

**STRATEGIES USED BY MATATUS IN NAIROBI TO GAIN
COMPETITIVE ADVANTAGE**

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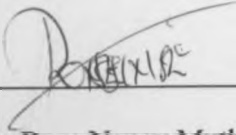


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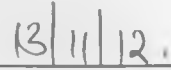
NOVEMBER 2012

DECLARATION

This research project is my original work and has not been presented for a degree in any other university.



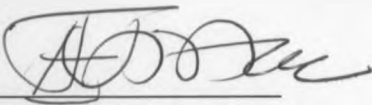
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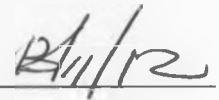
Date

D61/70973/2008

This project is submitted for examination with my approval as University Supervisors.



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Date

ACKNOWLEDGEMENT

I would like to thank my lecturers and supervisors for all their support and guidance. I would like to thank my parents for being that guiding light in my life.

DEDICATION

This project is dedicated to my family and all my friends for the support they have given me.

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ABSTRACT

Firms need competitive strategies to enable them overcome the competitive challenges they experience in the environment where they operate. A competitive strategy therefore enables a firm to gain competitive advantage over its rivals and sustain its success in the market. Competitive strategies comprise both offensive and defensive action and in the face of competition, firms adopt various competitive strategies within the industry sectors. The objectives of this study were to establish the competitive strategies applied by matatus in Nairobi and to establish the factors determining the choice of strategies pursued by the matatu owners. A cross sectional survey consisting of matatus operating in Nairobi was carried out. The study was limited to two hundred matatus that were randomly picked from the four major regions served by matatus. Both primary and secondary data were collected using structured questionnaire and industry analysis report respectively. The study shows though the matatu industry looks a chaotic business in the country, it's a lucrative industry which if attended to and issues raised addressed can generate enormous income and employment for the country.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Companies have found it necessary in recent years to engage in strategic management process in order to achieve their goals. The environment in which they operate has become not only increasingly uncertain but more tightly connected. This requires the company to think strategically and translate their insight into effective strategies to cope with their changed circumstances and to develop rationales necessary to lay the ground work for adopting and implementing strategies in this ever changing environment. In order for the company to achieve their goals and objectives it is necessary for them to adjust to their environment, (Pearce and Robinson, 2000)

Firms need competitive strategies to enable them overcome the competitive challenges they experience in the environment where they operate. A competitive strategy therefore enables a firm to gain competitive advantage over its rivals and sustain its success in the market. According to Porter (1980), competitive advantage cannot be understood by looking at a firm as a whole. It stems from the many discrete activities a firm performs in designing, producing, marketing, delivering and supporting its product. A systematic way of examining all the activities a firm performs and how they interact is necessary for analyzing the sources of competitive advantage. Porter introduces the value chain as the basic tool for doing so. The value chain disaggregates a firm into its strategically relevant activities in order to understand the behaviour of costs, existing and potential sources of differentiation. A firm gains competitive advantage by performing these strategically important activities more cheaply or better than its competitors. In the face of competition, firms adopt various competitive strategies within the industry in order to gain competitive advantage. The matatu industry is one means of transport in Kenya and has to apply several of these strategies in order to survive in the industry. The study will look at these strategies applied by the matatus and what influences the choice of strategy.

1.1.1 Competitive Strategy

A strategy is a company's game plan (Pearce and Robinson, 2000). Although that plan does not precisely detail all deployments it does provide a framework for managerial decisions. A strategy reflects a company's awareness of how, when and where it should compete, against whom it should compete and for what purpose it should compete. The essence of strategy formulation is coping with competition. While we sometimes hear executives complaining to the contrary, intense competition in an industry is neither coincidence nor bad luck. Moreover, in the fight for market share, competition is not manifested only in the other players rather competition in an industry is rooted in its underlying economic and competitive forces exists that go well beyond the established combatants in a particular industry.

1.1.2 Competitive Advantage

When a firm sustains profits that exceed the average for its industry, the firm is said to possess a competitive advantage over its rivals (Porter, 1985). Competition in any given industry is based on three generic strategies namely, cost leadership, differentiation and focus strategy. Competitive strategies comprise both offensive and defensive action and in the face of competition, firms adopt various competitive strategies within the industry sectors (Porter, 1980). According to Johnson and Scholes (2010), strategy helps to position a firm in the wider external environment. It also defines the obligation of the firm to its stakeholders. Strategy therefore helps to define the specific business of the firm in terms of products, market and geographical scope. There is no single exhaustive definition of strategy. What emerges however is that strategy has to do with how a firm relates to its environment. This has to take into account the internal capabilities of the firm in relation to external opportunities and threats. Whether at war or in business, strategy is all about winning against the enemy (competition). The success or failure of a strategy will depend on skilful formulation and effective implementation. All successful strategies have some common elements. They are based on simple consistent and long term objectives. The matatu industry is much updated on the changes in the environment that's why when Koffi Anan came to Kenya in 2008; most of the matatus had his picture on the back window. Thus, the prediction its one of the means of transport that is very environment dependent and environment serving.

