valley Railways aim is to strengthen and optimize the corporation's human resources base to drive the corporate strategy. The mindset among the staff will be changed from "a welfare organization" to that of "a commercial organization". To enable transition the steps to be taken include the provision of training and creation of performance related rewards. Along these lines, staff promotions, incentives, posting will be purely performance based. The study established that Rift valley Railways has put I place a human resources committee to disposed duties that require deeper oversight at strategic levels. The committee's functions include making recommendations to the board on matters concerning staff remuneration and benefits and approval of groups overall human resources, remuneration policies and strategies.

4.6.9 Corporate Image

The study established that the one of the major problems facing the railways in general is corporate image; this existed even before the concession due to poor performance in the past. An aura of doubt hangs as to whether the new organizations effort will be internalized to prevent the past mistakes which resulted the poor image. Rift valley Railways is developing its appropriate communication systems for various publics equipping staff with appropriate skills in communication, customer relations. The public relations staff has been vested with responsibility of monitoring the daily events to counter the negatives and update the public on positives. It also monitors the attitude of the organization publics in distribution of the information that suits them in an effort to build goodwill. Rift Valley Railways is keen on establishing cordial relationship with its suppliers and customers and is fulfilled by applying the right marketing strategies.

4.6.10 Track Rehabilitation and Operation upgrade

Track rehabilitation plan include rail infrastructure upgrade on the Mombasa - Nairobi - Kampala mainline from 47 kilograms to 54 kilograms. This will raise the track speed to 65 kph and reduce the number of speed restrictions. In operations upgrade Rift Valley railways will see to it that wagon rehabilitation and procurement of new wagons, wheel repairs and reprofiling, coaches' refurbishment and plans are underway to procure new locomotives and to refurbish the existing ones in order to effectively serve its clients.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

5.1 Summary and Discussions

The analysis indicates that the competition in the railway has increased over the years. Gone are the days of protected market and dominant market position.

5.1.1 Changes in external environment Affecting Rift Valley Railways

The findings generally indicate that the external environment for Rift valley railways experienced changes for the period under study. The scope of the changes covered was; political, economic, social and technological. The key political changes were the recent political instability and policy changes on axles load, economically high inflation rates and trends impacted negatively to set budgets and the instability of the forex, while social changes were largely on the increasing need to have a symbiotic relation with the community to reduce conflict. The technology front was faced with the demand for better looking stations, increased and more effective ways of monitoring customer goods in the system and the need to network Stations to increase efficiency and cut down on costs.
The changes were largely sporadic and unrelated to one another, though a few could follow a specific pattern. Trends that cut across each of the key changes were analyzed together to bring out the relationship and draw desirable conclusions.

5.1.2 Response to changes in external environment

Rift valley Railways responded to each of the changes in a unique way. The organization has put in place a strategic plan to guide and integrate its corporate operations. Other responses deployed are adopting of superior technology, strengthening of the organization internal capabilities and competences, collaboration, human resource development, corporate image and marketing strategies. The external environment plays a significant role in the existence of players in the transport industry. This role has continued dictating the way the way firms run their business in term of strategy. The case of rift valley railways demonstrates a firm that has played its level best catch to changes in external environment with some degree of success. Attributed to their success in adjusting to changes in the external environment has largely been due to the adaptable management strategy and commendable flexibility in their approach to various changes.

5.2 Conclusion

External environment will continue posing various challenges to the existence of Rift Valley Railways. To some extent the past approach to responding to changes in external environment may not be used to demonstrate the ability of the firm to handle future changes. This is on the premises that immerse resources are required to continuously keep the company abreast with the changes and rate of change of external environment cannot be predicted with a lot of ease. However, it is the objective of the firm to put the least cost and prompt approach to responding to changes in the external environment.

