COMPETITIVE STRATEGIES ADOPTED BY MOTOR VEHICLE FRANCHISE HOLDERS IN KENYA

BY

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DECLARATION

The project proposal is my original work and has not been submitted for examination in any other university

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This project proposal has been presented with my approval as University Supervisor

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DEDICATION

To my dear wife Betty Nafula, my beloved children Fred M. Chacha, Edwin W. Chacha and Eric G. Chacha, my beloved parents Pius Nyangi Wambura and Agnes Wegesa Nyangi.

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I would to sincerely thank my wife Betty Nafula, my beloved children Fred Chacha, Edwin W. Chacha and Eric G. Chacha for the love, encouragement and support they accorded me throughout the period I was studying for my MBA program. I greatly appreciated the valuable advice I received Betty.

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ABSTRACT

There are a number of franchise motor vehicle dealers operating in the country, with the most established being Toyota (East Africa), Cooper Motor Corporation, General Motors, Simba Colt, Marshalls East Africa, Subaru Kenya and DT Dobie (CFAO). They use a manufacturer-Retailer model — where as franchisees, they sell the franchisors' product directly to the public. The Automotive franchise holders in Kenya are thus primarily involved in the retail and distribution of motor vehicles. The franchisors grants them a license to use their common trade name, or trade mark, in return for a fee, and during the association the franchisors are rendering assistance to the franchisees. The study sought to establish the competitive strategies adopted by motor vehicle franchise holders and to determine the challenges faced by motor vehicle franchise holders in applying the competitive strategies.Data was collected through a questionnaire method. All the questionnaires were administered through the drop and pick-later method. The response was 79%. The findings of the study indicate that respondents adopt the key competitive strategies ranked from top to least as: intensive staff training, charging competitive prices, offering a wide range of products, use of publicity, differentiated products, product design style, product features, product features, new products launch, advertisements, quality products, brand reputation, market segmentation, customer service, engaging high skilled staff, collaboration with competitors, tight cost control and financing schemes.The study also established the key challenges that Motor vehicle holders face in implementing the identified strategies ranked from top to least ranking are: high cost of maintaining quality, huge financial requirements, inability to differentiate, inability to differentiate, cost of main skilled staff, changes in exchange

rates, increased number of competitors and unpredictable government policies. Pursuant to the above finding it implies that existing franchise holders and new entrants into the industry have to adopt the identified key competitive strategies but also strive to surmount the key challenges identified if they are to survive and be profitable. They have to continually scan the environment for new emerging challenges and adapt their strategies accordingly.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

1.1.1 Competitive Strategies

In the recent past the government of Kenya has been making significant progress in the implementation of economic reforms necessary to stabilize the economy, sustain economic growth and enhance domestic and foreign competitiveness. These reforms are also aimed at maintaining a stable macroeconomic environment within which the private sector could operate and flourish. Thus most sectors of the economy have been opened up to market forces and the government has removed foreign exchange controls allowing a free floating exchange rate regime, dismantled import licensing and liberalized domestic importation of all major goods and services. These changes have both positive and negative impacts on organizations (Government of Kenya, 1997).

Organizations are open systems, that is, changes in the environment shape opportunities and challenges facing the organizations. Strategy in business is concerned with superior performance. Organizations have to establish a match between itself and its environment of operation (Pearce and Robinson, 2003). The essence of formulating strategy is to relate it to its environment (Porter, 1998). According to Harmel and Prahalad (1996) the essence of strategy lies in creating tomorrow’s competitive advantage faster than competitors. The goal of competitive strategy is to find a position in the industry where the company can best defend itself against competitive forces or use them in its favour (Porter, 1980). Competitive strategies, also referred to as business strategy, is concerned with how a firm competes in a given industry or market. Thus competitive strategies are concerned with one crucial question; how should we compete?

Scholes (2005) argue that strategy emerges over time as intentions collide with and accommodate a changing reality. Thus, one might start with a perspective and conclude that it calls for a certain position, which is to be achieved by way of a carefully crafted plan, with the eventual outcome and strategy reflected in a pattern evident in decisions and actions over time. This pattern in decisions and actions defines what Mintzberg called "realized" or emergent strategy. Mintberg’s typology has support in the earlier writings of others concerned with strategy in the business world.

Porter (1980) argues that competitive strategy is "about being different." He adds, "It means deliberately choosing a different set of activities to deliver a unique mix of value." In short, Porter argues that strategy is about competitive position, about differentiating yourself in the eyes of the customer, about adding value through a mix of activities different from those used by competitors. In his earlier book, Porter defines competitive strategy as "a combination of the ends (goals) for which the firm is striving and the means (policies) by which it is seeking to get there." Thus, Porter seems to embrace strategy as both plan and position.

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Effective strategy may enable a business to influence the environment in its favour and even defend itself against competition. There is therefore need to understand competitor strengths in the market and then position one's own offerings to take advantage of weaknesses and avoid head on clashes against strengths.

A firm's relative position within its industry determines whether a firm's profitability is above or below the industry average. The fundamental basis of above average profitability in the long run is sustainable competitive advantage. There are two basic types of competitive advantage a firm can possess: low cost or differentiation Porter (1980). The two basic types of competitive advantage combined with the scope of activities for which a firm seeks to achieve them, lead to three generic strategies for achieving above average performance in an industry: cost leadership, differentiation, and focus. The focus strategy has two variants, cost focus and differentiation focus. These strategies are further discussed in chapter two.

Decisions generate action that produces results. Organizational results are the consequences of the decisions made by its leaders. The framework that guides and focuses these decisions is strategy. The framework that guides competitive positioning decisions is competitive strategy. According to Bourgeois (1980), the purpose of a competitive strategy is to build a sustainable competitive advantage over an organization's rivals. Competitive strategy is concerned with 'creating and maintaining a competitive advantage in each and every area of business' (Porter,1980). They include all activities of a business aimed at maintaining a competitive edge in the market. A competitive strategy defines the fundamental decisions that guide the organization's marketing, financial management and operating strategies. Successful competitive strategies and functional strategies add value in ways which are perceived to be important by the company's stakeholders, especially its customers, and which help to distinguish the company from its competitors.

Frank (1970) argues that competitive strategy enables a firm to define its business today and tomorrow, and determine the industries or markets to compete. Grant, (2000) suggest that the intensity of competition in an industry determines its profit potential and competitive attractiveness. Competitive strategy will assist a firm in responding to the competitive forces in these industries or markets (from suppliers, rivals, new entrants, substitute products, customers). Owiye (1999) argues that competitive strategies will be vital to a firm while developing its fundamental approach to attaining competitive advantage (low price, differentiation, niche), the size or market position it plans to achieve, and its focus and method for growth (sales or profit margins, internally or by acquisition).

The major task of managers is to ensure survival of the companies they manage. In order to achieve success, the companies have to adequately adjust to meet environmental challenges. Failure to do this will cause the companies to experience a big strategic problem. Therefore strategy is a tool which offers significant help that enable the firm cope with turbulent environment facing the firms (Johnson and Scholes, 2004). This problem arises out of the mismatch between the output of the company and the demand in the market place. Strategy is the tool which offers help for coping with the turbulence confronted by the business firms. Strategy requires to be taken seriously as a managerial tool, not only for the firm but also for a broad spectrum of social organization.

Studies carried out before on liberalization indicate that the reform process has led to stiff competition in key sectors of the economy (Bett 1995, Kombo 1997, Owiye 1999, Njau 2000, and Murage 2001). Many organizations in both the public and private sectors now face turbulent, fast-changing, uncertain business environments and increased levels of competition. The introduction of the public transport regulation in 2004 revolutionalized the manner in which the motor vehicle transport business is carried out in Kenya. The industry has been registering high numbers of new entrants. As the competition intensifies in the industry, only those providers with good competitive strategies will survive. Heightened competition has meant that players have to go flat out for anything that differentiates them from the rest of the industry. It is upon this background that this study is formulated to study the competitive strategies adopted by the motor vehicle franchise holders amidst the rising competition.

1.1.2 Motor Vehicle Franchise Holders in Kenya

A franchise is a form of business in which a franchisor enters into a business relationship with a franchisee. The franchisor grants the franchisee a license to use their common trade name, or trade mark, in return for a fee, and during the association the franchisor will render assistance to the franchisee It is essentially a licensing system which affords the franchisor the opportunity to expand, with the capital required to enable that expansion being provided by external sources.

A company which chooses franchising as a means of strategic growth enters into a contractual arrangements with a number of small businesses, usually one in each selected geographical market. In return for a lump sum initial investment and ongoing royalties the typical franchiser provides exclusive rights to supply a product or service under the franchiser's name in a designated area, know-how, equipment, materials, training, advice and national support advertising. This allows the business in question to grow rapidly in a number of locations without the investment capital which would be required to fund organic growth of the same magnitude. Another advantage for the franchiser is the alleviation of some of the need for the development of the managers, skills and capabilities required to control a large, growing and dispersed organization. Instead efforts can be concentrated in expanding market share. It is essential, though, to establish effective monitoring and control systems to ensure that franchisees are providing the necessary level of quality and service.