1.1.3 Transport Industry in Kenya

The Transportation industry in Kenya comprises a wide range of service providers, covering all modes of transport; air, road, rail and sea. Because of the diversity of the sector the infrastructure group has defined three key market segments that it concentrates on: Roads, Ports and Airports, Rail and Infrastructure. Roads have long been considered as the prime communication link between all economic sectors and the citizenry in Kenya. One of major means of road transport in Kenya is the Matatu. It is estimated that the matatu industry in Kenya controls over 80% of passenger transportation. The industry has been experiencing an exponential growth in size and in terms of employment creation. Currently the industry has an estimated fleet of about 40,000 vehicles of which 11,000 operate in Nairobi (Ndung'u, Kimani and Muyundo, 2004). The industry is very competitive and each Matatu owner has a strategy on how to grow and survive in the industry.

According to Mwaura (2001), a matatu in Kenya describes a 14-seater Nissan Caravan, or Toyota Shark models normally used in several routes within the city, and more so, for journeys to upcountry or else the name refers to 25-seater mini-buses mostly Isuzu models, which are regarded a higher class because of their spacious cabins and special adornment. The sister name for 25-seater matatus is 'manyanga'; a Nairobi slang for 'a very beautiful girl'. The name 'matatu' means 'tatu' which is a Kiswahili word, the common language in East Africa, which means 'three'. When matatus made their first appearance in the late 1960s, the standard fare for a trip was three coins worth thirty Kenyan cents and since then the matatu has been the major means of transport in Nairobi town.

1.1.4 Nairobi Town

Nairobi was built at the turn of the century. It expanded out of a work camp of the Mombasa/Uganda railroad. At that time the primary means of heavy transport was ox-wagons. Consequently the roads were designed for slow-moving traffic. Since those humble beginnings, few major changes have been made to the road grid in the central business district (Mutuku, 2004). As the population has grown and sophistication of transport technology has progressed the city's roads have become choked with motor-vehicles of a kind and in numbers never initially envisioned. Year-

by-year there is increasing congestion, decreasing air quality and a lengthening list of social problems.

Nairobi is divided into eight divisions and fifty locations, mostly named after residential estates and we have matatus operating in these areas (Mutuku, 2004). Each area has a Matatu route number, for example Langata matatu is number 15. Table 1 is the division and locations of Nairobi in which the matatus operate.

Table 1.1: Nairobi Division and Locations

DIVISION	LOCATIONS
Central	Huruma, Kariokor, Mathare, Ngara and Starehe
Dagoretti	Kawangware, Kenyatta/Golf club, Mutuini, Riruta, Uthiru/Ruthmitu and Waithaka
Embakasi	Dandora, Embakasi, Kariobangi South, Kayole, Mukuru kwa Njenga, Njiru, Ruai and Umoja
Kasarani	Githurai, Kahawa, Kariobangi North, Kasarani, Korogocho, Roysambu and Ruaraka
Kibera	Karen, Kibera, Laini Saba, Langata, Mugumoini, Nairobi West and Sera Ngombe
Makadara	Makadara, Makongeni, Maringo, Mukuru Nyayo and Viwandani
Pumwani	Bahati, Eastleigh North, Eastleigh South, Kamukunji and Pumwani
Westlands	Highridge, Kangemi, Kilimani, Kitisuru, Lavington and Parklands

Source: (Mutuku, 2004)

1.2 Research Problem

Strategy relates a firm to its environment. It is the link between a firm and its environment. Strategy serves as a guide to the organization on what it is the organization is trying to do and to achieve. Competitive strategies comprises of both offensive and defensive actions. In the face of competition, firms adopt various competitive strategies within the industry sector in order to gain competitive advantage (Porter, 1980). A firm that does not have appropriate strategies cannot exploit the opportunities available in the market and will automatically fail. A strategy is therefore a critical factor for success in any market and management needs to craft

it carefully to ensure proper fit within the environment within which it is operating. The matatu industry is very competitive and for it to have survived the industry since 1960's a number of competitive strategies must have been applied.

Past studies have shown matatus are the transit industry in Kenya that provide service to millions of people a day and are essentially the backbone of the transportation system in Nairobi. The industry has been experiencing an exponential growth in size and in terms of employment creation. The industry generates considerable revenue both for the central and local governments in the form of taxes as well as for insurance firms, spare parts dealers, mechanics and many other parties (Mutongi, 2006). The growth of the industry has, however, not been effectively facilitated by the government. Most drivers and conductors do not observe traffic rules and are responsible for many accidents in both rural and urban areas. Other problems include harassment of owners and workers by the police, corruption, high government and local authority taxes, lack of control of the industry by the vehicle owners and exploitation by cartels.

According to Mwaura (2001), the matatu industry could be described as organized chaos. However, by understanding its stakeholders and networks, it becomes easier to understand how the matatu industry organizes itself. From this perspective, the industry begins to look less chaotic. Past studies (Mutongi, 2006) have shown various strategies are used by the industry in order to remain competitive. These strategies include; forming matatu saccoes that act as an organization and have managers to handle different issues that may come along. We have various matatus with very good décor and music in order to target a certain section of the market like the youths. However, the previous researches do not show how government policies affect the success of the matatu industry and the players and stakeholders perceptions of the competitive strategies used by operators.

For growth, matatu owners know recovering initial cost of purchasing the matatu is a concern. This can be initially difficult but general expectation is that a sizable profit can be realized in a relatively short time period. Owners must consider the basic cost of operations, including expenditures to cover corruption and bribery as well as fuel, salaries and insurance. To ensure that these costs are recovered, owners set a target for

daily profit thus encouraging matatus crews to overcrowd and speed (Ndung'u, Kimani and Muyundo, 2004). The matatu industry involves many players and it's very competitive. To gain competitive advantage what are the strategies applied and what factors determines the choice of strategy?

