EFFECTS OF COMPETITIVE STRATEGIES ON PERFORMANCE OF EXPRESS CONNECTIONS LIMITED IN KENYA

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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 …………………………………

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

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DEDICATION

This work is dedicated to those who helped me carry out this research and to the almighty God for the wisdom and gift of life that has made me realize and see the conclusion of this research.

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ACRONYMS AND ABBREVIATIONS

AIS	:	Accounting Information Systems
G4S	:	Group Four Security Services
JICA	:	Japan International Corporation
KPOSB	:	Kenya Post Office Savings Bank
KWFT	:	Kenya Women Finance Trust
MFIs	:	Microfinance Institutions
PSV	:	Public Service Vehicle
RBV	:	Resource Based View
ROI	:	Return on Investment
SACCO	:	Saving and Credit Cooperative Societies
UMTS	:	Universal Mobile Telecommunication Services

ABSTRACT

Competitive strategy is concerns with what a firm is doing in order to gain a sustainable competitive advantage. The stiff competition among the public transport companies and the entry of other players into the industry following the government plan to ban on fourteen seater passenger vehicles necessitate the design of competitive strategies to guarantee their performance. This study sought to determine the influence of competitive strategies on performance of Express Company Limited in Kenya. The study was guided by the following objectives; to determine the competitive strategies adopted and the effects of competitive strategies on performance of express connections Kenya Limited. The research used a case study approach to give an in-depth understanding of the competitive strategies on performance of Express Connections Limited. The study used both primary and secondary data where primary data was collected using an interview guide and secondary data was collected from audited financial reports and other publications at Express Connections Limited. Content analysis was used to analyze this data collected from the interviewees. The study established that Express Connections Limited adopted a number of competitive strategies; standard pricing was being used within the respective timings for instance peak and off peak differentiation, usage of standard colors so as to identify the fleet and the creation of a sister company to help build the bus bodies and in repair of the vehicles and segmented market on the basis of routes being covered by the fleets and zones in order to ensure effective coverage of all routes. The study concludes that service quality and customer relationship are the most effective competitive strategy used by Express Connections Limited as well as differentiation of services to suit their clients. The study recommended that the company continue investing and coming up with unique services so that they can differentiate themselves and at the same time continue innovating services which will compete with other companies' and do aggressive marketing in order to change the perception which the customers have regarding the pricing. The study faced a limitation as regards to interviewee's confidence that the information provided would not be misused but used for the purpose for which it was meant. The study was a case study of one company and therefore it may not be expanded to include more companies. Therefore the applications of the study findings are limited to one company. The study recommends that, further research could be expanded to include other companies in the transport industry in order to make a comprehensive conclusion. At the same time the same study should be carried on other industries especially in the manufacturing sector, to enhance comparison.

CHAPTER ONE

INTRODUCTION

Background of the Study

Competitive strategy is concerns what a firm is doing in order to gain a sustainable competitive advantage. It comprises of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position. In order to survive in the competitive environment, it becomes necessary for the threatened public transport companies to be aggressive in their search and development of strategies that provide competitive advantage as they step up defensive strategies to protect their competitive advantages. The stiff competition among the public transport companies and the entry of other players into the industry following the ban on fourteen seater passenger vehicles necessitate the design of competitive strategies to guarantee their performance. Successful strategies lead to superior performance and sustainable competitive advantage. The ability of a company to command a competitive advantage depends on the sustainability of the competitive advantages that it commands.

The study will be founded on two theories: Open systems theory which holds that organizations as open systems operate from an environment and are therefore affected by the operating environment in equal measure that they affect it. Open system perspectives see organizations both as hierarchical systems and as loosely coupled systems and assume that all large organizations are comprised of multiple subsystems, each of which receives inputs from other subsystems and turns them into outputs for use by other subsystems (Hatch, 1997). The subsystems are not necessarily represented by departments in an organization, but might instead resemble patterns of activity. Environmental influences that affect open systems can be described as either specific or general. The specific environment refers to the network of suppliers, distributors, government agencies, and competitors with which a business enterprise interacts. The general environment encompasses four influences that emanate from the geographic area in which the organization operates. This theory therefore calls on firms to consider the operating environment in their strategy formulation process because any strategy not formulated with the immediate environment in mind may fail. The study will further be anchored on the resource based view theory which defines resource as anything which could be thought of as strength of weakness of a given firm (Wernerfelt, 1984). For any organization to implement a strategy, it needs to have adequate resources otherwise the strategy will fail (Barney, 1991). The resources owned or controlled by a firm form the basis of its competitiveness.

Public transit systems play an important role in providing transportation mobility to a significant portion of the community, while at the same time combating traffic congestion, reducing carbon emissions, and promoting compact, sustainable urban communities (Wardman and Waters, 2001). Public transportation comprises all transport systems in which the passengers do not travel in their own vehicles. Express Connections Limited Kenya is one of the companies offering public transport services within Nairobi and its environs. The Company has faced many challenges in its operations which affected its competitiveness forcing it to rethink its strategies for it to remain competitive. Some of the notable industry challenges included increase in the number of companies with large fleets plying on the routes that the Company had initially dominated (Express

Connections Limited, 2015). This increased competition thereby negatively affecting the performance. In order to improve the competitiveness and performance of the Company, the management developed a number of competitive strategies which this study will seek to investigate.

Concept of strategy

A strategy or general plan of action might be formulated for broad, long term, corporate goals and objectives, for more specific business unit goals and objectives, or for a functional unit, even one as small as a cost center (Porter, 1990). A strategy is a long term plan of action designed to achieve a particular goal, most often "winning" (Thompson et al, 2007). Johnson and Scholas (2005) define strategy as the direction and scope of an organization over the long term through configuration of resources within the changing environment, to meet the needs of marketers and fulfil stakeholders’ expectations. Quinn (1980) defines strategy as a pattern or plan that integrates organization`s major goals, policies and action sequences into a cohesive whole. Thompson et al., (2007) contends that a company`s strategy represents a managerial plan for running the business and conducting operations. In the end, the strategy by which the sustainable competitive advantage is gained is known as business level strategy of the organization (Hill & Jones, 2001).