Motor vehicle manufacturers franchise globally), including in Kenya, using a manufacturer-Retailer model — where the retailer, as franchisee, sells the franchisor's product directly to the public (new motor vehicle dealership). The Automotive franchise holders in Kenya are thus primarily involved in the retail and distribution of motor vehicles. There are a number of franchise motor vehicle dealers operating in the country, with the most established being Toyota (East Africa), Cooper Motor Corporation, General Motors, Simba Colt, Mashariki Motors, Marshalls East Africa, Subaru Kenya and DT Dobie (CFAO).

1.2 The Research Problem

Road transport is very vital to economic growth of the country. It is one of the most invaluable aids to trade (public, private and commercial transportation), source of employment and government revenue through taxation (www.transport.go.ke). Given the value attached to this sector, it is important to develop a study on competitive strategies by the motor vehicle franchise holders who are one of the key players in the industry, to bridge the study gap that exists.

Markets are changing all the time. It does depend on the type of product the business produces, however a business needs to react or lose customers. Some of the main reasons why markets change rapidly are that customers develop new needs and wants, new competitors enter a market, new technologies meaning that new products can be made, a world or countrywide event happening e.g. war, and government introducing new legislation e.g. increases minimum wage.

Following the recent opening up of the Kenyan market by the government, the country has witnessed a fundamental change in competitive environment in the motor industry. The competition is broadly local as well as foreign. The franchise holders face intense local competition amongst themselves but most seriously from imported second-hand vehicles, mainly from Japan and United Arab Emirates. These imports, without proper regulation, now account for about 70% of the market. The last decade witnessed a significant decline in the number of new vehicles sold in the country. The slump in the volume of new cars sold is mainly attributable the increased competition from second hand vehicles and the previously depressed economic environment. The increased competition has resulted in increased consumer choice, lower prices and lower margins for players (Omondi 2004). Lonrho Motors East Africa went under in 2004 partly due to this intense competition. The environment is constantly changing and so it is imperative for organizations to constantly adopt their activities in order to succeed (Ansoff, 1990). The essence of formulating a competitive strategy is to relate a company to its environment (Porter,1998). The question is which strategies are being adopted by the franchise holders to survive this dynamic environment.

Competitive strategies adopted by a firm should result in a competitive advantage. Porter (1998) argues that there are three generic competitive strategies which firms can employ. These are cost leadership, differentiation and focus. This generalization was applied in US firms. Owiye (1999) argue that findings of studies carried out in one culture could not be assumed to apply to other cultures unless that was supported by research. The environment in USA is very different from that of Kenya.

A number of local studies (Gikonyo 2009, Nduti 2009, Murage 2001, Gathoga 2001, Karanja 2002, Ngeera 2003, Theuri 2003 and Kitoto 2005) have been done on adoption of competitive strategies. However, these studies have been done on totally different contexts. Gikonyo 2009 studied the aviation industry, Gathoga looked at the banking industry, and Karanja majored on real estates, Theuri studied branded fast food chains, Ngeera on pharmaceuticals while Kitoto studied its adaptation in Kenyan Universities and Nduti studied logistics industry. It is evident from these studies that firms in each respective industry adopt different competitive strategies which are unique in each context.

Moreover, other local studies that have been done in the motor industry focus on other aspects and not on competitive strategies adopted by motor vehicle franchise holders. Moreover, it is long since these studies were done and therefore a more recent study needs to be done, given the changed competitive environment since then, to update the strategic changes that has occurred in the motor vehicle franchise holders. Therefore there is need to formulate studies to provide an understanding on adoption of competitive strategies on various industries in the economy, motor industry included. This study will therefore analyze the most recent competitive strategies adopted by motor vehicle franchise holders in Kenya.

1.3 Research Objectives

The study has two objectives:

(i) To establish the competitive strategies adopted by motor vehicle franchise holders

(ii) To determine the challenges faced by motor vehicle franchise holders in applying the competitive strategies

1.4 Importance of the Study

The government of Kenya formulates policies that regulate various sectors of the economy aimed at promoting fair competitive practices. The study will therefore be useful to policy makers when developing policies regarding healthy competition in motor vehicle industry. Indeed, presently Kenya Motor Industry Association is complaining of improper regulation in the industry leading to un-level playing field, tilted in favour of second hand motor vehicle importers.

The study is also expected to give the management of motor vehicle franchise holders appreciation of the various competitive strategies that they could adopt given the increasing intensity of competition in the industry. It should be a useful input in their competitive strategy formulation for superior performance in the increasingly competitive industry.

To the academicians the study will provide a useful basis upon which further studies on competitive strategies could be adopted. It will fill the identified gap left by previous academic studies and contribute to body of knowledge for researchers and scholars.

CHAPTER TWO

LITERATURE REVIEW

2.1 Concept of Strategy

A strategy is a long term plan of action designed to achieve a particular goal, most often ‘winning’ (Thompson et al. 2007). Strategy is differentiated from tactics or immediate actions with resources at hand by its nature of being extensively premeditated, and often practically rehearsed.

Strategy is a deliberate search for a plan of action that will develop a business’s competitive advantage and compound it. For any company, the search is an interative process that begins with recognition of where you are now, what you have now, where you want to go and how to go there. Your most dangerous competitors are those that are most like you. The differences between a firm and its competitors are the basis of its advantage. If a firm is in business and is self-supporting, then it already has some kind of advantage, no matter how small or subtle. The objective is to enlarge the scope of the advantage, which can only happen at some other firm’s expense (Clayton, 1997).

Strategy development is a multidimensional process that must involve rational analysis and intuition, experience, and emotion. But, whether strategy formulation is formal or informal, whether strategies are deliberate or emergent, there can be little doubt as to the importance of systematic analysis as a vital input into the strategy process. Without analysis, the process of strategy formulation, particularly at the senior management level, is likely to be chaotic with no basis for comparing and evaluating alternatives. Moreover, critical decisions become susceptible to the whims and preferences of individual managers, to contemporary fads, and to wishful thinking (Mintsberg, 1978). According to (Collis et al. 1995) concepts, theories, and analytic frameworks are not alternatives or substitutes for experience, commitment, and creativity. But they do provide useful frames for organizing and assessing the vast amount of information available on the firm and its environment and for guiding decisions, and may even act to stimulate rather than repress creativity and innovation.

Mintzberg et al (1987) suggest that strategy can be usefully defined as a pattern made up of both of intended and unintended. This view of strategy is valuable because it tries to account for discrepancy between what we hope will happen and what does happen. Formal strategic planning only gave rise to deliberate strategies. Realized strategy was the outcome of both deliberate and emergent strategy. Rational considerations are important but political and behavioral considerations are also important in the strategy process (Mintzberg, 1987).

The benefit of strategy is not just offering simplification and consistency to decision making, but the identification of strategy as the commonality and unity of all the enterprises decisions, also permits the application of powerful analytical tools to help companies create and redirect their strategies. Strategy can help the firm establish long term direction in its development and behavior (Hamel & Prahalad. 1993).

Equally important, a strategy serves as a vehicle for achieving consistent decision making across different departments and individuals. Hamel & Prahalad (1989) views organizations as composed of many individuals all of whom are engaged in making decisions that must be coordinated. For strategy to provide such coordination requires that the strategy process acts as a communication mechanism within the firm. Such a role is increasingly recognized in the strategic planning processes of large companies. The shift of responsibility of strategic planning from corporate planning departments to line managers and the increased emphasis on discussion the businesses and the corporate headquarters (as opposed to the formal approval of written plans) are part of this increased emphasis on strategic planning as a process for achieving coordination and consensus within companies (Buzzell & Gale, 1987).

Strategy is forward looking. A fundamental concern is what the firm (or the individual or the organization more generally) wants to be in the future. Such a view is often made explicit in a statement of company vision. The purpose of such goal setting is not just to establish a direction to guide the formulation of strategy, but also to set aspirations for the company that can create the motivation for outstanding performance. Hamel and Prahalad (1989), argue that a critical ingredient in the strategies of outstandingly successful companies is what they term "strategic intent"—an obsession with achieving leadership within the field of endeavor.

Strategy process in facilitating communication and coordination must recognize the importance of intuition, tacit knowledge, and learning-by-doing in complementing more “scientific” analysis. However Unlike mathematics, chemistry, or even economics, strategic management lacks an agreed-upon, internally consistent, empirically validated body of theory. Though it employs theory and theoretical concepts, these are drawn mainly from economics, psychology, ecology and sociology—principally on an ad hoc basis (Buzzell & Gale, 1987).

In most corporations there are several levels of strategy. Corporate strategy is the highest in the sense that it is the broadest, applying to all parts of the firm (David F.R., (2003). It gives direction to corporate values, corporate culture, corporate goals, and corporate missions. Porter (1980), views corporate strategy, as the overarching strategy of the diversified firm. Such corporate strategy answers the questions of “in which businesses should we compete?” and “how does being in one business add to the competitive advantage of another portfolio firm, as well as the competitive advantage of the corporation as a whole?”, Thompson and Martin *(2005)*, contends corporate strategy provides the strategic perspective (range, scope, diversity) of the organization. Under this broad corporate strategy there are often functional or business unit strategies and operational strategies.