1.3 Research Objectives

This study had two objectives. This were

- i. To establish the competitive strategies applied by matatu owners in Nairobi.
- ii. To establish the factors determining the choice of strategies pursued by the matatu owners in Nairobi.

1.4 Value of the study

The study will be of benefit to the government policy makers whom can use the information to understand the industry and aid in the formulation and enforcement of legislation that would facilitate efficient running of the industry.

The study will form a basis for academics and for further research and knowledge on the transport industry. The recommendations of this study are expected to enhance management and general performance of the industry proper and accurate communication and implementation of plans.

The study will serve as a source of information to the public who would like to know more about the matatu industry. It will help fill the gap between theory and practice as applied in management of the industry.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

An organization will achieve competitive advantage through designing and implementing winning competitive strategies. Competitive strategies are those approaches and initiatives a firm takes to attract customers, withstand competitive pressures and strengthen its market position. This chapter looks at the concept of strategy, the impact of external environment on strategy and the different business management tool used to determine the strategic resources available to the company.

2.2 The concept of strategy

Strategy is large scale, future-oriented plans for interacting with the competitive environment to optimize achievement of organizational objectives (Pearce and Robinson, 2000). Strategy also, selects the business the organization is to be in or is currently in, determines and reveals the organizational purpose in terms of long term objectives, action programs and resource allocation priorities. Strategy also attempts to achieve long term sustainable advantage in each of the organization's business by responding properly to the opportunities and threats in the organization's environment, strengths and weaknesses of the organization. It is coherent, unifying and integrative pattern of decisions and it engages all hierarchical levels of the firm (corporate, business and functional). Finally, strategy also defines the nature of the economic contributions it intends to make to its stakeholders (Johnson & Scholes, 2010).

Johnson and Scholes (2011), identify three levels of strategy namely, corporate, business unit and operational. Corporate strategy is concerned with the overall purpose and scope of the organization to meet the expectations of the owners or major stakeholders and add value to the different parts of the enterprise. This level involves the top management of the firm i.e. the chief executive officer and the board. Business unit strategy is about how to compete successfully in a particular market. It involves the person in charge of the business unit, e.g. the unit manager or regional boss. Operational strategy is concerned with how the component parts of the organization in terms of resources, processes, people and their skills effectively deliver corporate and business-level strategic direction. This involves the day-to-day operations such as

production, efficiency and effectiveness. Thus whereas the corporate strategy is more concerned with the general direction to be taken by the whole firm and the business unit respectively, operational strategy is more concerned with the steps necessary to reach the destination as per the direction taken. The decisions at the three levels need to be harmonized to facilitate efficient and successful realization of the overall objectives of the organization. The priorities of the firm are determined at the corporate level while the actual implementation is done at both the business unit and operational levels (Johnson and Scholes, 2010).

Strategy provides an organization with a number of benefits. First, it provides better guidance to the entire organization on the crucial point of what it is an organization is trying to do and to achieve. It makes managers more alert to the wind of change, new opportunities and threatening developments. Strategy provides managers with rationale to evaluate competing budget requests for investment capital and new staff. It also helps to unify the numerous strategy related decisions by managers across the entire organization. Strategy creates a more proactive management posture, countering tendencies to be reactive and defensive. The above constitute the keys to better long term performance of an organization (Porter, 1980). All successful strategies have some common elements. They are based on simple consistent and long term objectives. They are also based on a profound understanding of the competitive environment and objective appraisal of available resources (Grant, 1998). Strategy is key to developing competitive advantage.

Aggressive pursuit of a creative, opportunistic strategy can propel a firm into a leadership position, paving the way for its products or services to become the industry standard (Thompson and Strickland, 1996). It is the level of creativity in implementing the chosen strategy that determines the success of the organization rather than the strategy. An organization can have competitors that are acquainted with the same fundamental concepts and techniques and approaches it is following and are as free to pursue them. However, more often than not, the difference between their levels of success will lie in the relative thoroughness and self-discipline with which the organization develops and executes those strategies for the future (Thompson and Strickland, 1996). Thus, although information may be freely available in a given industry about the possibilities of success or failure, only those firms

willing to formulate and implement winning strategies will survive and prosper. These firms will be the industry leaders.

The environment of a firm or industry is never constant. Customer's tastes and preference keep on changing. New players keep entering a given industry. Technology keeps evolving. Different business environments require different sets of strategies for a firm to succeed. Ansoff and McDonell (1990) note that the management system used by a firm is a determining component of the firm's responsiveness to environmental challenges, diagnoses their impact on the firm, decides what to do and implements decisions. As turbulence levels change, management develops systematic approach to handling the increasing unpredictability, novelty and complexity.

2.3 Competitive Advantage

When a firm sustains profits that exceed the average for its industry, the firm is said to possess a competitive advantage over its rivals (Porter, 1985). The goal of much of business strategy is to achieve a sustainable competitive advantage. An organization will gain competitive advantage over its competitors from an understanding of both markets and customers and special competences that possesses (Porter, 1985). A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage). Thus a competitive advantage enables a firm to create superior value for its customers and superior profits for its self.

