COMPETITIVE STRATEGIES ADOPTED BY KENATCO TAXIS LIMITED TO ACHIEVE COMPETITIVE ADVANTAGE

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA), SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

NOVEMBER, 2013

DECLARATION

I declare that this project is my original work and has never been submitted for a degree in any other university or college for examination/academic purposes.

Signature…….….Date……..

JOHN MUHU NDUNGU

This research project has been submitted for examination with my approval as the University Supervisor.

Signature…….….Date……..

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DEDICATION

This project is dedicated with all my love to my wife Cate, my son Mitch, and my daughter Misha for the support and understanding that you accorded me when I was not able to spend enough time with you during the time I was writing this project.

To Mitch and Misha so that you can be inspired to achieve even higher level of education.

To my dad and mum for the effort you put to lay a firm foundation of my education and teaching me to be resilient in order to achieve life goals.

ACKNOWLEDGEMENTS

I acknowledge God, my creator for blessing me with knowledge, good health, patience, and resources which made it possible for me to finish the project.

I will forever be in indebted to my supervisor professor K'Obonyo who devoted a lot of his time to supervise the writing of this project. Through his thoroughness, expert guidance, suggestions, humbleness and patience I was able to proudly complete this project.

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LIST OF ABBREVIATIONS

ICDC	-	Industrial & Commercial Development Corporation
KEPSA	-	Kenya Private Sector Alliance
ERP	-	Enterprise Resource Program

ABSTRACT

A company's game plan is the game plan management uses to stake out a market position, attract and appease customers and complete successfully. The main thrust of a company is to build and strengthen the company's long term competitive position and gain a competitive position over its rivals in order to achieve above average profitability. In Kenatco Taxis Limited *Rehabilitation Plan* (2011) it is observed that the company is in a very competitive industry where there are many players and there is no structured regulation where various cartel fight for the control of the industry. The company is also facing a challenge of identity because it has been in receivership for a long time. It is important therefore for the company to continue adopting strategic management approach in order to maintain and grow its market share. The purpose of the study was to establish the competitive strategies adopted by Kenatco taxis Limited to achieve competitive advantage. This was a case study. The primary data was collected from five Heads of the departments using an interview guide. This ensured that the research covered the strategies that each department is adopting to create competitive advantage. Content analysis was used to analyze text including interview transcript to determine the frequency of specific words or ideas that have been employed. This allowed the researcher to identify concepts and their associated patterns and trends of ideas that occurred within the group of respondents. From the findings the study found that the main competitors of Kenatco Taxis Limited include corporate taxi companies such as Jimcab, Alitex, Virgin Tours, Signature, and Universal. The study concludes that Kenatco Taxis Limited faces competition mainly in form of pricing, product differentiation, technology and human resources from corporate cabs companies, airport shuttles, private vehicles, matatus and car hire companies. The study also concludes that the responses to the competitive environment that have led to fruitful results were improved service delivery, improvement of the quality of employees through training and engaging in niche marketing strategy. The study recommends that although Kenatco Taxis Limited has been successful in neutralizing the challenges brought about by competition in the transport industry, the company should engage more in cost leadership strategy as a response to some competitors' strategies whose products and services are much cheaper.Besides cost leadership,Kenatco Taxis Limited should continuously deliver benefits that exceed those of competing products (differentiation advantage) to gain a competitive advantage over other firms. The study also recommends that besides cost leadership, Kenatco Taxis Limited should deliver benefits that exceed those of competing products to gain a competitive advantage over other firms. The study further recommends that the company should take advantage of the opening up of the regional market as a result of the East African Community. Additionally the company should recruit workers with the requisite competences in the business to minimize the cost of training and also remunerate the workers fairly and provide a good working atmosphere to ward off poaching by competitors. Finally since the study established that Kenatco Taxis Limited is faced with stiff competition, it was recommended that the company should apply proactive strategies by coming up with new innovations in order to keep pace with the rivalry.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In the elaboration of the theory of competitive advantage Porter(1990) argues that the nature of the competition and the sources of competitive advantage are very different among industries and even among the segments of the same industry, and a certain country can influence the obtaining of the competitive advantage within a certain sector of industry. The best strategy is informed by the actions and moves in the marketplace that managers are taking to improve the company's financial performance, strengthen its long term competitive position, and gain a competitive edge over rivals. A creative and distinctivestrategy that sets the company apart from the rivals and yields a competitive advantage is the company's most reliable ticket for increasing shareholders returns, (Thompson etal., 2007).