The notion of restricting the basis on which strategy might be formulated has been carried one step farther by Treacy and Wiersema (1993). They assert that companies achieve leadership positions by narrowing, not broadening their business focus. They identify three "value-disciplines" that can serve as the basis for strategy: operational excellence, customer intimacy, and product leadership. As with driving forces, only one of these value disciplines can serve as the basis for strategy. Their three value disciplines are briefly defined below:

Table 2.1: Three Value Disciplines

	Value	**Definition**
1	Operational Excellence	Strategy is predicated on the production and delivery of products and services. The objective is to lead the industry in terms of price and convenience.
2	Customer Intimacy	Strategy is predicated on tailoring and shaping products and services to fit an increasingly fine definition of the customer. The objective is long-term customer loyalty and long-term customer profitability
3	Product Leadership	Strategy is predicated on producing a continuous stream of state-of-the-art products and services. The objective is the quick commercialization of new ideas.

Source: Treacy and Wiersema (1993) “Customer intimacy and other valuable disciplines.”

Each of the three value disciplines suggests different requirements. Operational Excellence implies world-class marketing, manufacturing, and distribution processes. Customer Intimacy suggests staying close to the customer and entails long-term relationships. Product Leadership clearly hinges on market-focused R&D as well as organizational nimbleness and agility.

Functional strategies include marketing strategies, new product development strategies, human resource strategies, financial strategies, legal strategies, and information technology management strategies. The emphasis is on short and medium term plans and is limited to the domain of each department's functional responsibility. Each functional department attempts to do its part in meeting overall corporate objectives, and hence to some extent their strategies are derived from broader corporate strategies.

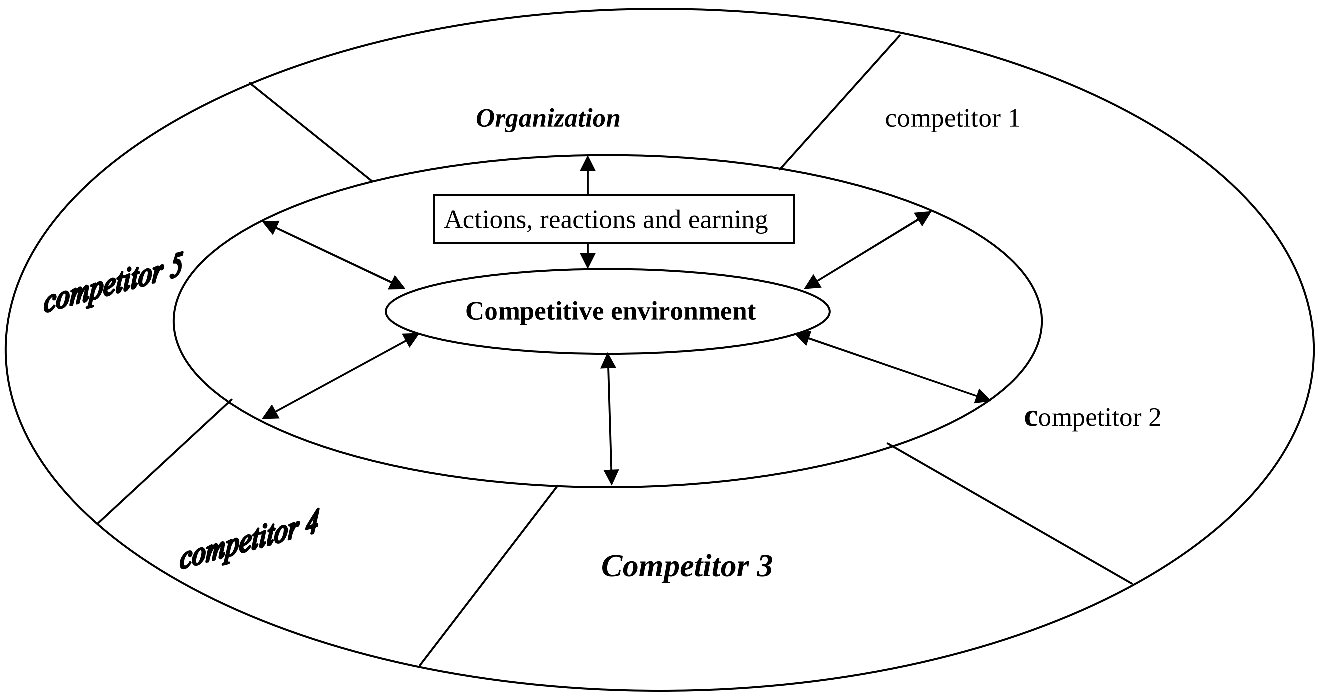
Business strategy, also referred to as competitive strategy, refers to the aggregated operational strategies of single business firm or that of an SBU in a diversified corporation, refers to the way in which a firm competes in its chosen arenas (Trigeorgis, 2001). It is engaged in the search for a distinctive competitive advantage for each business/product/service.

The "lowest" level of strategy is operational strategy. It is very narrow in focus and deals with day-to-day operational activities such as scheduling criteria. It must operate within a budget but is not at liberty to adjust or create that budget. Operational level strategies are informed by business level strategies which, in turn, are informed by corporate level strategies (Treacy & Wiersema, 1993).

2.2 Organizations and competition

Thomson (2007) argue the most important aspect of **a** business's external environmental factors is its industry or competitive environment. Each different industry has its own characteristics, but in more complex organizations which are involved in a number of different markets, or a number of different overseas environments, the complexity of dealing with competition becomes all the more crucial. On occasions organizations may attempt to seize the competitive initiative and introduce an innovatory change. An action by one competitor which affects the relative success of rivals provokes responses. One action can therefore provoke several reactions, depending on the extent of the impact and the general nature of competition. Each reaction in turn further affects the other rival competitors in the industry. New responses will again follow. Figure below shows a competitive business environment which is permanently fluid and unpredictable.

Figure 2.1: Competitive business environment



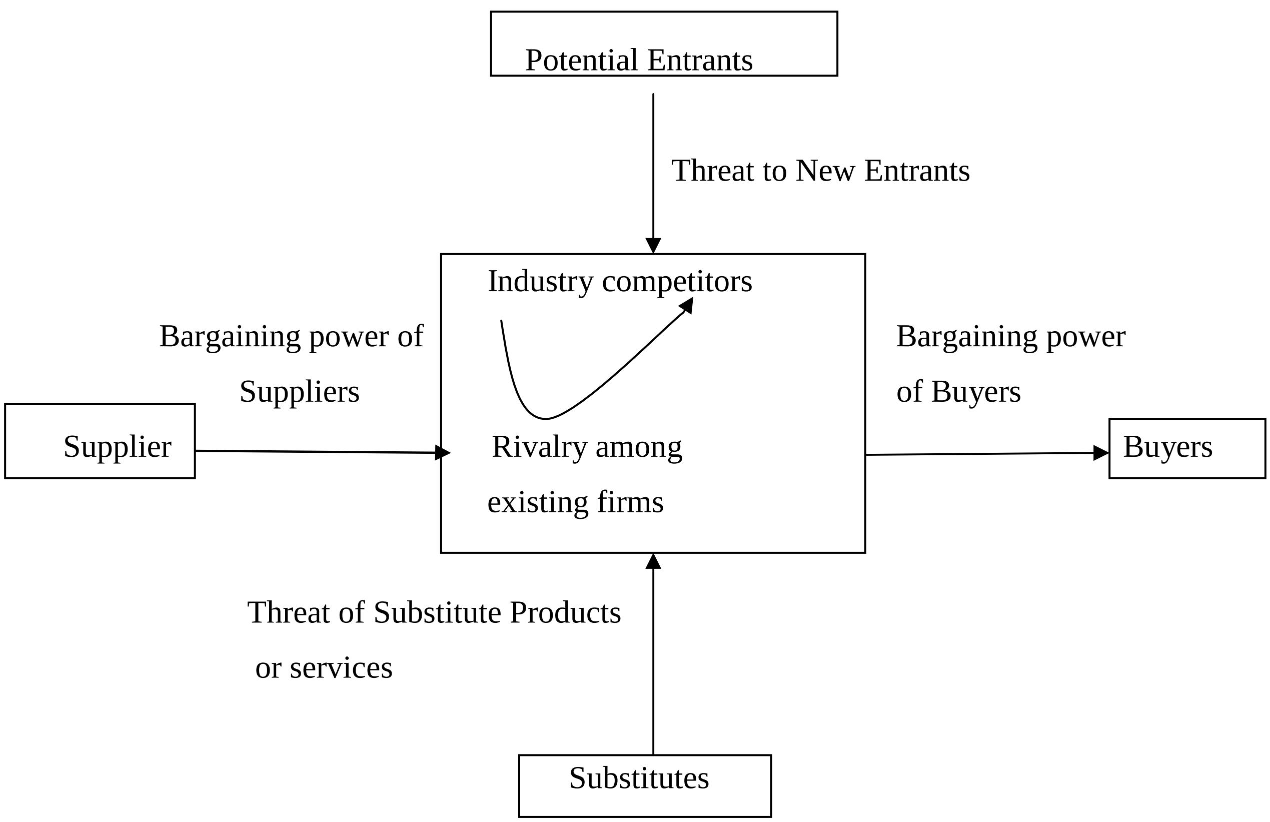
Source: Thomson, (2007, Crafting and Executing Strategy: Text and Readings)

According to Thompson and Martin (2005), it is important to differentiate between two sets of similar, but nevertheless different, decisions by organizations in respect of competition. First, some actions are innovatory and represent one competitor acting upon a perceived opportunity ahead of its rivals; other actions constitute reactions to these competitive initiatives. Second, some decisions imply incremental strategic change to existing, intended strategies on different occasions organizations are adapting their strategies (adaptive strategic change) as they see new opportunities which they can seize early, or possible future threats which they are seeking to avoid. The process is about learning and flexibility. The skills required by organizations are the ability to discern patterns in this dynamic environment and competitive situation, and spot opportunities ahead of their rivals, the ability to anticipate competitor actions and reactions, and the ability to use this intelligence and insight to lead customer opinion and outperform competitors.