Cost and differentiation advantages are known as positional advantages since they describe the firm's position in the industry as a leader in either cost or differentiation (Porter, 1985). A firm size utilizes its resources and capabilities to create a competitive advantage that ultimately results in superior value creation. Porter (1980) provides a framework that models an industry as being influenced by five forces. The strategic manager seeking to develop an edge over rival firms can use this model to better understand the industry context in which the firm operates. The framework uses concepts developed in micro-economics to derive five forces that determine the attractiveness of a market. They consist of those forces close to a firm that affect its

ability to serve its customers and make a profit. A change in any of the forces requires a firm to reassess its market place. These forces include, bargaining power of suppliers, bargaining power of buyers, threat of substitute product and threat of new entrants. The four forces combine with other variables to influence a fifth force, the level of competition in an industry. The intensity of rivalry among firms varies across industries. If rivalry among firms in an industry is low, the industry is considered to be disciplined. This discipline may result from the industry's history of competition, the role of leading firm, or informal compliance with generally understood code of conduct (Porter, 1980).

2.4 Resource Based View Strategy

The resource-based view (RBV) is a business management tool used to determine the strategic resources available to a company. The fundamental principle of the resource based view is that the basis for a competitive advantage of a firm lies primarily in the application of the bundle of valuable resources at the firm's disposal. To transform a short-run competitive advantage into a sustained competitive advantage requires that these resources are heterogeneous in nature and not perfectly mobile (Porter, 1985).

According to Robinson and Scholes (2000), a resource-based view of a firm explains its ability to deliver sustainable competitive advantage when resources are managed such that their outcomes cannot be imitated by competitors, which ultimately creates a competitive barrier. Resource based view explains that a firm's sustainable competitive advantage is reached by virtue of unique resources being rare, valuable, inimitable, non-tradable, and non-substitutable, as well as firm-specific. The fact that a firm may reach a sustainable competitive advantage through unique resources which it holds, and these resources cannot be easily bought, transferred, or copied, and simultaneously, they add value to a firm while being rare. It also highlights the fact that not all resources of a firm may contribute to a firm's sustainable competitive advantage.

2.5 Porter's Generic Strategies

According to Porter (1980), a firm positions itself by leveraging its strengths, he argues that a firm's strengths ultimately fall into one of two categories, namely cost advantage or differentiation. By applying these strengths in either a broad or narrow scope, three generic strategies result. These are cost leadership, differentiation and

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focus. These strategies are applied at the business unit level. They are called generic strategies because they are not firm or industry dependent. They apply across all industries.

A cost leadership strategy is one in which a firm strives to have the lowest costs in the industry and offer its products or services in a broad market at the lowest prices. Characteristics of cost leadership include low level differentiation, aim for average customer, use of knowledge gained from past production to lower production costs, and the addition of new product features only after the market demands them. Cost leadership has advantages. 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 firm's accumulated cost reductions. Other competitors may imitate the technology leading to firm's loss of its competitiveness (Porter, 1980). Differentiation strategy 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 competitive advantage (Porter, 1980). Focus strategy involves targeting a particular market segment. This means serving the segment more efficiently and effectively than the competitors. Focus strategy can be either a cost leadership or differentiation strategy aimed towards a narrow, focused market. Advantages of focus strategy include having power over buyers since the firm may be the only source of supply. Customer loyalty also protects from new entrants and substitute products. The firm adopting focus strategy can easily stay close to

customers and monitor their needs. However, the risks involved in focus strategy include being at the mercies of powerful suppliers since such a firm will buy in smaller quantities. Small volume also means higher production cost leading to loss of economies of scale. Change in consumer taste or technological change could cause such a firm's niche to disappear. Cost leaders or big organizations may also gain interest in a particular niche, eroding the advantage of the focusing firm, (Porter, 1980)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter looks at the research design that has been utilized in this study. It also defines the target population and elaborates on the sample design. This chapter also includes information on data collection and it looks at how the data was analysed.

3.2 Research Design.

A researcher design is a plan, structure and strategy conceived so as to obtain answers to research questions. It provides a framework for planning and conducting a study.

This was a cross sectional survey on the matatu industry in Nairobi. The study seeks to gain insights into the industry profile, competitive position and strategies for survival and growth. A survey was chosen to allow study of the industry that appears to occupy a unique position in the transport industry. A survey can provide valuable insights for problem solving, evaluation and strategy (Cooper, 1995).

3.3 Population

The target population consisted of matatus operating in Nairobi. There are 11,000 matatus operating in Nairobi (Ndungu, Kimani and Muyundo, 2004).

3.4 Sample Design

The study was limited to two hundred matatus which were randomly picked from the four major regions served by matatus in Nairobi. These regions included Westland, Eastland, Southland and the Thika road region.

3.5 Data Collection

In order to comprehensively study the competitive strategies applied by the industry and to make valid conclusions, both secondary and primary data were collected. This is an important approach in a survey as it requires that several sources of information be used for verification and comprehensiveness (Cooper and Schindler, 2003).

Primary data was collected using a structured questionnaire to enable the researcher to gather in depth information on phenomena under investigation. The questionnaire consisted of two sections; section 1 consisted of items pertaining to profile of the respondents (driver/conductor), while section 2 consisted of items pertaining to the area of study. The questionnaire was pre-tested on five randomly selected respondents to enhance effectiveness and hence data validity.