Such goals might or might not address the nature of the organization, its culture, the kind of company its leadership wants it to be, the markets it will or won't enter, the basis on which it will compete, or any other attribute, quality or characteristic of the organization. Strategy and tactics relate to how a given end is to be attained. Together, strategy and tactics bridge the gap between ends and means. Resources are allocated or deployed and then employed in the course of executing a given strategy so as to realize the ending view. The establishment of the ends to be attained does indeed call for strategic thinking, but it is separate from settling on the strategy that will realize them (Nickols, 2011).

Competitive Strategies

Competitive strategy refers to deliberately choosing different set of activities that form the basis of competitive advantage to deliver a unique mix of value (Porter, 1996). It is a long-term action plan that is defused to help a company gain a competitive advantage over its rivals. Porter (1996) argues that competitive strategy is about being different from others in the industry which means deliberately choosing a different set of activities to deliver a unique mix of value. A company has competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces (Thompson & Strickland, 2002).

Porter (2004) outlines the three approaches to competitive strategy these being ; striving to be the overall low cost producer, i.e. low cost leadership strategy, secondly, Seeking to differentiate one's product offering from that of its rivals, i.e. differentiation strategy and lastly ,focus on a narrow portion of the market, i.e. focus or niche strategy. Organizational competitiveness is probably the most widely used dependent variable in organizational research yet it remains vague and loosely defined (Plessis, 2007). The focus of attention in performance has been mainly on financial measures but some scholars have proposed a broader performance construct of ‘business performance’ to incorporate non-financial measures such as market share, customer satisfaction and new products among others as stated in the Balanced Score Card.

Organizational Performance

Performance outcomes result from success or market position achieved (Hooley, Greenley, Cadogan and Fahy, 2005). Organizational performance refers to how well an organization achieves its market-oriented goals as well as its financial goals. Organizational performance means attainment of ultimate objectives of the organization as set out in the strategic plan. Performance can be determined in various ways. It might stand for financial performance, market performance, customer performance or overall performance depending on the context in which the researcher is working from. Financial performance literally refers to financial measures, such as profit margin and return on investment (ROI). Market performance includes: how well the partnership delivers social services to the public through Public-Private-Partnership.

Although the concept of organizational performance is easily thought to be simple and unequivocal, however, it is not just something one observes and measures. It is a relative concept defined in terms of some referent employing a complex set of time-based and causality-based indicators bearing on future realizations. Above all, performance is about the capability to generate future results (Lebas and Euske, 2002).

Public Service Vehicles Industry

The transport sector in Kenya comprises a road network with 150,000 km of roads and 350,000 vehicles most of which are Matatus. Matatus are the informal paratransit industry in Kenya that provide service to millions of people a day and are essentially the backbone of the transportation system in Kenya. This industry is characterized by high competition among players and high season fluctuation every day. As such, there are many factors affecting the financial performance of public transport businesses. Existing public transport in Nairobi is predominantly road based. The transport systems comprises of conventional buses and matatus (mini-bus).

Kenya railway services are insignificantly felt in the provision of public transportation for the city. Like in any other city, taxis, and other three wheeled taxis (tuk tuk) are also operated in the city (JICA, 2006). The term 'matatu' was coined from a Kikuyu phrase; mangotore matatu' meaning thirty cents which was the standard flat fare charged by the matatu's (Kimani et al, 2004). The evolution of the Matatu, from a quick and easy response to unmet travel demand, to the dominant mode of transport in Kenya, began in the late 1950s. After Kenya's independence in 1963, Africans migrated to Nairobi seeking employment opportunities. Recognizing the opportunity for financial gains while providing a much-needed service, mini-bus pirate taxis, which were largely owned by middle-income people, began offering a transport service from rural areas and from informal settlements around the city.

Due to high demand, the number of Matatus, increased. They continued to operate illegally in the city until 1973 when then President Jomo Kenyatta issued a decree officially recognizing Matatus as a legal mode of public transport (Mutongi, 2006). The main idea was to increase and make the mobility of people more efficient and create more jobs in the informal sector (Kimani et al, 2004). There was also the populist notion that Kenyatta believed that Matatus were useful to the common man and that the owners (who were often the drivers as well) were examples of hard-working African entrepreneurs dedicated to contributing to the development of Kenya. Matatus revealed indigenous economic entrepreneurship at its best (Mutongi, 2006).

The Matatu industry has played a central role in mobility, politics and economics, solidifying its role and importance in Kenya’s cultural fabric. As Kenya became dependent upon Matatus to transport people to and from various destinations located in the metropolitan areas, their numbers increased from 400 in 1973 (Lee-Smith, 1989) to an estimated 15,000 Matatus in the Nairobi Metropolitan Area today. By facilitating a broader policy dialogue involving key stakeholders in the industry and the inclusion of the matatu industry in the reform process, rather than the exclusion of the industry so often seen in the past, this paper argues that matatus can play an important role in the creation of a more comprehensive transit system that would service not only Nairobi, but its satellite cities as well.

Express Connections Kenya Limited

Express Connections Ltd is a public transport company in Kenya that started operations in 1979 with only one bus and has increased the fleet to over 200 buses currently. It was started under the directorship of the late John Mwangi Mugo and Mary Mwangi. The business started operations in an era that was characterized by many challenges such as the lack of a conducive environment for growth, lack of proper regulatory framework for governing and guiding public service sector operations. The public transport industry in Kenya has been described as chaotic and controlled by cartels known to control routes and fleece operators and commuters of their hard earned money (Protus, 2011).