5.3 Limitations of the Study

The case study relied solely on employees of Rift Valley Railways to obtain changes that take place in its external environment. This kind of reliance is prone to some level of subjectivity as employees will want to portray their organization as having been successful in responding to all changes in Rift Valley Railways external environment. Additionally some senior employees had been with the organization for a relatively short period of time to be able to highlight all the significant changes and responses to the external environment by the organization.

The environmental changes are still taking place presenting various competitive elements for the organization. Rift Valley Railways is still responding to the competitive forces.

5.4 Recommendation for the Study

Desirably it would be interesting to carry out an empirical study on whether there are firms, which do not respond to changes in external environment. This will serve to explain whether there are exemptions to the results obtained by this study.

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LETTER OF INTRODUCTION TO THE RESPONDENTS

The Respondent
Rift Valley Railways
P.O Box 62502- 00200
Nairobi

Date:

Dear Sir/ Madam,

Re: Strategic Responses by Rift Valley Railways in a Competitive Environment Following Concession

I am a postgraduate student in School of Business at the University of Nairobi pursuing a MBA Program. I am undertaking a management research project on the above subject as part of the postgraduate requirement.

I kindly request for some of your time for a face to face interview on issues relating to the above topic.

The information you provide will be treated in strict confidence and is purely for academic purpose. In no way will your name appear or recorded in the final research report.

Your assistance and cooperation will be highly appreciated.

Yours truly,

Roselyn Gacheri Tel: 0722- 653-693

QUESTIONNAIRE

PART A: DEMOGRAPHICS OF RESPONDENTS

1. Name of the respondent

2. Please indicate your position/Title in the organization

3. How long have you been with the Firm.........Years........Months

PART B: CHANGES IN EXTERNAL ENVIRONMENT AFFECTING RVR

1. Political activities have been rife. What are the major changes in the legal/political environment that affected Rift Valley Railways after Concession?

   b) How has your company reacted?

2. The economic environment has been affected by the economic reforms in the country lately. What are the major changes in the economic environment that have affected your company?

   b) How has your company reacted to this?

3. Social forces have been dynamic in the current business environment. What are the major changes in the Social environment that have affected you and how have they influenced your performance?

b) How has your company reacted to this?

4. What are the major changes in the Technology environment that have affected your company and how have they influenced your performance?

b) How has your company adapted to the technology advancement?

5. What are your firm's main challenges in terms of the following environment influences;

a) Increased number of competitors in the industry

b) Competition for the limited market for your Services

6. What are potential influences posed by a competitive environment in the industry to your company? Briefly state the nature and extent of influence.

7. Following the changes in the market, how has your company been affected in the following parameters;

f

A. Loss of market share

B. Loss of customers

C. Loss of suppliers

D. Decline in profits

E. Decline in safety standards

F. Others (Please specify)

PART C: STRATEGIC RESPONSES OF RIFT VALLEY RAILWAYS

1. What are the markets served by your company after concession?
    a. Domestic market only
    b. Foreign market only
    c. Both domestic and foreign
2. What services does your company offer the market?

3. Does the organization have a strategic plan and for what period is it developed to cover?

4. How often do you review strategic plans in your company?

5. In your view, how would you describe Rift Valley Railways competitive position (describe it in reference to: organization structure, organization systems and policies, organization processes and procedures, organization staff and skills and organization resource base)

6. What is the corporate response to the competitive pressure Rift Valley railways is under?

7. Rank the following goals in order of importance before and after concession

	Extremely Important	Very Important	Important	Less Important
a. Survival	( )	( )	( )	( )
b. Growth	( )	( )	( )	( )
c. Profitability	( )	( )	(>	( )
d. Public Image	( )	( )	( )	( )

8. Has Rift Valley Railways Strengthened its internal capabilities and competence to stand the challenge of increased competition

9. What corporate level challenges does Rift Valley Railways face in the formulation and implementation of its response strategies

10. What other changes have you carried out? List and describe briefly.

11. Could you indicate any other responses your company has employed in response to changes in the transport industry?

12. What other strategies is your company likely to use in the future?

THANK YOU FOR YOUR COOPERATION