Secondary data was collected from industry analysis reports. Secondary data is data gathered and recorded by someone else prior to (and for purposes other than) the current needs of the researcher i.e. data that have been previously collected for some project other the one at hand. It's usually historical, already assembled, and do not require access to respondents or subjects

3.6 Data Analysis

Data analysis is the process of bringing order, structure and interpretation to the mass of collected data for purposes of current study. The mode of data analysis for the study was descriptive analysis. Percentages, pie charts and frequencies were used. Frequency is the arrangement of statistical data in row and column format that exhibits the count of responses or observations for each category assigned to a variable. Pie chart (circle graph) is the graphical presentation of the observations made. Percentage is a way of expressing a number as a fraction of one hundred (Cooper, 1995)

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter shows the data analysis tabulation. The chapter is presented under subheadings which include: general characteristics of the respondents; competitive strategies applied by matatus in Nairobi; and factors determining the choice of strategies pursued by the matatu owners. The analysis also includes brief discussions of the findings. This section answers the objectives of the study and explains the findings of the study. This chapter has also presented findings in form of frequency, percentage and tables which were computed with the aid of Statistical Package for Social Sciences (SPSS).

4.2 Response Rate

The study had a good response; of the 200 matatus selected 153 gave responses accounting for 77% of the matatus interviewed. The study showed most of the respondents had been in the industry for more than two months and most were in the age group of below forty years, of the respondents, 7.2% were owners and the rest employees for the position of a driver or conductor.

4.2.1 Route number

The response in respect to the route number was as given in Table 4.1

Table 4. 1: Route number

Response	Frequency	Percentage
Route 33	19	12%
Route 8	16	10%
Route 11	19	12%
Route 12	16	10%
Route14	19	12%
Route 15	25	16%
Route 16	20	13%
Route 17	19	12%
Total	153	100%

Source: Fieldwork

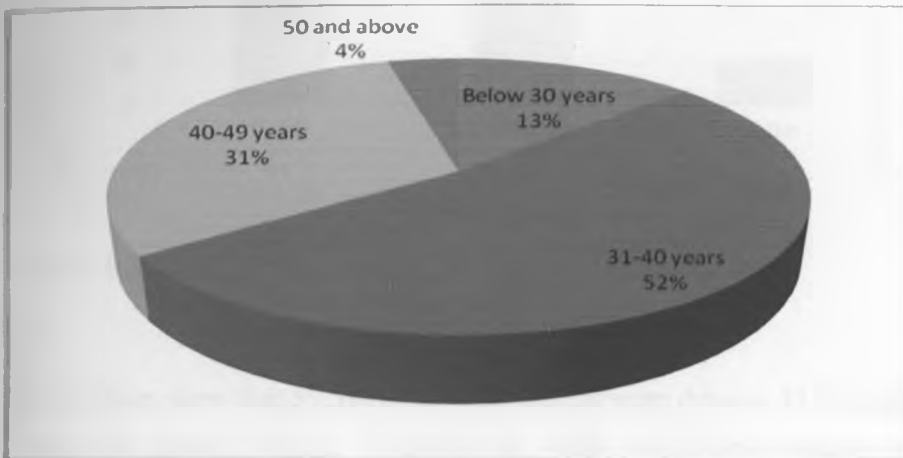
The findings show that data was collected was from 8 routes in Nairobi and the respondents per routes were as follows: Route 15 (16%); Route 16 (13%); Route 33 (12%); Route 11 (12%); Route 14 (12%); and Route 17 (12%); while Route 8 registered (10%).

4.3 General characteristics of the respondents

4.3.1 Age category of the respondent

The response in respect to Age category of the respondent was as presented in figure 4.1

Figure 4.1: Age category of the respondent



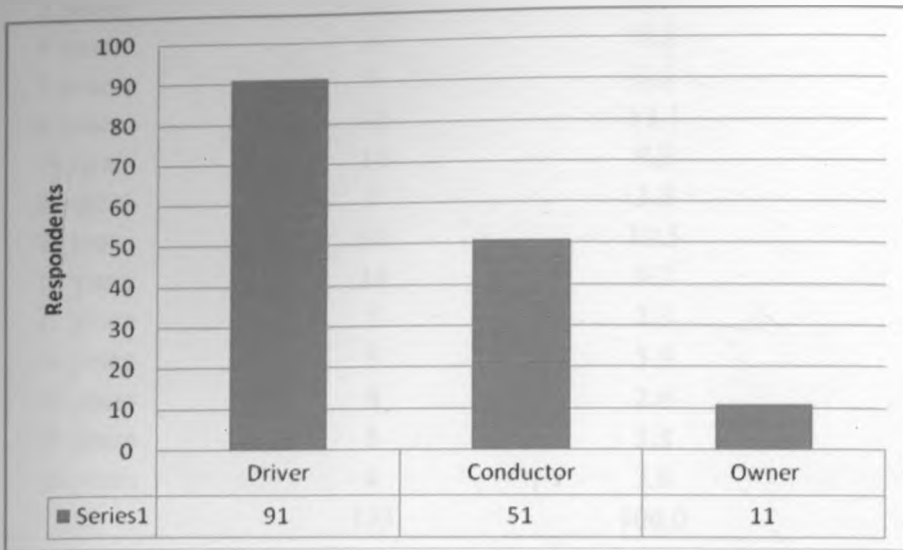
Source: Fieldwork

The findings show that majority of the respondents (52.3%) were aged between 31 and 40 years, 13.1% were aged below 30 years, 30.7% were aged between 40 and 49 years, while 3.9% were aged 50 years or above. This implied that this sector had involved persons from all age categories studied in this research. This is also shown in Figure 4.1.