According to Porter (1980) effective strategic management is the positioning of an organization, relative to its competitors, in such a way that it outperforms them. He states that the essence of strategy formulation is coping with competition. Marketing, operations and personnel, in fact all aspects of the business, are capable of providing a competitive edge - an advantage which leads to superior performance and superior profits for profit-orientated firms. He argues two aspects of the current position of an organization is important. The nature and structure of the industry and the position of the organization within the industry. He asserts the two plays a critical role in the formulation of competitive strategies. Porter argues the number of firms, their sizes and relative power, the ways they compete, and the rate of growth must be considered. An industry may be attractive or unattractive for an organization. This will depend on the prospects for the industry and what it can offer in terms of profit potential and growth potential. Different organizations have different objectives, and therefore where it is able an organization should be looking to compete in industries where it is able to achieve its objectives. In turn, its objectives and strategies are influenced by the nature of the industries in which it does compete.

Porter (1980) has developed the Five Forces model (shown below) for assessing the attractiveness (profit potential) of different industries and helps in identifying the sources of competition in an industry or sector. The five forces drive competition in the industry and determine the structure of the industry. The forces are shown in the figure 2 below.

Figure 2.2: Forces Driving Industry Competition:



Source: Porter, ME., (1980, Competitive Strategy techniques for Analyzing Industries and Competitors. New York: Free Press)

The position of a firm involves its size and market share, how it competes, whether it enjoys specific and recognized competitive advantage, and whether it has particular appeal to selected segments of the market. The extent of any differentiation is crucial here.

Porter argues that competitive strategy is about taking offensive or defensive actions to create a defendable position in an industry, to cope with the five competitive forces and thereby yield superior return on investment for the firm. Effective and superior organizations will be in the right industry and in the right position within that industry. Size can matter. The largest of the mainstream competitors, as long as it is run effectively and efficiently, will be able to enjoy superior margins in comparison to its nearest rivals because it can generate scale economies. However, on the other hand, the small competitor with a very carefully and defended niche can also enjoy superior margins. An organization is unlikely to be successful if it chooses to compete in a particular industry because it is an attractive industry which offers both profit and growth potential but is one for which the organization has no means of obtaining competitive advantage.

Porter (1980) emphasizes that a firm utilizes its resources and capabilities to create a competitive advantage that ultimately results in superior value creation. According to resource based view, in order to develop a competitive advantage the firm must have resources and capabilities that are superior to those of its competitors. Without this superiority, the competitors could simply replicate what the firm is doing and any advantage would quickly disappear (Porter, 1980). The firms' resources and capabilities together form its distinctive competencies that lead sustainable competitive advantage. It is these competencies that enable innovation, efficiency, quality and customer responsiveness. To achieve a competitive advantage, the firm must perform one or more value creating activities in a way that creates more overall value than do competitors. Superior value is created through lower costs or superior benefits to the consumer (differentiation) (Porter, 1980).

Equally, a company should not concentrate only on creating competitive advantage without assessing the prospects for the industry. With competitive advantage a company can be profitable in an unattractive industry, but there may be very few growth opportunities if the industry is growing at a slower rate than the economy generally. In the economy profit is the reward for creating value for consumers; and in individual businesses profits are earned by being more successful than competitors in creating and delivering that value. The most successful competitors will create value, create competitive advantage in delivering that value and operate the business effectively and efficiently. For above-average performance all three are required.

According to Thomson and Martin (2005) sustaining competitive advantage, rather than creating it initially, presents the real challenge. Competitive advantage cannot be sustained for ever and probably not for very long without changes in products, services and strategies which take account of market demand, market saturation and competitor activity. Peoples tastes change, the size of markets is limited not infinite, and competitors will seek to imitate successful products, services and strategies. Competitive advantage can be sustained by constant innovation. Companies that are change orientated and seek to stay ahead of their competitors through innovatory ideas develop new forms of advantage.

Johnson and Scholes (2005), contends that competitive advantage may not always be achieved by competition alone. They contend collaboration between organizations may be a crucial ingredient in achieving advantage or avoiding competition. Also, organizations simultaneously may compete in some markets and collaborate in others. In general collaboration between potential competitors is likely to be advantageous when the combined costs are lower through collaboration than the cost of operating alone. Such collaboration also helps build switching costs; increasing the selling and buying power, building barriers to entry or avoid substitution, gain entry and competitive power, share work customers and in public sector collaboration may be required in order to gain more leverage from public investment. Collaboration is often manifested through strategic alliances.

2.3 Competitive strategies and their challenges

Today’s dynamic markets and technologies have called into question the sustainability of competitive advantage. Under pressure to improve productivity, quality, and speed, managers have embraced tools such as TQM, benchmarking, and re-engineering. Dramatic operational improvements have resulted, but rarely have these gains translated into sustainable profitability. And gradually, the tools have taken the place of strategy. Njau (2000) argues that as managers push to improve on all fronts, they move further away from viable competitive positions. Porter (1998) argues that operational effectiveness, although necessary to superior performance, is not sufficient, because its techniques are easy to imitate. In contrast, the essence of strategy is choosing a unique and valuable position rooted in systems of activities that are much more difficult to match. Competitive strategies concerns the way which organizations choose to position themselves. Hitt et al (1997) holds that a winning competitive strategy is always founded on consistently understanding and predicting changing market conditions and customer needs.

The goal of much of business strategy is to achieve a sustainable competitive advantage. A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage). Thus, a competitive advantage enables the firm to create superior value for its customers and superior profits for itself (Kombo, 1997). Cost and differentiation advantages are known as positional advantages since they describe the firm's position in the industry as a leader in either cost or differentiation. A resource-based view emphasizes that a firm utilizes its resources and capabilities to create a competitive advantage that ultimately results in superior value creation.

2.4 Competitive strategy models

The competitive strategy models constitute specific strategies that have been advanced by business management scholars for organizations to use to outperform competitors in the dynamic market place. The strategy models have been put into practice by organizations with varying successes.

2.4.1 Ansoff Growth Strategies: Product/Market Matrix

The Ansoff (1957) Product-Market Growth Matrix is **a** marketing tool created by Igor Ansoff. The matrix allows managers 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. This matrix helps companies decide what course of action should be taken given current performance. The matrix consists of four strategies; market penetration, product development, market development and diversification.

The matrix illustrates, in particular, that the element of risk increases the further the strategy moves away from known quantities - the existing product and the existing market. Thus, product development (requiring, in effect, a new product) and market extension (a new market) typically involve a greater risk than ‘penetration’ (existing product and existing market); and diversification (new product and new market) generally carries the greatest risk of line, for this reason, amongst others, most marketing activity revolves around penetration. Grant (2000) argues that the Ansoff Matrix, despite its fame, is usually of limited value - although it does always offer a useful reminder of the options which are open.

2.4.2 Porter’s Generic Strategies

Porter (1980) has described a category scheme consisting of three general types of strategies that are commonly used by businesses. These three generic strategies are defined along two dimensions: strategic scope and strategic strength. Strategic scope is a demand-side dimension and looks at the size and composition of the market a firm intends to target. Strategic strength is a supply-side dimension and looks at the strength or core competency of the firm. Faced with the five competitive forces he identified, firms according to Porter have three potentially generic strategies that they can use to outperform other firms in the industry;

Grant (1998) on cost leadership strategy contends that a firm would normally compete by supplying an identical product or service at a cost that is lower than competition. This strategy emphasizes efficiency. By producing high volumes of standardized products, the firm hopes to take advantage of economies of scale and experience curve effects. The product is often a basic no-frills product that is produced at a relatively low cost and made available to a very large customer base. Cost leadership requires that a firm must find and exploit all sources of cost advantage and sell a standard product (Porter, *1985).* Maintaining this strategy requires a continuous search for cost reductions in all aspects of the business. The associated distribution strategy is to obtain the most extensive distribution possible. Promotional strategy often involves trying to make a virtue out of low cost product features. To be successful, this strategy usually requires a considerable market share advantage or preferential access to raw materials, components, labour, or some other important input. Without one or more of these advantages, the strategy can easily be mimicked by competitors.

He also contends that a firm would compete by supplying a product or service that is differentiated in such a way that consumers are willing to pay a premium price that exceeds the marginal costs of differentiation. Differentiation by a firm from its competitors is achieved when it provides something unique that is valuable to buyers beyond simply offering a low price (Porter, 1980). It thus involves creating a product that is perceived as unique. The unique features or benefits should provide superior value for the customer if this strategy is to be successful. Because customers see the product as unrivaled and unequaled, the price elasticity of demand tends to be reduced and customers tend to be more brands loyal. This can provide considerable insulation from competition. However there are usually additional costs associated with the differentiating product features and this could require a premium pricing strategy. Successful differentiation and segmentation require that products and services are clearly positioned.