Two reasons have led to the influx of firms in the different industries leading to stiff competition. The first one is the realization by governments that it is not good in business. Therefore most governments all over the world have moved from doing business to playing facilitating roles and are therefore encouraging their citizens to venture into business and foreigners to invest in their country. The foreign investors are being encouraged through incentives such as tax rebates, shorter registration process and period and better administration of justice such as a reformed judiciary. The second reason is the high level of unemployment. This has resulted into people who leave schools and colleges and the ones who lose their jobs venturing into business with the aim of survival. These two reasons have mainly led to the mushrooming of various firms of different sizes in various industries therefore increasing competition.The Taxi industry has not been spared this influx but rather it has borne the blunt of it. The fact that one can venture into the taxi business through purchasing of one not new vehicle and carrying on the business single handedly has made the entry into this industry very easy and therefore very attractive to investors. Up to the 1990's Kenatco Taxis Limited was a monopoly in

the corporate taxi industry since it was the only big corporate company offering taxi services.(Industrial and Commercial Development Corporation, 2010)

The above report further states that the fact that Kenatco Taxis limited is a parastatal gave it a competitive edge over the other players. However the company management did not formulate sustainable competitive strategies to maintain their dominance in the industry. According to a report on the rehabilitation of Kenatco taxis Limited (Kenatco Taxis, 2011) the failure of the company to take advantage of the emerging markets gave room to the firms that were small in size at the entry level to grow and become big firms which are now offering stiff competition to the company and threatening to overtake it. Kenatco taxis have now been forced to formulate competitive strategies which will give it sustainable competitive advantage so that consumers oftheir services will have a lasting preference for the company's services as compared to the offerings of the competitors.

1.1.1 Competitive Strategies

According to Porter (1985) competitive strategy is the search for a favorable competitive position in an industry, the fundamental arena in which competition occurs. Competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition. He further states that two central questions underlie the choice of competitive strategy. The first is the attractiveness of industries for long-term profitability and the factors that determine it. Not all industries offer equal opportunities for sustained profitability, and the inherent profitability of its industry is one essential ingredient in determining the profitability of a firm. The second central question in competitive strategy is the determinants of relative competitive position within an industry. In most industries, some firms are much more profitable than others, regardless of what the average profitability of the industry may be. Positioning determines whether a firm’s profitability is above or below the industry average. A firm that can position itself well may earn high rates of return even though industry structure is unfavorable and the average profitability of the industry is therefore modest (Porter, 1980).

A company's competitive strategy deals exclusively with the specifics of the management's game planfor competing successfully, its efforts to please customers, its

offensive and defensive moves to counter the maneuvers of rivals, its responses to existing market conditions, its plans to strengthen its market position, and its approach to securing a competitive advantage as compared to the rivals (Thompson etal 2008).They further stated that there are variations in the strategies that companies employ to deal with the competition due to the fact that the strategies are specifically designed to fit the circumstances of the particular companies. It is therefore not easy to get companies that are applying strategies that are similar in details. The managers of different companies have different approaches to the market and therefore they would align the companies' strategies with such conditions different strategies. Due to the managers' different work background and schooling, they will have totally different ideas when dealing with the competition. But however different the competitive strategies the various managers apply, there are two broad differences among the competitive strategies. The first one is whether the company's market strategy is either broad ornarrow and the second one is whether the company is pursuing a competitive advantage linked to low costs or differentiation.

1.1.2 Competitive Advantage

As the global competition becomes increasingly fierce, how to achieve competitive advantage or sustain competitive advantage starts obtaining more attention. Barney (1991) noted that when an organization is implementing a value creating strategy not being simultaneously implemented by any current or potential rivals, then it can be said that the organization has a competitive advantage. However, when other organizations are unable to copy the benefits of this strategy, then it confirms the organization has a sustainable competitive advantage. Barney &Hesterly(2008) states that a firm has a competitive advantage when it is able to create more economic value than rival firms. They define economic value as the difference between the perceived benefits gained by a customer that purchases a firm's products or services and the full economic cost of these products or services. Thus, the size of a firm's competitive advantage is the difference between the economic value a firm is able to create and the economic value its rivals are able to create.

Association in 2004. According to the association the number of corporate taxi companies is estimated to be 30 with a total fleet of 2,000 vehicles and an annual turnover of kshs2.7 billion (ICDC 2010)

1.1.4 Kenatco Taxis Limited

Kenatco Taxis Ltd is the oldest corporate Taxi Company in Kenya. The company traces its origin to the year 1964 when a group of businessmen and women formed a Co-operative Society to provide transport services and named it Kenya Transport Co-operative Society. In 1965 the society was transformed into a fully-fledged limited liability company wholly owned by the Kenya Government and was subsequently renamed Kenatco Transport Company Limited. By 1983, the company had expanded in size having over 90 commercial vehicles comprising of Lorries and small taxis. Logistics and complexities of managing large enterprises set in whichtranslated into liquidity problems. The company was unable to pay a National Bank of Kenya loan of Kshs. 22 million. Consequently, National Bank of Kenya, in 1983, placed the company under Receivership(Kenatco Taxis Limited, 2011).