4.3.2 Respondent Designation

The response in respect to the respondents' designation was as given in figure 4.2

Figure 4.2: Respondents designation



Source: fieldwork

The findings show that 59.5% of the respondents were drivers, 33.3% conductors and 7.2% were matatu owners. Therefore the study was able to capture a non biased opinion of the users. This is further illustrated in Figure 4.2.

4.3.3 Total work experience in years

The response to the total work experience in years for the respondents was as provided in Table 4.4

Table 4. 2: Total work experience in years

Response	Frequency	Percentage
2 years	16	10.5
3 years	20	13.1
4 years	15	9.8
5 years	6	3.9
6 years	20	13.1
7years	14	9.2
8 years	5	3.3
9 years	16	10.5
10 years	14	9.2
11 years	5	3.3
14 years	9	5.9
16 years	4	2.6
17 years	5	3.3
18 years	4	2.6
Total	153	100.0

Source: fieldwork

The findings show that 63% of the respondents had a working experience of more than 5 years, while 37% had a working experience of less than 5 years. Therefore the study was able to capture information sought based on reliable experience.

4.3.4 Length of time in the Matatu industry

The response for the length the respondents worked in the Matatu industry per day was shown in Table 4.3.

Table 4.3: Length of time in the Matatu industry

Response	Frequency	Percentage
2 hours	4	2.6
12 hours	4	2.6
13 hours	10	6.5
14 hours	52	34.0
15 hours	83	54.2
Total	153	100.0

Source: Fieldwork

4.3.5 Highest level of education attained by the respondents

The response for the highest level of education attained by the respondents was as given in Table 4.4

Table 4. 4: Highest level of education attained by the respondents

Response	Frequency	Percentage
Primary school	30	19.6
High school	106	69.3
Tertiary college	17	11.1
Total	153	100.0

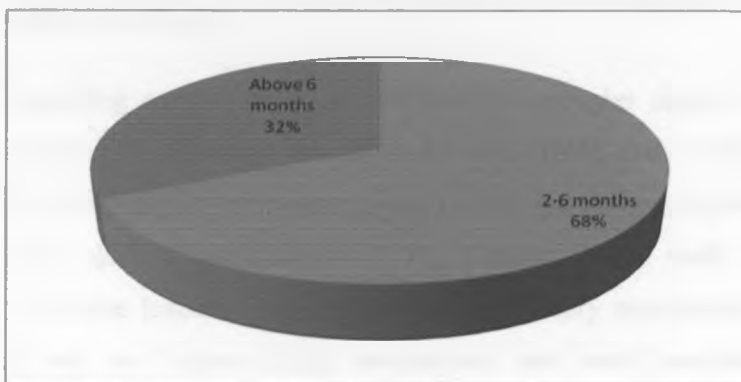
Source: Fieldwork

The findings show that majority of the respondents (69.3%) indicated that high school was their highest attained level, 19.6% had attained primary school level, while 11.1% had attained tertiary level. This implied that majority of the respondents (80.4%) had attained high school or above.

4.3.6 Respondents' average period working with one particular Matatu

The response for the respondents' average period working with one particular Matatu was as given in figure 4.3.

Figure 4.3: Respondents' average period working with one particular Matatu



Source: Fieldwork

The findings reveal that majority of the respondents (68%) indicated that their average period working with one particular Matatu was between 2 and 6 months, while 32% indicated that their average period working with one particular Matatu was above 6 months. This implied that there was a high job turnover in this industry. This is further presented in Figure 4.3.

4.4 Competitive Strategies applied by matatus in Nairobi

The study sought to determine competitive strategies applied by matatus in Nairobi and the findings were as given in Table 4.5

Table 4. 5: Competitive Strategies applied by Matatus in Nairobi

Response	Frequency	Percentage
Job commitment and appreciation	56	37%
Compliance with industrial rules	85	56%
Job training to employees	34	22%
Proper work place documentation	26	17%
Fostering team work	18	12%
Proper vehicle maintenance	78	51%
Adopting a favourable leadership style such as participatory management	19	12%

Source: Fieldwork

According to the findings, competitive strategies applied by matatus in Nairobi included: compliance with industrial rules (56%), proper vehicle maintenance (51%), job commitment and appreciation (37%), job training to employees (22%), proper work place documentation (17%), fostering team work (12%); and adopting a favourable leadership style such as participatory management (12%). Route number 15 had the highest (16%) respondents and most indicated the main competitive strategy was compliance with the industrial rules. These rules include having the right licenses and complying with the traffic rules. Complying with the traffic rules reduced the matatu involvement in an accident. It also saved time spent at police station translating to more time to achieve the daily target. However, compliance with the

industrial rules meant more money was spent acquiring the legitimate licenses thus reducing the profit made at the end of the month.

Proper vehicle maintenance meant less time was spent at the garage and that the vehicle was able to be on the road without interference. Also, money is not spent in purchasing spare parts. Job commitment meant the respondents appreciated their job and that they looked forward to the next day. To appreciate their work they had music systems in their matatus with their favourite songs. Appreciation was also shown with stickers on their vehicles with pictures or writings of current events. This attracted especially the youth to the industry. However, this was also a worry to the parents as would the youth forfeit school since there was an easier way to make money as long as one had initial capital?