The focus strategy is about using either cost leadership or differentiation strategy to target a particular buyer group, segment, product line and geographical market (Porter, 1980). In this strategy the firm concentrates on a select few target markets. It is also called a niche strategy. It is hoped that by focusing your marketing efforts on one or two narrow market segments and tailoring your marketing mix to these specialized markets, you can better meet the needs of that target market. The firm typically looks to gain a competitive advantage through effectiveness rather than efficiency. It is most suitable for relatively small firms but can be used by any company. As a focus strategy it may be used to select targets that are less vulnerable to substitutes or where a competition is weakest to earn above-average return on investments.

2.4.3 Grand Strategies

Firm may respond to increased competition by entering new markets with similar products. These could be markets they are currently not serving, or new geographical markets. Market entry strategies may include acquisitions, strategic alliance and joint ventures. Firms may also react to competitive forces by developing new products. This will be aimed at reducing risks through diversification as a means of responding towards competitive forces could be related or unrelated. Related diversification may take the form of vertical or horizontal integration. In the face of increased competition this has the benefit of cost reduction, defensive market power, and offensive market power. Backward integration takes a firm closer to suppliers while forward integration moves it closer to its customers. Forward diversification may involve acquisitions of businesses not within the current product and market scope (Pearce and Robinson, 1997).

Bernard (1938) recognized that firms on their own cannot create resources and capabilities needed to prosper and grow; they identified collaboration as a viable way of combining resources in business opportunities. As argued by Harrigan (1985) strategic alliances are more likely to succeed when players possesses complementary assets and thus a firm will seek knowledge it considers lacking but vital for the fulfillment of its strategic objectives. A firm will furthermore need to posses knowledge base in the same area, since only such similarity will allow an understanding of the intricacies of the new knowledge as well as of its applicability to the firms unique circumstances (Cohen and Levintal, 1990).

Differentiation is used by firms as a response technique to increased competition by firms. A firm can also result to creating entry, mobility and substitute barriers to strategic groups. Such barriers can be in the form of differentiation that makes it difficult to imitate products.

Firms can also respond to competition by collaborating with other players in the industry. Such collaborations take the form of strategic alliances, mergers and acquisitions, licensing, franchising among others. In order to fortify a firm's position against predators from abroad, it is important to collaborate. Collaboration also reduces the cost of differentiation and enhances competitive advantage.

2.4.4 Franchising

This is a cooperative strategy that is an alternative to diversification. It provides an alternative to vertical integration that achieves relatively strong centralized control without significant capital investment (Hitt, 1997). Business format franchising is characterized by an ongoing business relationship between franchiser and franchises that includes not only the product, service and trademark but also the entire business format itself, a marketing strategy and plan, operation manual and standards, quality control and a continuing two way communication.

Motor vehicle operations in Kenya have used franchising as an integral part of their growth strategy. Franchising has witnessed growth due to its advantages both to the franchiser and franchisee. To franchiser, it is an inexpensive way to grow and build. It also offers accrued economies of scale in purchasing, marketing and advertisement. Some of the saving is passed to the franchisee in form of lower marketing expenses. Franchise based firms have long engaged in license agreement with foreign companies as a way to enter new markets with services/products that can benefit from economies of scale. There is an upsurge of foreign motor vehicle franchise firms operating in Kenya in the recent past.

2.5 Challenges of applying competitive strategies

Implementation of competitive strategies can lead to certain challenges which may hinder the effectiveness of firms in utilization of strategies identified and employed. Newman and Colleagues (1989) identify three types of competitive strategies challenges; that they may hamper a firm's ability to grasp new opportunities, they require massive amounts of resources, and the regulatory issues imposed by the government and the ability of company owners and managers. Other challenges may arise from structural and economic barriers inherent in the industry.

Box and Watts (2000) argue that the real challenge in implementation of a generic strategy is in recognizing all support activities and putting them in place correctly. Porter (1996) in his award winning Harvard Business Review article supports this view. According to Thompson et al (2007) the most important challenging fits are between strategy and organization capabilities, between strategy and reward structures, between strategy and internal support systems and between strategy and organization culture. Fitting the organization internal practices to what is needed for strategic success helps unite the organization behind the accomplishment of a strategy. This is often not achieved even in most accomplished organizations.

Porter (1996) argues that in implementing strategies firms often pursue operational effectiveness rather than strategy and yet operational effectiveness though necessary is not sufficient to bring about competitive advantage. Management tools such as TQM, BPR, workforce empowerment, lean production and outsourcing are a matter of operational effectiveness rather than strategy.

Porter (1998) highlights challenges in implementation of generic strategies in terms of inherent risks namely; technological change that renders investment in technology and learning worthless, low cost industry learning by new corners through imitation and use of new technology, inflation in costs of inputs that increase the firms costs, the consumer’s need for differentiating factor falls, imitation which can narrow perceived differentiation, differences in desired products between the+ strategic target and the market, and competitors break into the target market and outplay the focuser.

There are other challenges of inadequate financial resources, costly sources of funds, skills and ability of staff, marketing abilities, and changes in customer needs, government requirements and complexity of co-coordinating all firms’ activities in pursuit of the agreed strategy (Porter 1998, Grant 1998, Ansof 1990).

Several commentators have questioned the use of generic strategies claiming they lack specificity, lack flexibility, and are limiting. In many cases trying to apply generic strategies is like trying to fit a round peg into one of three square holes: You might get the peg into one of the holes, but it will not be a good fit. Porter (1980), moreover, argues that cost leadership and differentiation strategies are mutually exclusive and that if one attempts to pursue both will lead to a firm being stuck in the middle and can subsequently lead to low profitability. Millar (1992) questions the notion of being ‘caught in the middle. He claims that there is a viable middle ground between strategies. Many companies, for example, have entered a market as a niche player and gradually expanded.

2.6 Key empirical studies

Empirical studies have sought to identify distinct strategy approaches with the objective of assessing whether certain strategies yield superior performance. The studies concludes that the use of a well known generic strategy typology (Porter’s (1980) generic competitive strategies) was of little use in interpretation of the clusters that were identified. Further, the studies suggests that Porter’s (1980) generic competitive strategy schema does not describe/fit empirical reality, and provides no support for the notion that these generic strategies are routes to superior profit.

Further Empirical Study on Dominant Competitive Strategy of Xinhua Chemical (2008) using data collected from the Xinhua Chemical Co.,Ltd in Shanxi province, probed into which was dominant competitive strategy that supported Xinhua Chemical's low cost and fast development. In the mean while, also investigated was the relationship between two generic competitive strategies and firm's different performance, and between two types of generic competitive strategies. The results are that: dominant competitive strategy of Xinhua Chemical is cost leadership; marketing differentiation strategy has a significantly positive impact on firm's financial performance, customer differentiation strategy has a positive impact on firm's market and financial performance, but insignificant, cost leadership has a significantly positive impact on firm's market performance; two types of generic competitive strategies can be implemented simultaneously.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research design that was used to meet the objectives of the study as set out in chapter one.

3.2 Research Design

This research problem can best be studied through the use of a descriptive survey. Descriptive research portrays an accurate profile of persons, events, or situations. Surveys allow the collection of large amount of data from a sizable population in a highly economical way. It allows one to collect quantitative data which can be analysed quantitatively using descriptive and inferential statistics. A census survey of the descriptive type is considered appropriate for this study therefore. Cooper and Emory (1995) advocates that surveys are more appropriate for efficient and economical observations.

3.3 Population of the Study

The population of the study was franchise motor firms operating in Kenya namely; Toyota (East Africa), Cooper Motor Corporation, General Motors, Simba Colt, Marshalls East Africa, Subaru Kenya and DT Dobie (CFAO).

The research was based in Nairobi since as a commercial capital in Kenya these firms are headquartered there and may only have branches outside Nairobi. Adequate data for analysis was therefore be easily obtained. Murage (2001) carried out a research in the petroleum industry and based her findings in Nairobi only. As such, generalization of the research findings was the motor vehicle franchise firms based in Nairobi only.

3.4 Sample and Sampling Technique

The sampling technique that was used to select the sample is the stratified random sampling method. This method involves dividing the population into three or more relevant and significant strata based on one or a number of attributes. Dividing the population into a series of relevant strata means that the sample is more likely to be representative.

From the target population of 340, the study concentrated on the management team as well as the supervisors who are 85 of the 9 main franchise motor firms. Since this category of the target population is not that big, the sample size undertook a census of this management team. For a sample to be representative enough, it should be at least 10% of the target population. Stratified random sampling was used because the population will be stratified according to their level of management (top, middle and supervisory) giving three strata.

Table 3.1: Target Population

Level	Population	Percentage
Top	12	14.1%
Middle	26	3 0.6%
Lower	47	*55.3%*
Total	85	100%

Source: Field study

3.5 Data Collection and method of collection

In this study, emphasis was given to primary data. The primary data was collected using questionnaires. The questionnaires was semi-structured with both open as well as closed questions. This was to facilitate the collection of both qualitative and quantitative data. The questionnaire was structured in two sections named Section A, and B. Section A of the questionnaire sought responses to the attributes of the respondents and the organization demographic information. Section B sought responses on competitive strategies.