The above report further states that in 1986 when KENATCO Transport Company was being liquidated, Industrial & Commercial Development Corporation (ICDC) incorporated a company M/s Kenatco Taxis Limited which acquired the taxi business of the then Kenatco Transport Company. After incorporation of Kenatco Taxis, the Management of ICDC undertook the daily management of the new Taxi Company, which started and continued doing well for a period of seven years. However, in 1993, the Government appointed independent management to run the company. The appointed Managers ran the affairs of the company for a period of 3 years during which time the performance declined drastically that the company's operations almost came to a standstill. Kenatco Taxis Limited was placed under receivership in 1996 and has since been managed by several Receiver and Managers seconded from the Corporation. The main objective of placing it under receivership was to protect the company from losing its assets to creditors who had obtained court orders to strip the assets and recover their dues. The asset stripping would have led to the likely extinction of Kenatco.The mandate of the

Receiver and Manager was to operate the company, turn it around, lift the receivership and hand it back to the Debenture Holder who would then decide on the way forward. The options available at the time were, to either hold on to it, sell it as a going concern or privatize it as recommended in the policy paper on "Public Enterprise Reform & Privatization" of July 1992.

The report further states that the privatization process protracted and in 2001 the Debenture Holder resolved to sell the assets of the company and wind it up. The proceeds would then be used in creating other strategic investments. The Receiver &Manager through instructions from the Debenture Holder advertised the company assets for sale through tender in 2003. This did not succeed when the only bidder who met the reserve price conditions failed to meet the other conditions of the tender. In 2004 the assets of the company were re-advertized for sale. Successful bids were received and M/s Kienzeco Limited was most competitive at Kshs 40.2 million. Kienzeco paid the requisite 10% deposit in compliance with the tender conditions, but before the deal was concluded a disagreement arose with regard to the specifics of the assets on sale. The matter ended up in court resulting in an injunction that barred the Receiver & Manager and his successors from selling the assets of the Company to any other party until the matter was determined. The matter was later resolved in an out of court agreement (Kenatco Taxis Limited,2011).

The report further states that the company operates a Taxi business with an average fleet of 155 cars. 114 vehicles operate from Nairobi city, 36 operate from Mombasa city and 3 from Kisumu city. In all the cities the company has acquired various stations from where it operates. The vehicles are leased from individuals and this fact presents a very huge challenge in meeting the client's demands because there is instability in fleet size levels. Some vehicle owners are prone to withdrawing their vehicles abruptly whenever they get better business offers albeit the existence of a lease contract. The company is now financially stable and can make profits before interest on the old loans which the debenture holders wants to write off. The company is now focusing on positioning itself in the market with the objective of acquiring sustainable growth. Even in the face of serious competition from its rivals the company has managed to grow the revenue from

kshs 213 million in 2009 to kshs 307 million in 2013 therefore recording a growth of 44%. Likewise profit before interest and tax rose from 14 million to 57 million during the period under review. This represents a phenomenal growth of 3007 percent. This is an indication that the company is successfully implementing certain strategies to grow business and remain significant in the market.

1.2 Research Problem

In the recent years, the theory of competitive advantage has emerged as one of the most promising theoretical frameworks in management literature especially in the field of strategic management. Porter (1985) focused on a firm's differential advantage or uniqueness as sources of competitive advantage. Barney (1991) deliberately enhanced the concept by appreciating the importance of skills, assets or a firm's competitive resources as sources of competitive advantage. Business has become very competitive and companies have to come up with strategies to remain afloat. It is therefore very important that the decision making body of the company understand and practice strategic management. According to (Thompson et al 2008) the tasks of crafting and executing competitive advantage are the heart and soul of managing a business enterprise and winning in the market place. A company's game plan is the game plan management uses to stake out a market position, attract and appease customers and complete successfully. The main thrust of a company is to build and strengthen the company's long term competitive position and gain a competitive position over its rivals in order to achieve above average profitability.

In Kenatco Taxis Limited *Rehabilitation Plan* (2011) it is observed that the company is in a very competitive industry where there are many players and there is no structured regulation and there exists various cartels which fight for the control of the industry. Government bodies such as the local governments which are being transformed into county governments in the new constitution are having difficulties in regulating the different taxi operators such as individuals and companies. The company is also facing a challenge of identity because it has been in receivership for a long time. It is important

therefore for the company to continue adopting strategic management approach in order to maintain and grow its market share.