4.5 Factors determining the choice of strategies pursued by the matatu owners

The study sought to determine factors determining the choice of strategies pursued by the matatu owners and the findings were as given in Table 4.6

Table 4.6: Factors determining the choice of strategies pursued by the matatu owners

Response	Frequency	Percentage
Matatu condition	101	66%
Work availability	66	43%
Job target	54	35%
Harassment from the city askaris and police officers	26	17%
Cost of fuel	79	52%
Cost of motor vehicle spare parts	45	29%

Source: Fieldwork

The study findings reveal that the factors determining the choice of strategies pursued by the matatu owners included: matatu condition (66%); work availability (43%); job target (35%); harassment from the city askaris and police officers (17%); cost of fuel

(52%); and cost of motor vehicle spare parts (29%). The magnitude of factor is assessed by the percentage score, and thus in this case matatu condition and cost fuel were the main factors followed by work availability. Matatu condition meant a new matatu spent initial gains repaying their investment made thus incase the investment was a loan, the loan is paid within the first few years, hence the matatu owner would go for a strategy that will assist him in recovering the initial cost fast. Cost of fuel was also a major factor in determining the choice of strategy because when the cost fuel was low it meant more profit and extra cash is set aside for vehicle maintenance and any eventuality that may arise. More profit also translated to more job commitment and appreciation.

Work availability referred to the rush hours and seasons of the year like school time. During rush hours the matatu owners use different strategies. Compliance with traffic rules is not a key priority as we find matatus making wrong turns and not obeying traffic rules. Their main aim is to make more trips as the matatu fare during rush hours is higher. During school sessions and rush hours the matatu owners also set a higher target thus the drivers must choose a strategy that will enable them achieve this target. Harassment by city askaris and the police also is a major determiner on the choice of strategy. The focus here is to ensure that all right licences are in place and that traffic rules are followed. Being arrested wastes a lot of time considering a fine will be charged or the matatu owner will have to give the police or the city askaris a certain amount of money to avoid being arrested.

4.6 Discussion of findings

A firm that does not have appropriate strategies cannot exploit the opportunities available in the market and will automatically fail (Johnson and Scholes, 2010). The liquid investment in the matatu industry emphasizes the need to adapt with time, failure leads to lose of revenue resulting to loss in the investment made. A strategy is therefore a critical factor for success in any market and management needs to craft it carefully to ensure proper fit within the environment within which it is operating (Porter, 1980). Past studies have shown matatus are the transit industry in Kenya that provide service to millions of people a day and are essentially the backbone of the transportation system in Nairobi (Mutongi, 2006).). The matatu industry is very

competitive and for it to have survived the industry since 1960's a number of competitive strategies must have been applied.

4.6.1 Comparison to theory

According to Pearce and Robinson (2000), in order for the company to achieve their goals and objectives it is necessary for them to adjust to their environment. Emerging from the study was that the matatu industry appears to base its strategy on the above theory. Various strategies are applied in order to survive the changing environment. For example, with the introduction of the Michuki rules every matatu had to have a yellow line, the drivers and conductors had to have legitimate licences and all matatus fixed with speed governors, seat belts and to reduce the number of passengers to fourteen. Matatu owners had to adapt to the new rules in order to operate on the Kenyan roads. Compliance with the industrial rules was one of the key strategies applied by the matatu owners. These led to less time being arrested and it resulted to more revenue generated. Proper vehicle maintenance was also a strategy in by the matatu owners. Any unroad worthy vehicles are taken to police station and the matatu owner charged. Therefore, for the matatu owner to survive in business he has to ensure his vehicle is well maintained as it reduced time wasted in the police station and also in the cost of spare parts.

When formulating strategy, a firm has to put into account various factors. The aim is to create a competitive advantage for the firm. Competitive advantage is having an edge over rivals in attracting customers and defending against competitive forces (Johnson and Scholes, 2010). Based on this research finding, the matatu industry appears also to base its strategies on this theory. Various factors are used in determining the choice of strategies pursued by the matatu owners and the factors includes: matatu condition, work availability, job target, harassment from the city askaris and police officers, cost of fuel, and cost of motor vehicle spare parts. The magnitude of factor is assessed by the percentage score, and thus in this case matatu condition and cost fuel were the main factors followed by work availability. With an old vehicle, extra care is needed before adopting some strategies. Extra training to the driver is required on how to handle this vehicle basing on its performance history. Allocations need to be strategically made for its timely repair and maintenance. Cost of fuel and spare parts may call for extra commitment and hard work to ensure that

daily targets are met to absorb the fuel and spare parts shock. The theory also states that Competitive advantage is having an edge over rivals in attracting customers and defending against competitive forces, the decor and music in some matatus was also a strategy in gaining competitive advantage.