Research Problem

Today's organizations engaging in businesses have to contend with the dynamics of a changing competitive environment as competition is one of the environmental influences they have to contend with. Competitions exert pressure on firms requiring that they be proactive and formulate successful strategies that facilitate their competitiveness. Competitive strategy is about being different and it means deliberately choosing a different set of activities to deliver a unique mix of value (Porter, 1986). In a competitive market environment, customers make choices based on their perception of the value for money which is a combination of price and perceived product or service benefits and other value prepositions offered by an organization.

In Kenya, the development of an efficient transport system has been identified as one of the foundations for socio-economic transformation under the vision 2030 strategy. This saw the introduction of several measures to regulate the operations in the public transport industry especially within the Nairobi Central Business District. All public service vehicles are now required to register with a SACCO and obtain a transport license from the Transport Licensing Board. In addition small capacity vehicles saw a ban on new licensing within the City meaning that large capacity vehicles were the only ones to be licensed. Express connections had already ventured into this sector with larger capacity vehicles. However, following the directive to ban smaller capacity vehicles, the industry became very competitive forcing organizations to rethink their strategies if they are to remain competitive.

Several studies have been conducted on competitive strategies and organizational performance. For instance, Wanjohi (2008) examined competitive strategies and positioning within a changing business environment adopted by MFIs in Kenya using a case of Kenya Women Finance Trust (KWFT). The study established that company's mission and vision statements form the bases of a company‘s goal. This study concentrated on Microfinance industry which has only a few players as compared to the public transport industry hence its findings may not apply to the case of Express Connections limited. A study by Kihoro and Ombui (2012) on effects of competitive strategies on customer retention in G4S services (K) Ltd found that competitive strategies played an important role in achieving customer retention (Krapfel et al., 2006). This study looked at the security company which operates in a different environment from PSV. Munyiri (2014) examined competitive strategies and customer retention among commercial banks in Kenya and concluded that the banks adopt differentiation strategies by offering superior goods and services of high quality to their customers. This study too was on commercial banks and based its competitive strategy on customer retention which is a different dependent variable from the ones to be studied in this study.

Although a number of studies have been done on competitive strategies and organizational performance, a knowledge gap exists in the public service transport industry. None of the studies has focused on the influence of competitive strategies on performance of public transport service companies in Kenya. This study, therefore, sought to determine the influence of competitive strategies on performance of public transport service companies in Kenya. Do competitive strategies have an effect on performance of Express Connections Kenya Limited?

Research Objectives

This study was guided by the following objectives:

i. To determine the competitive strategies adopted by Express Connections Kenya Limited

ii. To determine the effects of competitive strategies on performance of Express Connections Kenya Limited

Value of the Study

The study would be of significance to public service transport companies in Kenya as it will expose the significance of competitive strategy to sustained company performance. The results of the study will guide the management staff among public transport vehicle companies in formulating policies and business processes that are supportive of competitive strategies that in return enhance organizational performance and as a result increase competitive advantage for the Company.

This study would be important to the policy makers in the public transport industry as they will be able to know for certain how competitive strategies affect performance of companies. The results will contribute to a better understanding on how effective the competitive strategies adopted by the companies are in affecting organizational performance.

The results of this study would also be important to future researchers and scholars, as it will form a basis for further research. The scholars would use this study as a basis for discussions on competitive strategies adopted by transportation companies in improving their performance. The study will also be a source of reference material for future researchers on other related topics; it would also inform other academicians who undertake the same topic in their studies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of the related literature on the subject of competitive strategies and organizational performance as presented by various researchers and scholars. The materials are drawn from several sources which are closely related to the theme and the objectives of the study.

2.2 Theoretical Foundation

The study is founded on two theories including the open systems and the resource bases view theory all of which explain how organizations need to interact with the environment to build competitive advantage in its industry. These theories are discussed in details below:

2.2.1 Open systems Theory

The proponents of open systems theory argue that as firms conduct their businesses, they will be influenced by occurrences and changes or factors from external environments (Burnes, 2000). As such, for any firm to be successful, they must continuously interact with the ever changing external environment. Firms that have to be effective and successful should adapt appropriately to changes that occur in their respective environment. This is because firms are environment serving and dependent (Ansoff and McDonell, 1990) and must therefore adapt or create a fit to their environment if they are to remain viable (Duncan, 1972).

Lawrence and Lorsch (1967) established that in any system, firms can sustain its operations by interacting with its external environment. It is feeding upon itself by being permeable to through no boundaries and interacts with the environment. Open systems are living systems and maintain themselves in exchange of inputs with external environment. Firms operating under open systems are highly adaptive while closed ones not because they are not permeable as they do not make any exchanges with external environment. Firms should always continuously interact with their external environment to attract the resources that can sustain or enhance their performance. Carmeli and Tischer (2004) argued that firms have to compete for the scarce resources responsible for their survival and only firms that are compatible with the immediate environment avoid being extinct.

2.2.2 Resource Based View Theory

The resource-based perspective has an intra-organizational focus and argues that performance is a result of firm-specific resources and capabilities (Barney, 1991). The resource-based view (RBV) is a basis for the competitive advantage of a firm that lies primarily in the application of a bundle of valuable tangible or intangible resources at the firm's disposal (Collis and Montgomery, 1995). The RBV isolates idiosyncratic resources that are complex, intangible, and dynamic within a particular firm which can be utilized by the firm to gain and sustain competitive advantage (Barney, 1991). The bundles of resources that are distinctive to a firm give it an edge which other firms may not easily copy hence providing sustainability of the competitiveness (Wernerfelt, 1984).