Various studies have been carried out on competitive advantage. Muinde (2010) studied strategies employed by National Housing Corporation to achieve competitive advantage. Muinde identified the mix of strategies the bank has adopted to achieve competitive advantage as competitive, collaborative, grand as wage as (bora)7(ti)-3(ve)4(,)-51 0 0 1urcefdatibv0 0 1

answer the following research question: What are the competitive strategies employed by Kenatco Taxis Limited to achieve competitive advantage?

1.3 Research Objective

To establish the competitive strategies adopted by Kenatco taxis Limited to achieve competitive advantage.

1.4 Value of theStudy

The study will add value to the management of Kenatco Taxis Limited as it will outline the key strategies to achieving competitive advantage and the challenges of implementing the strategies. Therefore the company will be able to direct more resources to strengthen the strategies and fixing the challenges. This will assist the company in positioning itself in the market as it faces stiff competition from emerging companies.

The findings of the study will benefit the industry players who would bench mark with Kenatco Taxis Limited especially in the area of policy formulation. Companies that have never carried out any research on competitive advantage and competitive strategies in the industry will find this study very useful as they will use it to benchmark themselves with Kenatco Taxis Limited as they formulate and adopt competitive strategies that will give them competitive advantage.

To the researcher and academicians, the study will enrich the existing database of studies in competitive advantage. The study will also interest scholars who will use the study as a basis for further research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides a review of the relevant studies on the topic. It gives an overview of the concept of strategy. It also examines the concept of competitive advantage as a game changer in attaining organization success and the different strategies used in achieving competitive advantage.

2.2Concept of Strategy

According to Porter (1996), for almost two decades, managers have been learning to play by a new set of rules. Companies must be flexible to respond rapidly to competitive and market changes. They must benchmark continuously to achieve best practice. They must outsource aggressively to gain efficiencies. And they must nurture a few core competencies in the race to stay ahead of rivals .Positioning – once the heart of strategy is rejected as too static for today's dynamic markets and changing technologies. According to the new dogma, rivals can quickly copy any market position, and competitive advantage is, at best, temporary. But those beliefs are dangerous half-truths, and they are leading more and more companies down the path of mutually destructive competition. There are many views on the conceptualization of the termstrategy. An array of such views on the meaning of strategy is discussed below. In a simple conceptualization, Hill and Jones (2004) the term strategy refers to the determination of the basic long-term goals and objectives of an enterprise and theadoption of relevant courses of action and the allocation of resources to carry out thesegoals.

There is another view which states that strategy involves a pattern of decisions in acorporate enterprise that determines and reveals its objectives, purposes or goals, produces the principal policies and plans for achieving these goals. Furthermore, corporate strategy defines the range of business, the business enterprise is to pursue, thekind of economic and human organization it intends to utilize and the nature of

theeconomic and non-economic contribution it intends to make to its shareholders,employees, customers and communities. According to Pearce II and Robinson Jr (1998), the strategy of a corporate entitydefines the business in which it will compete, preferably in a way that focuses resourcesto convert distinctive competence into competitive advantage.

According to Mintzberg (1994) people use strategy in five different ways. As a plan, strategy is a set of consciously intended course of action, a guideline or set of guidelines to deal with a situation. By this definition strategies have two essential characteristics, firstly they are made in advance of the actions to which they apply and secondly they are developed consciously and purposefully. As a ploy, it is a specific maneuver intended to outwit an opponent or competitor. He further states that defining strategy as plan is not sufficient; we also need a definition that encompasses the resulting behavior: Strategy is a pattern in a stream of actions. Strategy is consistency in behavior, whether or not intended. The definitions of strategy as plan and pattern can be quite independent of one another: plans may go unrealized, while patterns may appear without preconception.

Mintzberg (1994) further states that strategy is also a position which specifically is a means of locating an organization in an environment. By this definition strategy becomes the mediating force, or match, between organization and environment, that is, between the internal and the external context.Strategy as a perspective consists not just of a chosen position, but of an ingrained way of perceiving the world.

According to Ansoff (1995) strategy has its roots in the military, the meaning of the word war is the art of an army to defeat the enemy. Strategy has been used by armies across the world and business organizations borrowed most of the successful management applications in military during the Second World War to enhance their positions in the dynamic environment. Thomson and Strickland (1996) view strategy as a pattern of action managers employed to achieve the agreed organization targets. Accordingly strategy becomes the deliberate, planned set of actions and reactions to unpredictable developments within the firm environment.

The organization must continuously align its culture, social arrangement and strategy with the environment. Strategic response therefore involves changing the organizations strategic behaviour in order to adapt and anticipate the environmental turbulence. According to Smart and Vertisky, (1984), it requires acquisition of up-to-date information and consistent access to information concerning the environment.