A pilot testing was done first. This was done in order to ensure reliability of the data collection tool. The pretest was done on a sample of 10 respondents from the population but not on the ones that finally filled the questionnaires. After the pretest, the questionnaires was appropriately be amended. The amended questionnaires was then administered to the respondents using the drop and pick method. To ensure high response rate, the questionnaires was accompanied by cover letters explaining the fact that the information shall be strictly confidential and that it was solely for purposes of research and not for any other reason. Questionnaire was sent in advance to help the respondents recall facts, make references and to generally prepare for the interview. The researcher was then made appointments and met the respondents at their convenience.

Thus primary data was collected using a questionnaire with both close-ended and open-ended questions. A sample questionnaire is included in the appendix. The questionnaire was self administered through personal interviews. Personal interviews are advocated by Parasulaman (1986) as having the potential to yield the highest quality and quantity of data compared to other methods because supplementary information can be collected in the course of the interview. This concurs with Cooper and Emory (1985) who state that the greatest value of personal interviews lies in the department and detail of information can be secured.

After the data collection the data was assessed to determine validity and reliability before data analysis. The various sections of the questionnaire were checked to ascertain they were properly filled. The data was found to be validly and reliably filled before being subjected to data analysis.

3.6 Data Analysis

Data was analysed using descriptive statistics. The descriptive statistics used here include the mean and the standard deviations. Mean scores has been used to rank the competitive strategies in order of use as well as the competitive challenges faced. The results are presented using tables and charts. The data was analyzed quantitatively using the Statistical Package for Social Sciences (SPSS).

The analysis has been done as per questionnaires that were used to the collect data. Data was categorized in terms of the competitive strategies used by motor vehicle franchise operators and challenges facing them in implementing the strategies. Personal information was also generated to establish various individual characteristics since this has a bearing on the nature of responses given and comprehension of research questions. A total number of 67 respondents returned their questionnaire. General information was also generated to establish various individual characteristics since this has a bearing on the nature of responses given and comprehension of research questions.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.1 Introduction

This chapter presents the analysis, research findings and discussions of the results of this study. The details are presented under three main headings; characteristics of population studied, competitive strategies and competitive challenges. A total of 9 motor vehicle franchise holders were studied. A total of 85 questionnaires were distributed out of which 67 were completed and analysed. This represents 78 % of the respondents.

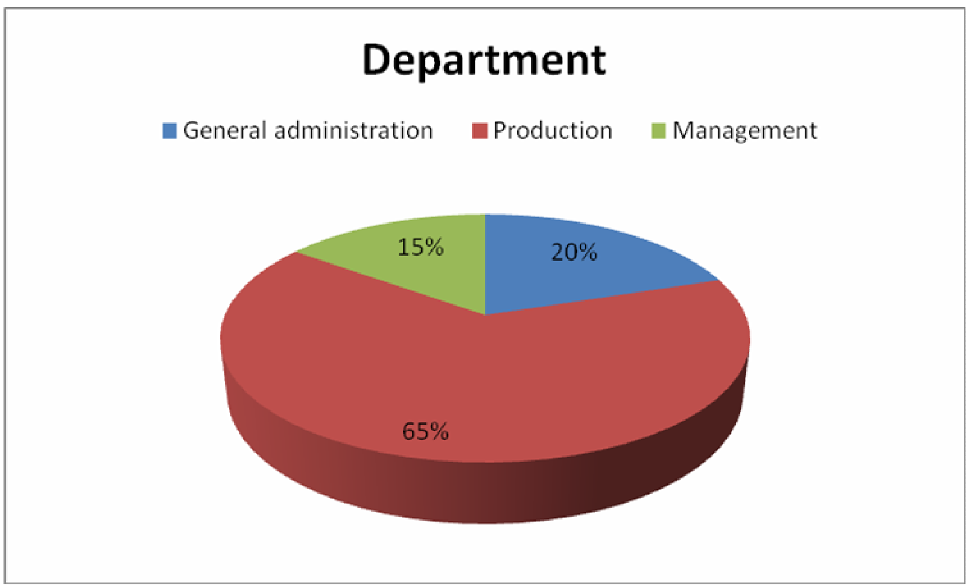
There were two main challenges during the study. According to respondents the subject of the study required them to share information they considered confidential and hence respondents were hesitant to give the information. Other respondents were uncooperative.

4.2 Demographic Characteristics of population studied

This section analyses some key characteristics unique to the respondents and it is intended to establish certain similarities in such area departments/section worked, the position held, year of designation, number of employees in department/section, annual turnover and when organisation was established. Data findings are presented in tables and percentages.

The respondents were asked to show the department they worked in order to evaluate their different competitive strategies as motor vehicle franchise operators. This was also expected to guide the researcher in setting classifying the responses from each department. The results of the study show that a majority of the departments had different number of respondents ranging from accounting, marketing, managing and human resource. The implication on the study is that varied responses from the different departments adequately explored all the expected responses from the entire companies. The results are as in figure 3 below.

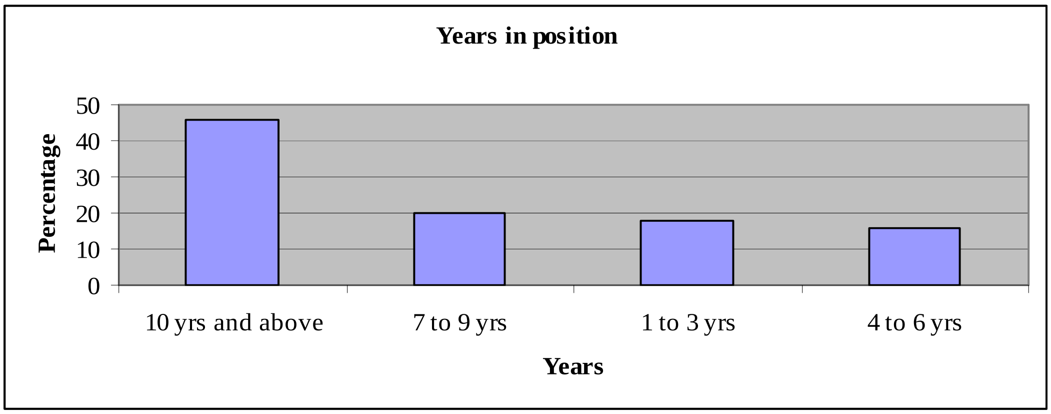
Figure 4.1: Establishing different departments worked (in percentage.)



On seeking to establish the position held by each particular respondent, it was established that most respondents were in marketing and production departments hence this was most important to the researchers problem statement and research question of establishing the competitive strategies adopted by different motor vehicles franchise holders in Kenya.

The researcher sought to establish the years that the respondents had joined the organisation hence the numbers of years one had been in the positions stated. The results show that a majority had been in the firm for 10 years and above, others had also been in their firms for 7 to 9 years, this implies that the majority of the respondent had enough experience to give acceptable responses to the study questions of competitive strategies adopted by their orgnisations. The figure 4 below shows the findings.

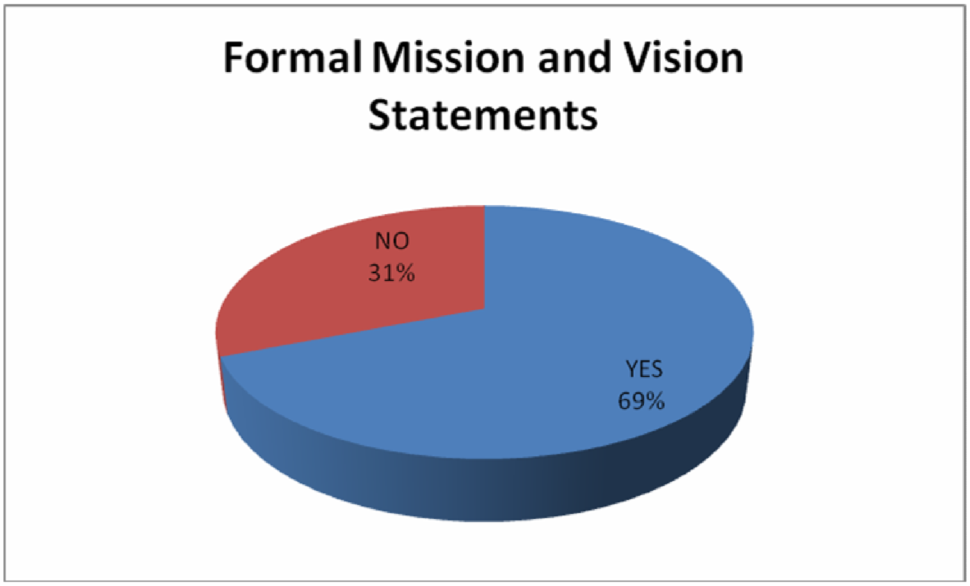
Figure 4.2: Years in position



The respondents were also asked to indicate the annual companies turnover to help the researcher judge the effectiveness of the utilisation of these competitive strategies. Most respondents were reluctant to the this question fearing their organisation operational rules.