The basis of the RBV is that successful firms will find their future competitiveness on the development of distinctive and unique capabilities, which may often be implicit or intangible in nature (Wernerfelt, 1984). The firm's unique resources and capabilities provide the essence of strategy. Barney (1991) argues that if all the firms were equal in terms of resources, there would be no profitability differences among them because any strategy could be implemented by any firm in the same industry. The RBV suggests that competitive advantage and performance results are a consequence of firm-specific resources and capabilities that are costly to copy by other competitors. Therefore, in an organization's effort to gain competitive advantage, it is important to establish the resources owned by the company and how such resources can be tapped for the given organization's competitive advantage.

2.3 Competitive Strategies Adopted in Organizations

The state of competition in an industry is determined by the five basic competitive forces commonly known as Porter's generic strategies. Porter (1998) says that there are three potentially successful generic strategies that a firm can use for it to be able to outperform other firms in an industry. Competitive strategies analyses the core competencies and capabilities of a firm against the competition and the customers' needs so as to select the position the firm will take in order to survive and compete successfully. Porter (1996) argues that competitive strategy is about being different. This means deliberately choosing a different set of activities to deliver a unique mix of value. Strategy is about competitive position, about differentiating oneself in the eyes of the customer, adding value through a mix of activities different from those used by competitors. If the primary determinant of a firm's profitability is the attractiveness of the industry in which it operates, an important secondary determinant is its position within that industry. Even though an industry may have below-average profitability, a firm that is optimally positioned can generate superior returns (Porter, 1980).

A firm positions itself by leveraging its strengths and minimizing the effects of its weaknesses. Porter (1980) argues that a firm's strengths ultimately fall into one of two categories, namely cost advantage or differentiation. Porter (2004) identifies competitive strategy actions as positioning, taking an offensive, exploiting change and diversification. Galliers and Leidner (2006) argue that as it becomes harder to sustain operational advantages in a competitive market, firms turn to strategic positioning in order to gain a cost advantage or premium pricing by competing in a distinctive way. In positioning, the company determines areas where it should confront competition and where it should avoid it, whereas in taking an offensive, the company attempts to cope with competitive forces or alter their causes

2.3.1 Overall Cost Leadership Strategy

A firm that chooses a cost leadership strategy focuses on gaining advantages by reducing its economic costs below the costs of all its competitors (Barney, 1997). Cost leadership requires aggressive construction of efficient scale facilities, vigorous pursuit of cost reductions from experience, tight costs and overhead controls, avoidance of marginal cost accounts and cost minimization in many areas like advertising, services etc. Here, low costs relative to competitors becomes the theme running through the entire strategy although quality and other areas cannot be ignored (Porter, 1998). The strategy protects the organization from new entrants. This is because a price reduction can be used to protect from new entrants. However, the risk of cost leadership is that competitors may leap from the technology, nullifying the firms accumulated cost reductions. Other competitors may imitate the technology leading to firm's loss of its competitiveness.

Achieving a low cost overall position often requires a high relative market share or other advantages such as favorable access to raw materials, having a high degree of capitalization (Porter 1998, Pearce and Robinson 1997). A low cost leader is able to use the cost advantages to charge lower prices or enjoy higher profit margins. He can thus defend himself in price wars, attack competitors on price to gain market share (Pearce and Robinson, 1997). In a study of competitive strategies applied by commercial banks, Gathoga (2001) concludes that banks had adopted various competitive strategies, which included delivery of quality service at competitive prices and at appropriate locations. The banks also engaged in product differentiation by creating differentiated products for different market segments.

A cost leadership strategy is designed to produce goods or services more cheaply than competitors by stressing efficient scale of operation. When a firm designs, produces, and sells a comparable product more efficiently than its competitors as well as its market scope is industry wide, it means that the firm is carrying out the cost leadership strategy successfully (Brooks, 1993). Firms often drive their cost lower through investments in efficient-scale facilities, tight cost and overhead control, and cost minimizations in such areas as service, selling and advertising (Porter, 1980). They often sell no-frills, standardized products to the most typical customers in the industry. Thus, the primary thing for a firm seeking competitively valuable way by reducing cost is to concentrate on maintaining efficiency through all activities in order to effectively control every expense and find new sources of potential cost reduction (Dess and Davis, 1984).

Once low cost is achieved, the position provides high margins which can be re-invested in new equipments and modern facilities in order to maintain the cost leadership (Porter, 1998). It defends the firm against powerful buyers who can exert power to drive costs down and also against powerful suppliers by providing more flexibility to cope with input costs increases. In addition it places it places the firm in a favorable position vis-à-vis substitutes relative to its competitors in the industry

2.3.2 Differentiation Strategy

Differentiation strategy involves offering products or services that are perceived industry-wide as being unique (Porter, 1998). It is one in which a firm offers products or services with unique features that customers value. The value added by the uniqueness lets the firm command a premium price. The key characteristic of differentiation strategy is perceived quality (whether real or not). This may be through superior product design, technology, customer service, dealer network or other dimensions. The advantage of differentiation is that perceived quality and brand loyalty insulates company from threats from any of the five forces that determine the state of competition in an industry. Price increases from powerful suppliers can be passed on to customers who are willing to pay. Buyers have only one source of supply. Brand loyalty protects from substitutes. Brand loyalty is also a barrier to new entrants. The risks to differentiation strategy include limitation due to production technology. The ‘shelf life’ of differentiation advantage is getting shorter and shorter. Customer tastes may also change and wipe out the competitive advantage.