2.3Competitive Strategies

Competitive strategy consists of all those moves and approaches that a firm is taking to attract buyers, withstand competitive pressure and improve its market position (Thomson and Strickland 2002). Competitive strategy therefore earns competitive advantage by establishing a favorable and sustainable position against the forces that determine industry competition (Porter, 1995).

One of the major environmental influences in a business arises from competition. Increased competition threatens the attractiveness of an industry by reducing the profitability of players (Porter, 1990). Firms respond to this by being proactive in their strategy formulation and implementation. Competition denotes the existence of firms that try to sell identical products or services to the same group of customers. Firms' competitors may change over time in terms of the characteristics, strategies and strategic focus due to environmental factors that affect the structure of the industry. The firm is therefore able to ward-off competition and strengthen its market share. For competitive strategy to be realized, the contribution and support of all functions is necessary. The approaches and initiatives a company takes to meet customers' needs outperform competitors and achieve long term goals constitute its competitive strategy (Thompson and Strickland, 2002).Ansoff (1965) notes that the environment is constantly changing. As such organizations have to constantly adapt their operations and internal configurations to reflect the new external realities.

Porter (1980) defined competitive strategy in terms on the three generic strategies of cost leadership, differentiation and focus. Through cost leadership a firm aims to achieve overall lower costs than its competitors without reducing the products comparable quality. Capon (2008) notes that cost leadership is likely to be achieved through

economies of scale, extremely efficient production and very efficient distribution processes. There can only be one true cost leader in a sector, other competitors claiming to follow cost leadership strategy will have average costs, sell at an average price, and make average profits. He further argues that the cost leader will sell at an average price, but due to lower costs will make a greater profit.

According to Pearce II (2005) differentiation requires that the business have sustainable advantage that allows it to provide buyers with something uniquely valuable to them. A successful differentiation strategy allows the business to provide a product or service of perceived higher quality to the buyer. Porter (2004) observed that differentiation provides insulation against competitive rivalry because of brand loyalty by customer and resulting to lower sensitivity to price. Focus strategy is achieved through lower costs by choosing to serve a niche to the exclusion of others.

to the buyers or achieve substantially lower cost than its rivals. Consequently, the firm creates more value than its rivals and earns a profit rate substantially above the industry average. However, once established, competitive advantage is subject to erosion by competition.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methods and procedures that were followed in conducting the research. It describes the research design and explains the data collection procedure and instruments and the data analysis techniques.

3.2 Research Design

This was a case study. According to Yin (1984), case study research method as an empirical inquiry that investigates a contemporary phenomenon in its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used. According to Sharpe (1997), research design refers to the way a study is planned and conducted, the procedures, and techniques employed to address the research problem or question. He further states that, the main objective of a research design is to enhance validity of research findings by controlling potential sources of bias that may distort findings. The selected design was the most appropriate because case study research excels at bringing us to an understanding of a complex issue or object and can extend experience or add strength to what is already known through previous research. Case studies emphasize detailed contextual analysis of a limited number of events or conditions and their relationships. The research was designed to fulfill the objectives of the study.

3.3 Population of the Study

The target population for the study is the six heads of departments. The six departments are Operations department, Business Development department, Finance department, Human Resource department, Audit department and the Mombasa branch. This population was deemed appropriate since they are the people in the organization charged with determining the overall direction of the firm.

3.4 Sampling

The sample population of the study was six heads of departments. This is 100 percent of the population of the study. It is considered sufficient for it exceeds the recommended threshold considered by research experts.

3.5 Data Collection

The study involved the collection of both the primary and secondary data. The primary data was collected using an interview guide. This ensured that the research cover the strategies that each department is adopting to create competitive advantage over their rivals. The interviewees comprised the Business Development Manager, The Operations Manager, The Finance Manager, The Human Resources Manager, The Audit Manager and the Branch manager.

3.6 Data Analysis

Content analysis was used to analyze text including interview transcript to determine the frequency of specific words or ideas that have been employed. The results of content analysis allowed the researcher to identify, as well as quantify specific ideas, concepts and their associated patterns and trends of ideas that occur within the group of respondents.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter contains data analysis and findings. Data was gathered through interview guide and analyzed using content analysis. The key findings were on competitive strategies adopted by Kenatco Taxis Limited to achieve competitive advantage. All the 5 managers projected in chapter three were interviewed and thus the response rate of 100%. This commendable response rate was achieved at after the researcher made frantic effort at booking appointments with the managers, despite their tight schedules and making phone calls to remind them of the interview.