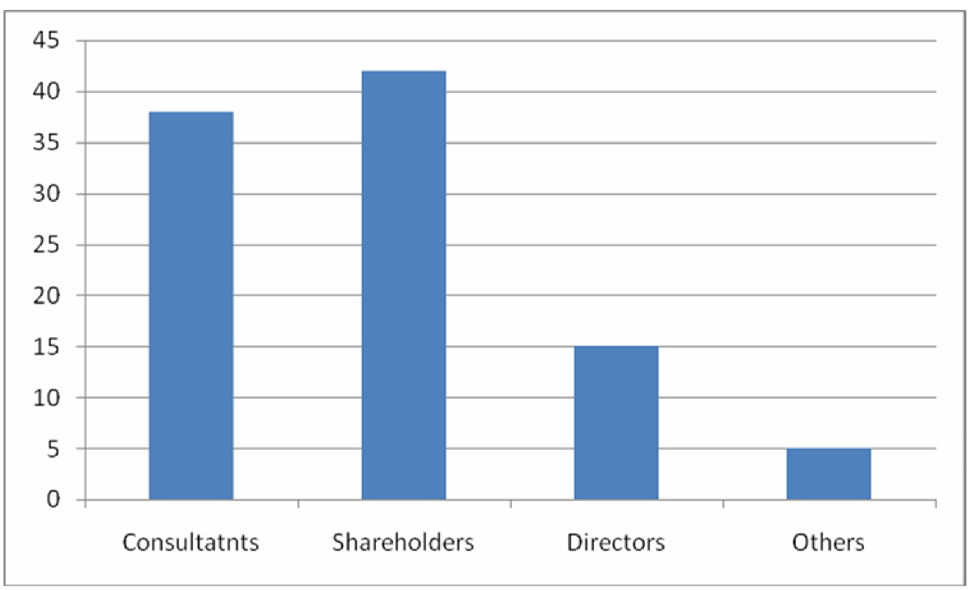
The researcher sought to find if the organizations had a formal documented mission and mission statement. This is important to the researcher to know whether competitive strategies are founded on the mission and vision of the firms. It was established 73% of the organizations surveyed had those documentations. This meant that a majority of organizations have formal mission and vision statements. The figure 5 below is a representation of the organizations with regard to having such documentations.

Figure 4.3: Availability of formal documentation of mission and vision



The researcher also sought to find out who were involved in the formulation of the firms mission and vision and this important to know who determines the overall competitive strategy. The results are in Figure 6 below

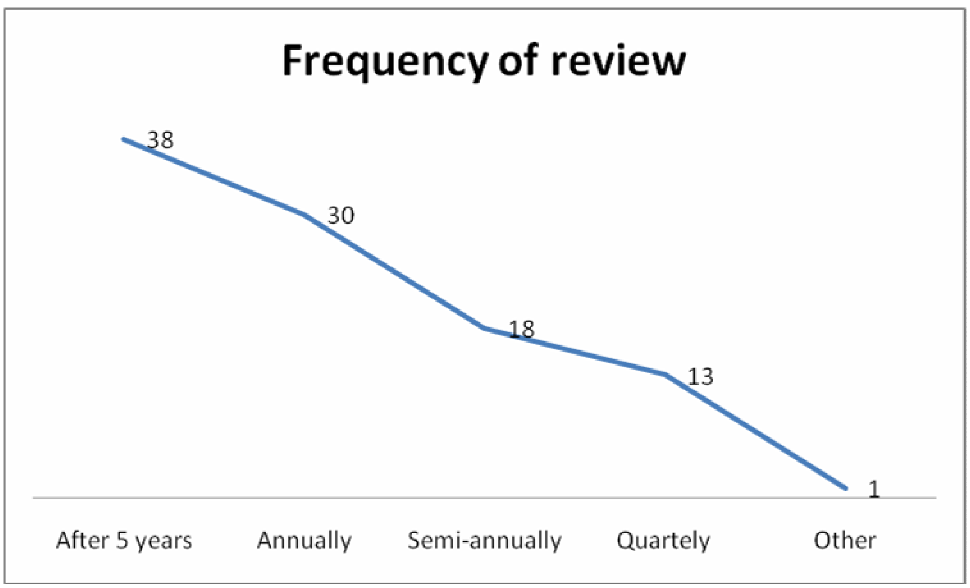
Figure 4.4: Establishing who formulates the strategy



The firgure above shows that 72% of the organizations surveyed had shareholders being the main stakeholders in the formulation of vision and mission statements. 24% involved consultants and 3% had opinion of directors (who happened to be sharehorders) in the formulation of the vision and misson statements. Thus, shareholders are the stakeholders in the formulation of the companys' formal statements.

The researcher sought to establish frequency of reviewing the mission & vision of the firms and thereby implied frequency of reviewing competitive strategies. The results are in the Figure 7 below.

Figure 4.5: Establishing how often the mission and vision statements are reviewed



The above figure is a revelation of the frequency of reviewing mission and vision statements by the organizations visited. It was established 97% of the organizations surveyed indicated they review their vision and mission statements after every five years. This shows that organizations don't usually change the statements on a frequent basis.

This explains the need to adjust to frequent reviewing to keep up with changing environment.

The researcher sought to find out factors that caused alteration of the firms mission and vision. The results are as Table 1.

Table 4.1: Establishing factors causing alteration of firms mission and vision

Position	**Factor**	**Mean**	**Std dev.**
1	Economic Changes	3.41	1.992
2	Socia-cultural Factors	3.27	1.989
3	Physical environ mental changes	3.16	1.96
4	Political changes	2.82	1.69
5	Competitors action	3.82	1.33
6	Management policies	1.87	1.22
7	Others	1.33	1.087

From the table above the key causes of alteration of firms mission and vision Economic Changes, Social-cultural factors and environmental changes.

4.3 Competitive strategies adopted by Motor Vehicle Franchise Holders

The researcher in line with objective of the study sought to establish the strategies used by Motor Vehicle franchise Holders. Table 2 presents findings on strategies used by the respondents. To analyse the specific strategies used, the key used in the questionnaire was as follows:

The key used	Weights assigned *(x)*	Mean score analysis
1. Very great extent	1	1
2. Great extent	2	2
3. Moderate extent	3	3
4. Little extent	4	4
5. Not at all	5	5

The key used above was on a likert scale 1 being strategies used to a very great extent while 5 represents strategies not used at all.

To compute the mean weights *(x)* were assigned to the frequencies *(f)*as shown above and the product of these two established *(fXx=fx)*. Thae sum of fx was divided by the total number of observation (N=5). Hence the formula was applied

$$\frac{(\Sigma FX)}{N}$$

A mean score of 1 indicates that the strategy is used to a very great extent while a mean score of 5 indicates that the strategy is not used at all. Once mean scores were assigned to specific, all their strategies were ranked from those with the lowest to those with the highest mean as shown in on table 2. Table 2 presents the overall rating of the competitive strategies considered.

Table 4.2: Establishing the extent to which firms adopted the competitive strategies

Position	Competitive strategy	Mean	Standard devitaion
1	Intensive staff training	0.609	1.76
2	Charging competitive prices	0.927	1.78
3	Offering a wide range of products	0.885	1.89
4	Use of publicity	0.780	1.93
5	Differentiated products	0.640	2.0
6	Product design style	0.734	2.04
7	Product features	0.514	2.09
7	New products launch	0.557	2.09
8	Advertisements	0.869	2.13
8	Quality products	0.869	2.13
8	Brand reputation	0.625	2.13
9	Market segmentation	0.695	2.18
9	Customer service	0.650	2.18
10	Engaging high skilled staff	0.902	2.22
11	Collaboration with competitors	0.720	2.27
11	Tight cost control	0.720	2.27
12	Financing schemes	0.793	2.31

Table 2 summarises the mean ranking of strategies adopted. The results indicate that the three most adopted competitive strategies are as follows: intensive staff training, charging competitive prices and offering a wide range of products. The least three challenges are; financing schemes, tight cost control and collaboration with competitors

4.4. Challenges of implementing the strategies

The researcher in line with objective of the study sought to establish the competitive challenges facing Motor Vehicle franchise Holders. This section therefore focused on identifying the challenges faced by Motor vehicle franchise holders in implementing competitive strategies. To establish a ranking of the competitive challenges a list of challenges was presented on the questionnaire to which respondents were required to indicate which items listed presented what level of challenge. The responses identified were ranked in order of lowest mean. The scale used was 1 very great challenge and 5 not at all challenge.

The key used	Weights assigned (x)	Mean score analysis
1. Very great extent	1	1
2. Great extent	2	2
3. Moderate extent	3	3
4. Little extent	4	4
5. Not at all	5	5

The key used above was on a likert scale 1 being strategies used to a very great extent while 5 represents strategies not used at all.

To compute the mean weights (x) were assigned to the frequencies (f)as shown above and the product of these two established *(fXx=fx).* The sum of *fx* was divided by the total number of observation *(N=5).* Hence the formula was applied

$$\frac{(\Sigma FX)}{N}$$

A mean score of 1 indicates that the strategy is used to a very great extent while a mean score of 5 indicates that the strategy is not used at all. Once mean scores were assigned to specific, all the challenges were ranked from those with the lowest to those with the highest mean as shown in on table 3. Table 3 shows the overall rating of the challenges strategies considered.