According to Sheikh (2007), computer technology is crucial to Accounting Information Systems (AIS) and to accountants for many reasons. One is that computer technology must be compatible with, and support, the other components the AIS. Secondly, in trying to expand their services, audit firms are moving into provision of outsourced accounting and/or internal auditing services, which require mastery of computer accounting packages. Githae (2004) implies that in differentiating, audit firms have to broaden their services. They have to embrace various disciplines crucial to world of business, charting what one may describe as new frontiers. They have to adopt such strategies as forensic services to remain competitive

2.3.3 Focus Strategy

The focus strategy whether anchored in a low-cost base or differentiation base attempts to attend to the needs of a particular market segment (Pearce and Robinson, 1997). It rests on the premise that a firm is able to serve its narrow strategic target more effectively or efficiently than competitors who are competing more broadly. As a result the firm achieves either differentiation from better meeting the needs of the particular target market or lower costs in serving this market or even both (Porter, 1998).

Kombo (1997) in a study on the motor industry notes that firms had to make substantial adjustments in their strategic variables in order to survive in the competitive environment. The firms introduced new techniques in product development, differentiated their products, segmented and targeted their customers more and improved customer service. Karanja (2002) observes in a study of real estate firms in Kenya that increase in the number of players has led to increased competition. The most popular type of competitive strategy was on the basis of focused differentiation. Firms tended to target certain levels of clients especially the middle and upper class who resided in certain targeted estates.

Firms pursuing this strategy are willing to service isolated geographic areas, satisfy needs of customers with special financing, inventory or servicing problems or even to tailor the products to somewhat unique demands of the small to medium-sized customers. The firms that achieve this strategy may potentially earn above-average returns for its industry. It can also be used to select targets that are least vulnerable to substitute products or where competitors are weakest

2.4 Influence of Competitive Strategies on Organizational Performance

According to Robson (1997), the more aligned the competitive strategies with the corresponding internal and external competitive forces are, the higher the ability of the given firm to utilize the competitive force to its favour or to its defence. The choice of a competitive strategy is critical for the survival and success of any company. Increased competition threatens the attractiveness of an industry and reduces the profitability of industry players as it exerts pressure on firms to be proactive and to formulate successful strategies that facilitate proactive response to anticipated actual changes in the environment. Literature has shown that there is a strong link between unique advantage and performance of organizations. Competitive edge is able to significantly predict the variance in the performance of the organization.

Several studies have revealed the relationship between competitive strategies and organizational performance. Mwangi and Ombui (2013) examined effects of competitive strategies on the performance of mission hospitals in Kenya using a case of Kijabe Mission Hospital. These competitive strategies include marketing portfolios with adequate human and capital resources, social responsibility activities, brand images, convenience retailing, market share position and length of time in the industry. The study concludes that cost leadership had the greatest effect on the performance of the mission hospitals, followed by product/market development strategies, then market focus while differentiation had the least effect on the performance of the mission hospitals.

Pertusa-Ortega, Molina-Azorín and Claver-Cortés (2008) carried out a study on the competitive strategies and firm performance: a comparative analysis of pure, hybrid and 'stuck-in-the-middle' strategies in Spanish firms. The findings show that a large number of the organizations use different types of hybrid strategies and also that such strategies tend to be associated with higher levels of firm performance, particularly those strategies which place emphasis on a greater number of strategic dimensions, and specifically on innovation differentiation.

2.5 Empirical Review

Several studies have been conducted on competitive strategies and organization performance. The dynamic environment in which organizations operate demand that they come up with relevant strategies to drive their performance. Kasingiu (2010) examined strategic responses adopted by Kenya Post Office Savings Bank to the changing competitive environment in the banking industry. Kenya Post Office Savings Bank

(KPOSB) had faced intense competition as the bank is purely a deposit taking institution and has had to come up with strategic responses to the competitive environment. The bank had adopted some strategic responses to its competitive environment that include, restructuring, retrenchment, increased marketing activities, changes in Information Technology and culture change. This study was done in a Bank which has better organized structures as opposed to the transport business. Therefore its findings may not fully apply for the transport sector.

Olson and Slater (2015) studied the balanced scorecard, competitive strategy, and performance. It is noted that different product-market strategies have different requirements for success. Just as organizational structures and processes are tailored to assist in implementing a chosen strategy, so too should the performance emphases adopted by a firm. The logic of this approach underlies the reason why many managers have adopted a balanced scorecard approach to measuring performance. But balance implies that all measures are equally important in all settings. The researchers endorse the multi-measure approach to understanding company performance, but challenge the idea that all measure re equally important irrespective of the product-market strategy adopted. This study was conducted in United States of America which is a developed world as opposed to Kenyan context therefore making it difficult to apply its findings for the case of Express Connections Limited

Akingbade (2015) examined how competitive strategies could be implemented for improved customer satisfaction, retention and loyalty. Three null hypotheses were postulated to test the relationship between lower prices and customer satisfaction, uninterrupted trunk services and customer loyalty, and customer complaint handling and retention. Only customers using telephone service were selected as respondents from Lagos State. From the study, findings revealed relationship between competitive strategies and customer satisfaction, retention and loyalty. The findings revealed that there is a relationship between competitive strategies, its constituents and performance of telecommunication companies. It is recommended that universal mobile telecommunication services (UMTS) operators should adopt the culture of competitive strategies since it can impact on their performance for achieving competitive advantage. This study was done in Nigeria and its variables differed from the ones being studied here.

In another study, Ndunge (2012) examined response strategies to challenges of competition by horticultural export firms in Kenya. The objectives of the study were; to establish the challenges of competition facing the horticultural export firms in Kenya, and to determine the response strategies adopted by the horticultural export firms in Kenya to cope with challenges of competition. The study established that horticultural export firms in Kenya are being faced by several challenges including: rivalry within the industry, competition for source of suppliers, competition for warehousing facilities and competition for channels of distribution. Firms must address these challenges to deal with competition from their rivals in the industry. The study however established that firms are using several strategies to deal with competition which include: Turn around strategies- an all-round strategy dealing with competition, product diversification, new market penetration, e-marketing of the company’s products, investing in packaging and product differentiation, target market, out-sourcing of services, differentiating strategies, refocusing the business and enlarged branch network worldwide. This study reviewed the horticulture industry which faces different challenges from the ones in transport sector therefore its findings may not apply in the case of this study.