4.2 Demographic Information

The study, in an effort to ascertain the interviewees' competence and conversance with matters regarding Kenatco Taxis Limited they were asked to indicate theirposition in the organization. The findings show that all the interviewees were senior managers in charge of various departments such as Business Development, Operations, Finance, Human Resources and the Mombasa Branch. Most of the interviewees had worked for the organization for at least two years. The respondents thus had the necessary knowledge and experience to be able to provide the necessary information being sought by the researcher.

4.3 Competition in the industry

The interviewees were asked to name the company's main competitors. From the responses, the interviewees were unanimous that the main competitors of Kenatco Taxis Limited included corporate taxi companies such as Jimcab, Signature, Alitex, Virgin Tours and Universal Tours. The interviewees also indicated that Kenatco Taxis Limited was also competing with airport shuttles, private vehicles, matatus, bus companies, car hire companies, tuktuks and tour companies such asPollmans and Keti Tours.

The interviewees also reiterated that the nature of competition that Kenatco Taxis Limited face was mainly in form of pricing, product differentiation, technology, human resources and faster management decision making process. They also competed in new products, guerilla war such as corruption by the competitors and in form of location i.e. better proximity from clients. The interviewees were unanimous that the environment was chaotic with increasing need to maintain high quality services due to increased competition as the company's customers are exposed.

All the interviewees agreed unanimously that the competition led to loss of revenue and low profitability, loss of market share, high staff turnover, brand image damage, low liquidity, loss of good reputation and it forced the company to develop strategies to remain competitive.

4.4 Competitive strategies

4.4.1 Competitive strategies that Kenatco Taxis Limited has put in place to counter competition.

The interviewees concurred that to cope with the competition in the market place, Kenatco Taxis Limited has endeavored to improve service delivery and keeping close tabs with clients as well as improved responses to customer needs. The company has also improved the quality of employees by training to make them more responsive to the customers, set a platform for innovation, engaged in niche marketing targeting corporate and government institutions, maintained competitive rates, motivated employees through incentive schemes, introduced new products, hiredqualified and competent staff and trained them and has differentiated its products through introduction of ToyotaPremio to replace Toyota Nze. They have also increased visibility by being strategically located in various towns and stations and further by given extras in the vehicles such as water, Dstv Walkers. The company has also differentiated its products further through increased innovation in technology such as freeWiFi in all vehicles, the use of drivers' mobile application known as Mtitan which replaces the manual returns, implementation of a robust Enterprise Resource Program (ERP) and a fleet monitoring system. The interviewees also agreed that competition had made the company run massive

promotional campaigns so as to expand the market share. This has led to increased costs of operation.

4.4.2 The methods the company employs to evaluate their strategies to make them competitive

The interviewees further intimated thatthe methods include conduct of independent surveys, staff appraisals, continuous monitoring of the strategy implementation and feedback from customers and employees, monitoring the volumes of business, monitoring of daily performance to evaluate the impact of the strategies, holding regular strategic meetings to evaluate the performance at both management and departmental levels, checking on the continuous use of the technology, auditing the strategy implementation process to determine the effectiveness. All the interviewees unanimously agreed that to a very great extent, the strategies have been very successful. The marketing strategies that the company has adopted to respond to challenges of competition have therefore resulted in increased sales and sound profitability for the company.

4.4.3 How the company tells if the strategies are still maintaining a sustainable competitive advantage.

All the interviewees unanimously agreed that Kenatco Taxis Limited tell if the strategies are still maintaining a sustainable competitive advantage by conducting survey on market share and market intelligence, monitoring staff retention index, checking revenue and profitability trend, conducting industry revenue analysis and survey on customer satisfaction and customer retention, checking on rate of referrals and other companies trying to copy their strategies. The interviewees further intimated that the responses to the competitive environment that have borne fruitful results were strong financial strategies (operation cost reduction), innovation (product, technology) and invention (new product and technological) strategies and research and development ventures aimed at developing the relevant customer knowledge. They also indicated that the company strives to adopt cutting edge innovation crafted specifically to address all the existing and potential customer need. The company also continues to introduce new products and services such as payment of bills though M-Pesa and engaging in heavy advertisement and promotions

for the same. These responses so far had seen profitability of the company increase significantly.

4.4.4 The measures the company takes when a strategic initiative is not creating a competitive edge

The interviewees further cited the measures they take when a strategic initiative is not creating a competitive edge to include a review of the strategy to find reasons why it is not creating competitive edge and make the necessary changes to make it competitive. Additionally new strategies are adopted if the old ones become untenable and continuously carry out more research and development.