Table 4.3: Extent to which the firms are faced with challenges when implementing competitive strategies

Position	**Competitive strategy**	**Mean**	**Standard devitaion**
1	High cost of maintaining quality	0.885	3.11
2	Huge financial requirements	0.661	3.13
3	Inability to differentiate	0.837	3.27
4	Cost of maintaining .skilled staff	0.712	3.36
5	Changes in exchange rates	0.618	3.40
6	Increased number of competitors	0.618	3.40
7	Unpredictable government policies	0.622	3.41

Table 3 above shows that based on the calculated mean score the three top challenges faced when implementing competitive strategies are as follows: the first one is high cost maintaining quality, second the huge financial requirements and third the inability to differentiate. The least challenges were identified as; unpredictable government policies, Increased number of competitors and changes in exchange rates

CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUSIONS

The aim of this study was to establish the competitive strategies adopted by the motor vehicle franchise holders in Kenya and determine the challenges faced by them in applying the competitive strategies.

5.1 Summary, discussions and conclusion

The motor vehicle industry has been registering high number of new entrants. As the competition intensifies in the industry, only those providers with good competitive strategies will survive. Heightened competition has meant adopting various strategies to survive in the industry.

5.1.1 Competitive strategies

This study has studied the competitive strategies adopted by the motor vehicle franchise holders amidst the changing environment and established that the key competitive strategies adopted by motor vehicle franchise holders from top to least ranking are: Intensive staff training, Charging competitive prices, Offering a wide range of products, Use of publicity, Differentiated products, Product design style, Product features, Product features, New products launch, Advertisements, Quality products, Brand reputation, Market segmentation, Customer service, Engaging high skilled staff, Collaboration with competitors, Tight cost control and financing schemes

Management Scholar and practitioners are aware of the critical impact of competitive strategies practices on organizational effectiveness and competitiveness. As a result, competitive strategies are seen as an integral component of the corporate strategy, and overall development of organizations. More recently, there exists a positive relationship between competitive strategies practices and business performance, and in this regard the discussion is receiving increased attention

5.1.2 Competitive challenges

The study has also established the key challenges that Motor vehicle holders face in implementing the identified strategies. The key challenges from top to least ranking are: high cost of maintaining quality, huge financial requirements, inability to differentiate, inability to differentiate, cost of maintaining skilled staff, changes in exchange rates, increased number of competitors and unpredictable government policies. These challenges compels continous redefinition of the key strategies determined above if business is to survive and be profitable. Thus monitoring and adapting to new emerging challenges is crucial.

5.2 Implications of the study

The intense competition among the motor vehicle franchise holders has heralded adoption of the competitive strategies determined above. It implies that each franchise holder has to strive to be the best in the application each of the determined strategies to have a competitive edge over the others.

However, the successful implementation of the strategies has to crucially depend on how each franchise holder simultaneously addresses the challenges determined above. The challenges further imply adapting the strategies continuously to the ever emerging challenges in the environment.

The Kenya government formulates various policies that regulate various sectors of the economy aimed at promoting fair competitive practices. Given the challenges faced by the franchise holders it is useful for policy makers to develop policies in this sector the promote healthy competition in motor vehicle industry. Presently Kenya Motor Industry Association is complaining of improper regulation in the industry leading to unleveled playing field, tilted in favour second hand motor vehicle operators.

The study gives management of motor vehicle franchise holders and particularly the new entrants, the various competitive strategies that they can adopt on priority given the increasing intensity of competition in the industry. The study is recommended as useful input in their competitive strategy formulation for superior performance in the increasingly competitive industry.

5.3 Limitations of the study

The study has been conducted in an ever changing environment of the overall motor industry. It is likely the scenario may change soon to render the findings of the study particularly on ranking of key strategies and challenges amenable to change.

The study was limited to motor vehicle franchise holders yet the determined strategies and challenges could be widely used in the wider motor industry. Further the study did not determine the relation between challenges faced by the motor vehicle franchise holders and the strategies adopted by them

5.4 Suggestions for Further Research

The study has provided a useful basis upon which further studies on competitive strategies could be adopted. The intense and ever changing environment of motor industry means further periodic research could be conducted to determine if ranking of the determined key strategies change from time to time in response to evolving competitive environment at different times.

Further research could be undertaken to determine the relation between challenges faced by the motor vehicle franchise holders and the strategies adopted by them.

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APPENDICES

Appendix 1: Letter of Introduction

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAM – LOWER KABETE CAMPUS

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE........16/7/2010..............

TO WHOM IT MAY CONCERN

The bearer of this letter ...SIMON CHACHA NYANGI.........

Registration No: ...DG1/P/8647/2004...........................

is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

DR. W.N. IRAKI
CO-ORDINATOR, MBA PROGRAM

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA OFFICE
P. O. Box 30197
NAIROBI

Appendix 2: Questionnaire

Section A: General information

1, Department/ Section that you are Based ________________________

2. Position held in the organization ______________________________

3. When did you join the organization (Year)_________________________

4. How many employees are there in your department____________________

5. What is the annual turnover of the company________________________

6. When was the organization established___________________?

Section B: competitive strategies

7. (i) Does your organization have a formal documented mission and vision statements?

Yes ( )

No ( )

(ii) If Yes in 7(i) above, please indicate those that were involved in the formulation of the company's mission and vision.

Consultants ( )

Shareholders ( )

Directors ( )

Others? Please specify

8. How often are the missions and vision statements reviewed?

After every *5* Years ( )

Annually ( )

Semi-annually ( )

Quarterly ( )

Any other period? Please specify ______________________________

9. To what extent do the following factors cause the alteration of the company's mission and vision?

	Very Great extent	Great extent	Moderate extent	Little extent	Not at all
Political changes	( )	( )	( )	( )	( )
Economical changes	( )	( )	( )	( )	( )
Physical environmental changes	( )	( )	( )	( )	( )
Social Cultural factors	( )	( )	( )	( )	( )
Competitors actions	( )	( )	( )	( )	( )
Management policies	( )	( )	( )	( )	( )
Any other? Please specify	( )	( )	( )	( )	( )

………………………..

10. **To what extent do you adopt the following strategies to remain competitive in the market?**

	Very great extent	Great extent	Moderate extent	Little extent	Not at all
Offering wide range of products	( )	( )	( )	( )	( )
Charging competitive prices	( )	( )	( )	( )	( )
Engaging high skilled staff	( )	( )	( )	( )	( )
Use of publicity	( )	( )	( )	( )	( )
Leasing of vehicles /	( )	( )	( )	( )	( )
financing schemes	( )	( )	( )	( )	( )
Intensive staff training	( )	( )	( )	( )	( )
Collaborating with competitors	( )	( )	( )	( )	( )
(Joint ventures, alliances or	( )	( )	( )	( )	( )
acquisitions)	( )	( )	( )	( )	( )
Advertisements / promotions	( )	( )	( )	( )	( )
Tight cost control	( )	( )	( )	( )	( )
Quality products	( )	( )	( )	( )	( )

Product design /style	( )	( )	( )	( )	( )
Product features	( )	( )	( )	( )	( )
Differentiated product features	( )	( )	( )	( )	( )
Market segmentation	( )	( )	( )	( )	( )
Customer service / care including	( )	( )	( )	( )	( )
after-sales service	( )	( )	( )	( )	( )
New products launch / models	( )	( )	( )	( )	( )
Brand reputation	( )	( )	( )	( )	( )
Benchmarking (Competitor Intelligence	( )	( )	( )	( )	( )
Targeting new markets	( )	( )	( )	( )	( )
Branch / service network	( )	( )	( )	( )	( )
Customer-made products	( )	( )	( )	( )	( )
Speed of delivery	( )	( )	( )	( )	( )
Suppliers relationship	( )	( )	( )	( )	( )
Show room / display	( )	( )	( )	( )	( )
Any other? Please Specify	( )	( )	( )	( )	( )

11. **To what extent do you face the following challenges when implementing competitive strategies?**

	Very great extent	***Great extent***	***Moderate extent***	***Little extent***	***Not at all***
High cost of maint. quality	( )	( )	( )	( )	( )
Cost of maint. skilled staff	( )	( )	( )	( )	( )
Attracting customers	( )	( )	( )	( )	( )
Inability to differentiate products	( )	( )	( )	( )	( )
Increased number of competitors	( )	( )	( )	( )	( )
Huge financial requirements	( )	( )	( )	( )	( )
Unpredictable government policies	( )	( )	( )	( )	( )
Changes in exchange rate	( )	( )	( )	( )	( )
Constant changes in customer needs	( )	( )	( )	( )	( )
Organization culture	( )	( )	( )	( )	( )

Inadequate Internal support systems	( )	( )	( )	( )	( )
Economic downturn	( )	( )	( )	( )	( )
Inadequate reward system	( )	( )	( )	( )	( )
Rapid technological change	( )	( )	( )	( )	( )
High cost of products / parts	( )	( )	( )	( )	( )
Marketing inability	( )	( )	( )	( )	( )
Inadequate staff skills	( )	( )	( )	( )	( )
Low purchasing power of customers	( )	( )	( )	( )	( )
Product supply constrain	( )	( )	( )	( )	( )
Parts supply constrain	( )	( )	( )	( )	( )
Any other? Please specify	( )	( )	( )	( )	( )

……………………………………..

12. In your own opinion, is adoption of competitive strategies of any value to the firm?

Yes ( )

No ( )

Thanks for your responses