Munyiri (2014) studied competitive strategies and customer retention among commercial banks in Kenya. This study sought to establish the extent to which competitive strategies influenced customer retention. The study adopted a descriptive survey design and targeted all the forty four registered commercial banks in Kenya. The data was collected using questionnaires using the drop and pick later method. The study concluded that there was a significant relationship between cost leadership strategies and customer retention. In addition, banks used low prices of the bank products to target average customers and also developed new products that met the market demands. The banks also adopted differentiation strategies by offering superior goods and services of high quality to their customers. On focus strategy, banks had developed products that targeted a particular market segment and there was a measurable relationship between customer satisfaction and customer retention in banks. This study concentrated on commercial banks whose challenges are different from the public service vehicles industry therefore making it difficult to apply its findings for the context of this study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methodology that was used in the collection of data required to meet the research objectives. It specifically covers the research design, data collection and data analysis.

3.2 Research Design

The research used a case study approach to give an in-depth understanding of the competitive strategies on performance of Express Connections Limited. A case study is an empirical inquiry that investigates a phenomenon within its real-life context of one organization.

Case study research provides a systematic way of looking at events, collecting data, analyzing information, and reporting the results. As a result the researcher is able to gain a sharpened understanding of why the instance happened as it did, and what might become important to look at more extensively in future research (Yin, 2002). Other studies such as (Kasingiu, 2010 and Musyoka, 2011) successfully adopted this research design.

3.3 Data Collection

The study used both primary and secondary data. Primary data was collected using an interview guide. The interview guide enabled the researcher to collect in-depth qualitative data. This was used in order to gain a better understanding and a more insightful interpretation of the results from the study. Secondary data was collected from audited financial reports and other publications at Express Connections Limited. The researcher will interview senior and middle level managers at the Company in competitive strategy formulation issues from an operational point of view. The Company has a total of eight senior and middle level managers. All the senior and middle level managers were included in the study so as to give all inclusive information.

3.4 Data Analysis

Data collected was qualitative in nature as it was collected using an interview guide. Content analysis was used to analyze this data collected from the interviewees. Kothari (2004) define content analysis as any technique used to make inferences through systematic and objective identification of specified characteristics of messages. Kothari (2004) also explains content analysis as the analysis of the contents of documentary and verbal material, and describes it as a qualitative analysis concerning the general import of message of the existing documents and measure pervasiveness.

Data collected was organized into various thematic areas so as to build a profile about the competitive strategies adopted by Express Connections Limited. A report was then be generated to show the competitive strategies adopted by Express Connections Limited to improve organizational performance.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the analysis, findings and the discussions based on the research findings. The study objective was to determine the competitive strategies adopted and the effects of those strategies on the performance of express connections Kenya Limited. Of the targeted 8 respondents, 6 senior and middle level managers availed themselves for an interview.

4.2 General Information

The researcher sought to collect some background information concerning the targeted interviewees. This helped to establish their appropriateness in providing the desired information that the researcher sought. The interviewees were asked to indicate the position they held at the company. From the responses, four of the interviewees were middle level managers whereas only two were senior level managers.

Additionally, the interviewees were required to specify the duration of time that they had worked at Express Connections Limited. Majority of the interviewees had been in the company for more than five years. This shows that the interviewees understood the company`s operations with regards to the adopted competitive strategies on performance

4.3 Competitive Strategies Adopted by Express Connections Kenya Limited

The interviewees were asked to indicate the strategies that were being adopted by Express Connections Limited in attempts to ensure that it remained competitive. From the given responses, the interviewees indicated that standard pricing was being used within the respective timings for instance peak and off peak differentiation, usage of standard colors so as to identify the fleet and the creation of a sister company to help build the bus bodies and in repair of the vehicles were being used as a competitive strategy to increase efficiency.

The interviewees noted that the company had adapted these strategies so that it could remain competitive in terms of fares that were being charged across all routes. These strategies also ensured the provision of high quality services to customers. They further indicated that the company adapted these strategies so that clients would enjoy a different feel on the services being provided by engaging a uniformed staff, standard departure and arrival stoppages. The board of directors and management teams were the ones charged with the implementation of adopted strategies at the firm. It was noted that the company had segmented its market on the basis of routes being covered by the fleets and zones. Consequently, it was established that the company had segmented its market in order to ensure effective coverage of all routes and thus ensured timely provision of quality service to its clientele.

With regards to how the company went about setting the costs for its services, the interviewees indicated that the company used market priced surveys on route charges and also engaged in the calculation of total cost per kilometer being covered by the fleet and then marked up this cost to obtain a profit. The interviewees were requested to provide information as to who participated in the setting of costs for the provided services and how exactly they were involved. The study noted that fleet managers, garage managers, the financial controller and the sales manager had been issued with a cost sheet per fleet whereby they were required fill it on a day to day basis. The information from these sheets was then used in calculating the overall cost per vehicle in special consideration to mileage, fuel consumed, staff enrolled and other administrative costs relevant for efficient delivery. Additionally, it was noted that the managers not only headed their respective sections and in the case cost centers but also were the individuals who were best suited to identify operational related costs.

On the question whether the company had entered into any form of business partnerships, the interviewees noted that the company had not entered into any form of business arrangement. This could be a form of strategy to ensure that the company did not compromise on its quality provision of services to its customers. The interviewees were asked to indicate how the company differentiated its services from the other public transport service providers in the country where they indicated that the company strives to set itself apart from the crowd by offering high quality commuting services to its clientele. The company also readily emphasizes on safety of its staff and clientele by properly training its personnel and installing safety equipment in its buses. Comfort and design was also noted to be part of the company`s strategy since the firm readily decorates its vehicles using a standard pattern that is easily recognizable. The client service in this company was exceptional in comparison to other service providers.