4.4.5 Other factors that help the organization to remain competitive

The interviewees were in accord that other factors that help the organization to remain competitive included a strong brand name, association with the government/political affiliation, the long period the company has been in business, practicing good management principles, diversification, opening new branches, regional spread and having a big fleet size. The interviewees further said that since superior service delivery is critical for Kenatco Taxis Limited competitiveness, the company's business segments should synergizeto ensure that there is efficient customer service.

4.5Discussion

This study has one objective of establishing what competitive strategies Kenatco Taxis have adopted to create competitive advantage. From the findings presented above, the study has established that the company is facing stiff competition from competitors such as other corporate taxi companies, airport shuttles, private vehicles and tour companies. The study has further established that the company was forced to adopt several strategies in order to remain competitive and to grow its market share. The strategies adopted by the company include improve quality of service delivery and improved customer relationship. The company has also improved the quality of employees through training and hiring of qualified staff, embrace innovation, engaged in niche marketing strategy, maintained competitive rates, motivated employees through incentive schemes, and product differentiation. They have also increased visibility by being located in various

towns and spread in many stations. These strategies have resulted in improved performance of the company.

These findings are in agreement with the findings of Porter (1996) who argued that managers must be flexible to respond rapidly to competitive and market changes and they must nurture a few core competencies in the race to stay ahead of rivals. Kenatco Taxis has responded rapidly by adopting the above strategies which have assisted it to acquire core competencies in service delivery. Porter (1995) also established that also established that competitive strategy earns competitive advantage by establishing a favorable and sustainable position against the forces that determine competition. This study has established that kenatco Taxis Limited has adopted has earned the company competitive advantage which has resulted in the growth of revenue and profitability

The findings are also consistent with the findings of Mintzberg (1994) who said that people use strategy in five different ways. According to him strategy can be used as a ploy which is a specific maneuver intended to outwit an opponent or competitor. The strategies adopted by Kenatco Taxis Limited are a ploy aimed at out maneuvering the competitors such as the other taxi companies and airport shuttles. As a position Mintzberg (1994) further states that strategy is a means of locating an organization in an environment which means that strategy becomes the mediating force between the organization and the environment. According to the findings of this study, Kenatco Taxis has used the competitive strategies it has adopted to position itself in the market such as innovation and technology in order to overcome the various competitors that have emerged in the market.

CHAPTER FIVE

SUMMARY,CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presented the summary of data findings, conclusion drawn from the findings highlighted and recommendation made there-to. The conclusions and recommendations have been made in quest of addressing the research question or achieving the research objective which is the competitive strategies adopted by Kenatco Taxis Limited to achieve competitive advantage.

5.2 Summary of Findings

The study found that the main competitors of Kenatco Taxis Limited include corporate taxi companies such as Jimcab, Signature, Alitex, Virgin tours, Signature, and Universal. The others are airport shuttles, bus companies, private vehicles, matatus, car hire companies, tuktuks and from tour companies e.g. Pollmans and KetiTours.It was found that the nature of competition that Kenatco Taxis Limited faces was mainly in form of pricing, product differentiation, technology, human resources and faster management decision making process. Competition was also in new products development, guerilla wars, corruption by the competitors and location in close proximity to clients.

The study further deduced that the competition led to loss of revenue and low profitability, loss of market share, high staff turnover, brand image damage, low liquidity, loss of good reputation and it makes the company develop strategies to remain competitive.To cope with the competition in the market place, Kenatco Taxis Limited has endeavored to improve quality of service delivery and improved customer relationship. The company has also improved the quality of employees through training and hiring of qualified staff, set a platform for innovation, engaged in niche marketing strategy, maintained competitive rates, motivated employees through incentive schemes, and product differentiation. They have also increased visibility by being located in various towns and spread in many stations.

The study also established that the methods the company employs to evaluate their strategies to make them competitive include conduct of independent customer satisfaction surveys, staff appraisals, monitoring of the strategy implementation process and business volumes.Kenatco Taxis Limited endeavors to find out if the strategies are still maintaining a sustainable competitive advantage by conducting survey on market share, market intelligence, customer satisfaction and customer retention, monitoring staff retention index, monitoring financial performance, checking on rate of referrals and other companies trying to copy the strategies.

The measures the company takes when a strategic initiative is not creating a competitiveedgeis to review the strategy and either make changes or abandon it completely and adopt a new strategy if it is found to be untenable.The study further established that other factors that help the organization to remain competitive included a strong brand name, association with the government, the many years the company has been in business, good management principles, diversification, geographical spread and a big fleet size.

5.3 Conclusion

In the modern world of stiff competition, Kenatco Taxis Limited has been able to keep pace with the rivalry in the transportation scene by adopting various response strategies. From the findings, the study concludes that Kenatco Taxis Limited faces competition mainly in form of pricing, product differentiation, technology and human resources from corporate cabs companies, airport shuttles, private vehicles, matatus and car hire companies.