4.4 Competitive Strategies and Performance of Express Connections Kenya Limited

The interviewees were required to identify the extent to which the competitive and differentiation strategies had affected performance in the company. The interviewees noted that the adopted strategies had affected performance at the firm to a great extent. The company embarked on being the lowest priced services provider among its competitors thus the competitive strategies enhanced a sustainable competitive advantage in providing service quality to it clienteles. The interviewees indicated that during strategy formulation, the company looks at the resources available and the potential available to generate more value from these resources in a sustainable way.

The interviewees indicated that competitive strategies influenced the profitability of the company in that they can choose to focus on a select customer group, service range, and geographical area. The focus strategy, whether anchored in low-cost base or differentiation base, attempts to attend to the needs of a particular market segment. The focused on company profit from their willingness to serve otherwise ignored or under-appreciated customer segments.

On the question on ways the strategies influenced operating costs in the Company the interviewees stated that the company opens up a sustainable cost advantage over competitors and uses that lower cost as a basis for either under pricing the competitors and gaining a larger market share at their expense or earning a higher profit margin by selling at the going price.

4.5 Discussions

From the findings above, the study established standard pricing was being used within the respective timings for peak and off peak hour differentiation. These findings are consistent with Galliers and Leidner (2006) who identified competitive strategy actions as positioning, taking an offensive, exploiting change and diversification. They argue that in positioning, the company determines areas where it should confront competition and where it should avoid it, whereas in taking an offensive, the company attempts to cope with competitive forces or alter their causes. By classifying the market into peak and off-peak hours, the Company was able to adjust to the demand for their services so as to remain competitive. The findings further showed that the Company used standard corporate colors on all its fleet so as to identify the fleet. This enabled the Company to differentiate its services and create a strong brand. These findings are consistent with Githae (2004) who argues that branding enables firms to differentiate and broaden their services.

The Company further created a sister company to help build the bus bodies and in repair of the vehicles. This strategy helped in managing the fleet development and management costs. This is consistent with Porter (1996) who argues that competitive strategy is about being different. The findings also indicated that the company had adapted these strategies so that it could remain competitive in terms of fares that were being charged across all routes. These strategies also ensured the provision of high quality services to customers.

The company adapted these strategies so that clients would enjoy a different feel on the services being provided by engaging a uniformed staff, standard departure and arrival stoppages. The board of directors and management teams were the ones charged with the implementation of adopted strategies at the firm. The company used market priced surveys on route charges and also engaged in the calculation of total cost per kilometer being covered by the fleet and then marked up this cost to obtain a profit. This enabled the Company in setting competitive prices to remain competitive. This also enabled the firm to differentiate its services with those of competitors. Fleet managers, garage managers, the financial controller and the sales manager had been issued with a cost sheet per fleet whereby they were required fill it on a day to day basis. Karanja (2002) argues that management of costs of operations in an organization involves several individuals and cost centres.

It was noted that the managers not only headed their respective sections and in the case cost centers but also were the individuals who were best suited to identify operational related costs. The company differentiated its services from the other public transport service providers in the country where they indicated that the company strives to set itself apart from the crowd by offering high quality commuting services to its clientele. According to Mwangi and Ombui (2013), competitive strategies include marketing portfolios with adequate human and capital resources, social responsibility activities, brand images, convenience retailing, market share position and length of time in the industry. The company also readily emphasized on safety of its staff and clientele by properly training its personnel and installing safety equipment in its buses. Comfort and design was also noted to be part of the company`s strategy since the firm readily decorates its vehicles using a standard pattern that is easily recognizable. These findings are in line with the recommendations by Robson (1997) that the more aligned the competitive strategies with the corresponding internal and external competitive forces are, the higher the ability of the given firm to utilize the competitive force to its favour or to its defense.

On the extent to which the competitive and differentiation strategies had affected performance in the company, the respondents noted that the adopted strategies had affected performance at the firm to a great extent. They increased the level of loyalty among customers for the Company's services. The Customer also talked positively about the Company services thus increasing the Company's profitability. The interviewees also noted that the competitive strategies helped the Company in increasing the fleet size as there was ready demand for their services. The interviewees further noted that the competitive strategies enabled the Company launch new routes in its bid to serve a wider Nairobi area. These strategies saw the Company expand its services to Upper Hill area and Kawangware. These findings are in line with those by Pertusa-Ortega et al. (2008) whose findings show that a large number of the organizations use different types of hybrid strategies and also that such strategies tend to be associated with higher levels of firm performance, particularly those strategies which place emphasis on a greater number of strategic dimensions, and specifically on innovation differentiation.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This study sought to explore the effect competitive strategies on performance of Express Connections Kenya Limited. The chapter presents the summary of findings, conclusions drawn from the data findings. It presents the recommendations of the study. All this had been geared toward achieving the objectives of the study.

5.2 Summary of Findings

On the competitive strategies adopted by express connections Kenya Limited, The study established that the Company adopted a number of competitive strategies including: standard pricing; branding strategy, market segmentation through peak and off-peak timing and differentiation. In branding, the Company used standard colors on all its fleet so as to identify the fleet in the eyes of customers. The Company also a sister company to help build the bus bodies so as to keep the fleet growth and management costs low. The Sister Company also offered service and mechanical repairs to the Company fleet thus keeping the operation costs low. The company also used segmented market on the basis of routes being covered by the fleets and zones in order to ensure effective coverage of all routes and thus ensured timely provision of quality service to its clientele. The board of directors and management teams were the ones charged with the implementation of adopted strategies at the firm.

The study found that Competitive advantage is ultimately built and maintained by adding value to customers. The company used market priced surveys on route charges and also engaged in the calculation of total cost per kilometer being covered by the fleet and then marked up this cost to obtain a profit. Fleet managers, garage managers, the financial controller and the sales manager were responsible for the setting of costs. The company emphasizes on safety of its staff and clientele by properly training its personnel and installing safety equipment in its buses. Comfort and design was also noted to be part of the company`s strategy since the firm readily decorates its vehicles using a standard pattern that is easily recognizable.

On the effects of competitive strategies on performance of express connections Kenya Limited, the adopted strategies had affected performance at the firm to a great extent in that the company embarked on being the lowest priced services provider among its competitors; they choose to focus on a select customer group, service range, and geographical area and the company opens up a sustainable cost advantage over competitors and uses that lower cost as a basis for either under pricing the competitors and gaining a larger market share.

5.3 Conclusion

The study concludes that service quality and customer relationship are the most effective competitive strategy used by Express Connections Limited as well as differentiation of services to suit their clients. This is crucial in creation of competitive edge for performance improvement in Express Connections Limited since differentiation give a customer effective and efficient services from which they can explore and see their benefits.

Service quality with an absence of cost leadership is not enough to place Express Connections Limited at competitive edge. This is because, the company has considered even low charges for the services they offer as an effort to attract the clients. This has not been as effective as other competitive strategies in mitigating the effects of competition. the competitive strategies enabled the Company launch new routes in its bid to serve a wider Nairobi area. These strategies saw the Company expand its services to Upper Hill area and Kawangware. The competitive and differentiation strategies increased the level of loyalty among customers for the Company's services. The Customer also talked positively about the Company services thus increasing the Company's profitability.

5.4 Recommendations

The study found out that Express Connections Kenya Limited had created a unique positions in the market through provision of its services it therefore recommended that they continue investing in coming up with unique services so that they can differentiate themselves. The company may at the same time continue innovating services which will compete with other companies' and do aggressive marketing in order to change the perception which the customers have regarding the pricing in order to capture a larger market.

Since quality service and good customer relation are the most effective competitive strategies, Express Connections Kenya Limited should put more effort to rejuvenate their relationship with their customers by putting in place machineries that attend to customer needs promptly. However, customer relationship should not be enhanced at an expense of cost leadership since customers are very sensitive to prices.

5.5 Limitations of the Study

The study faced a limitation as regards to interviewee's confidence that the information provided would not be misused but used for the purpose for which it was meant. To overcome this challenge, the researcher assured the respondents that the information they provided would be treated with confidentiality and used for academic purposes only.

The study was a case study of one company and therefore it may not be expanded to include more companies. Therefore the applications of the study findings are limited to one company.

5.6 Suggestions for Further Research

The study recommends that, research could be expanded to include other companies in the transport industry in order to make a comprehensive conclusion. At the same time the same study should be carried on other industries especially in the manufacturing sector, to enhance comparison.

The study was confined to effect of competitive strategies on performance thus the study recommends that other strategies firms are adopting to thrive in this industry could be put into considerations.

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APPENDICES

APPENDIX I: INTERVIEW GUIDE

Section A: General Information

1. What is your position at Express Connections Limited?
2. How long have you been working at Express Connections Limited?

SECTION B: THE COMPETITIVE STRATEGIES

1. What strategies has Express Connections Limited used to ensure it remains competitive?
2. Why has the Company adapted these strategies?
3. Who is charged with the implementation of these strategies?
4. How has the Company segmented its market?
5. Why does the Company segment its market?
6. How does the Company go about setting the costs for its services?
7. Who participates in the setting of cots for its services? How are they involved?
8. Why are these participants involved?
9. Has the Company entered into any form of partnership? If yes, please explain.
10. If yes, why has the Company entered into partnerships?
11. How does the company differentiate its services from other providers in the industry?
12. Why does the Company differentiate its services?

SECTION C: COMPETITIVE STRATEGIES AND PERFORMANCE

1. To what extent has the competitive strategies influenced the competitiveness of the Company.
2. In what ways have the competitive strategies influenced the profitability of the Company?
3. In what ways have the competitive strategies influenced customer preferences towards services offered by the Company?
4. To what extent have the strategies influenced customer satisfaction?
5. In what ways have these strategies influenced operating costs in the Company?

APPENDIX II: SUPERVISOR ALLOCATION FORM

APPENDIX III: INTRODUCTION LETTER FOR DATA COLLECTION

APPENDIX IV: PROPOSAL CORRECTION FORM

APPENDIX V: TABLE OF GAPS

Author	Research Title	Findings	Research Gap
Olson and Slater (2015)	Balanced scorecard, competitive strategy, and performance	organizational structures and processes are key in achievement of organizational objectives	Conducted in United States of America. Findings may not apply to Kenya
Akingbade (2015)	How competitive strategies could be implemented for improved customer satisfaction, retention and loyalty	There is a relationship between competitive strategies, its constituents and performance of telecommunication companies	Done in Nigeria and its variables differed from the current study
Kasingiu (2010)	Strategic responses adopted by Kenya Post Office Savings Bank to the changing competitive environment in the banking industry.	Strategies included: restructuring, retrenchment, increased marketing activities, changes in Information Technology and culture change	Study concentrated on a banking institution and not public transport company
Ndunge (2012)	Response strategies to challenges of competition by horticultural export firms in Kenya	Firms used several strategies: Turn around, an all-round, dealing with competition, product diversification, new market penetration, e-marketing, packaging and product differentiation	Horticultural industry faces different challenges from public transport.
Munyiri (2014)	Competitive strategies and customer retention among commercial banks in Kenya	A significant relationship between cost leadership strategies and customer retention	Commercial banks and public transport sectors are different

Source: (Author, 2015)