The responses to the competitive environment that have led to fruitful results were improved service delivery, improved quality of employees by training and engaging in niche marketing targeting. Kenatco Taxis Limited has also adopted strong financial strategies (operation cost reduction), innovation (product, technology), and invention (new product and technological) strategies that have yielded fruitful results seeing profitability of the company increase.

5.4 Recommendations

From the discussions and conclusions in this chapter, the study recommends that althoughKenatco Taxis Limited has been successful in neutralizing the challenges brought about by competition in the transport industry, it should engage in cost leadership strategy as a response to some competitors' strategies whose products and services are much cheaper. The company will be able to achieve this by increasing operational efficiency thus eliminating wastages and duplications. Since the company has a big fleet it will be able to implement this strategy through economies of scale.

Besides cost leadership,Kenatco Taxis Limited should continuously deliver benefits that exceed those of competing products (differentiation advantage) to gain a competitive advantage over other firms. The study further recommends that Kenatco Taxis Limited should take advantage of the opening up of the regional market as a result of the East Africa Community. They should undertake appropriate, persuasive and sustained advertisement, marketing and campaigns on products and services so as to change the negative perception on industry, increase its market share and customer preference. This would increase its customer base and compete even more with corporate taxi companies, airport shuttles and tour companies which are offering them stiff competition.

The study also recommends that the company should recruit workers who have the necessary knowledge and competencies in the business to minimize on the induction and training costs. The staff should also be remunerated fairly and have better work condition and terms to ward-off staff poaching by competitors. The study further recommends that Kenatco Taxis Limited evaluate its strategies to make the company competitive through independent surveys, staff appraisals and feedback from customers and employees.Since the findings imply that Kenatco Taxis Limited is faced with various challenges brought about by competition in the transport industry it is recommended that the company should engage more in the proactive strategies by coming up with new innovations in order to keep pace with the rivalry.

5.5 Limitations of the Study

Being that this was a case study of one company, the data gathered might differ from strategic responses that other companies in the transport industry have adopted to match the competitive environment. This is because different companies adopt different strategies that differentiate them from their competitors.

5.6 Recommendations for Further Research

It is recommended that further research be done on the other companies in the transport industry to obtain comprehensive information on how the other players in the industry such as corporate taxi companies, airport shuttles and tour companies have responded to the challenges posed by the competitive environment.

It is study further recommended that further research be done to evaluate how the individual taxi operators have responded to the competitive environment based on what acclaimed scholars have postulated as the best strategic responses framework.

More research needs to be done to determine what effect the increased promotional campaigns have had on the performance of the company. The contribution of marketing strategy to the overall performance of Kenatco Taxis Limited should therefore be explored. Another area that needs further research is whether the new and innovative extrasKenatco Taxis Limited is introducing into the market such as water in the car and technological innovations are sustainable in the near future.

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APPENDICES

Appendix I: Interview Guide

Section A: Introduction

Set up the interview environment and explain the following to the interviewee;

- The purpose of the interview.
- Why the stakeholder has been chosen.
- The expected duration of the interview
- The need to record the interview in order to preserve data and to aid in analysis

After the interviewee understands the purpose of the interview is comfortable enough and gives consent, the session will commence.

Section B: Background information.

i. What is the name of your department?
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ii. What is your designation?
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iii. How long have you worked in the company?
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Section C: Competition

i. Who do you consider to be the company's main competitors?
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ii. What is the nature of competition that your company faces?

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iii. What are the effects of competition on your company?

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Section D: Competitive strategies

i. What competitive strategies has your company put in place to counter competition?

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ii. What methods do you employ to evaluate your strategiestomakethem competitive?

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iii. How do you tell if the above strategies are still maintaining a sustainable competitive advantage?

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iv. What measures do you take when a strategic initiative is not creating a competitive edge?

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v. Are there any other factors that help the organization to remain competitive?

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Appendix II: Introduction letter

The Respondents
kenatco Taxis limited
P O Box 52684 -00200
Nairobi

Dear Respondent,

I am a post graduate student at the University of Nairobi carrying out a research project on the competitive strategies adopted by Kenatco Taxis Limited to achieve competitive advantage. I am humbly requesting you to kindly respond to the questions asked as sincerely aspossible. The ultimate goal of the study is to provide insights into the strategies that the company is adopting to remain competitive given the stiff competition it is facing in the industry. I am assuringyou that the information you will give will be treated with utmost confidence and will only beused for the purpose of this study.

I will be very grateful for your co-operation.

Thank you in advance,

Yours Faithfully,

John MuhuNdungu
University of Nairobi