The matatu industry, without being aware of it, is able to employ growth strategies employed by other organizations. These organizational growth strategies include organic growth, where strategies are developed by building on and developing an organization's own capabilities (Johnson and Scholes, 2010). Therefore by having most players in the industry at below fifty years of age then the industry is building on one of its key pillars which is head count. A younger work force is better able to handle the day to day stresses and variations that are involved in this industry. The younger workforce also means that the need to replace staff because of ageing is negated. This factor is brought out well by the section that reported the work experience, where over sixty percent of the respondents had more than three years experience with over forty percent having more than ten years experience. The pillar on headcount is, however, downgraded by the fact that most players had high school or less educational qualifications. This may be an indication of less skill in the industry, although the data may be skewed in that only seven point two of the responders were matatu owners. Indeed it may be that most people educated to tertiary level play in the industry as owners or investors in this industry rather than workers. In order to utilize organic growth, then an organization must have strength in at least one of the four pillars of organic growth which include revenue, headcount, public relations and quality (Pearce and Robinson (2000). The other pillars of quality and public relations play a smaller role in this industry. Quality was built upon by the introduction of strict rules to regulate the industry. The value of this pillar is brought out by the respondents, fifty six percent of whom utilized compliance with industry rules as a competitive strategy.

4.6.2 Comparison to other studies

According to Mutongi (2006), various strategies are used by the industry in order to remain competitive. These strategies include; forming matatu saccos that act as an organization and have managers to handle different issues that may come along. We have various matatus with very good décor and music in order to target a certain

section of the market like the youths. However, according to the research findings on the strategies used by matatus to gain competitive advantage, in order to survive in the market, matatu operators have formulated strategies that enable them to not only survive in the market, but also make profit. Such strategies are aimed at either attracting customer to their services or simply meeting their daily target. These included; compliance with industrial rules, proper vehicle maintenance, job commitment and appreciation, job training to employees, proper work place documentation, fostering team work; and adopting a favourable leadership style such as participatory management.

Complying with industrial rules which included traffic rules and having all the right licenses/documents, is argued to contribute significantly to road safety as well as ensuring that matatu performance patterns are not interfered with. The complying with the traffic rules was the key in ensuring survival in the industry thus the decor and music in the matatu led to attraction of the services they offered to its potential customers with an aim of converting them to customers. Adherence to these rules means there will be no issues with the traffic police or city askaris. Proper vehicle maintenance guarantees the matatu of uninterrupted performance towards achievement of daily targets as well as avoidance of accidents. This if well applied, can yield competitive advantages to the matatu business. The findings above supports earlier reports that matatu owners and drivers often complain that the police harass them and pull them over even though they have not done anything illegal. Instead of pulling the vehicle off the road, the crew pays off the officer. The police are often believed to be working with the Mungiki as well. The police receive weekly bribes from the Mungiki on certain routes, which allow the Mungiki to conduct their business with impunity (Mwaura, 2001).

Weinzimmer et al (1998) suggested that the success of organization growth was dependent on the specific approaches used to measure growth. The matatu industry strategies are based on specific approaches. For example, the music society of kenya has different rates for the licenses to play music. The longer the period of the license the cheaper it is, this also applies to the municipal council parking ticket, thus matatu owners take advantage of this rates and gets licenses for one year. This saves them some amount of money and it's quite significant especially for the owners who have a fleet of matatus. Eisenherdt et al (1990) discovered that the greatest influence to

organizational growth strategies chosen by young firms is environmental determinism and founding conditions. This research finding confirms this past study. The matatu owners are very observant of the happenings in the environment. With the introduction of new rules of not registering the fourteen seater matatus by the government, we have seen an increase on the twenty five seater matatu on the roads. This ensures that they are prepared for the future changes in the industry.

Dewhurst et al (2011) discovered that addressing the organization's weaknesses as growth strategies were implemented gave the organizations significant advantage. The greatest weakness for the matatus was the conductors and drivers stealing from the matatu owners. As per the study findings, 11% the respondent were owners, 91% drivers and 51% conductors thus most of the matatu operators were employees. This led to the owners introducing daily targets which are based on different situations. For example, the targets for peak seasons are different from a normal day target. Herman et al (2011) discovered that leadership quality is essential for growth and that certain competences are more important to some growth strategies. As per the study findings, leadership was not significant in the matatu industry. The drivers were responsible for the vehicle performance assisted by the conductor and reporting to the matatu owner at the end of the. For establish bus companies like double M, we find there are clear reporting patterns. The road supervisors were in charge of following up on the matatu operations by checking on it frequently to ensure no time is wasted and at the end of the day they reach their targets.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes and concludes the research findings as carried out. At the end of the chapter, some useful recommendations are proposed by the researcher to the industry in order to solve the problem under study based on the research findings. This chapter comprises the summary of the study findings, discussions of findings, conclusions of the study, recommendations, and suggestions for further research and the study's contribution to existing knowledge. The purpose of this study was to establish the strategies used by matatus in Nairobi to gain competitive advantage and factors determining the choice of strategies pursued by matatu owners.

5.2 Summary of key findings

The objective of the study was to establish competitive strategies employed to cope with increased competition and determine the various factors that influenced the choice of strategy implemented. A survey of the matatu operating within Nairobi was subsequently carried out and a questionnaire completed. The number of respondents was 153 out of 200 translating 77% of the sample size. The highest number of respondents (16%) were from route number 15. They were willing to be interviewed. The findings showed highest number of respondent were aged between 31-40 years (52.3%). The drivers consisted of 91%, 51% were conductors and 11% owners. The highest level of education attained by 69.3% was high school.

5.2.1 Competitive strategies used by matatus

According to the findings, competitive strategies applied by matatus in Nairobi included: compliance with industrial rules (56%), proper vehicle maintenance (51%), job commitment and appreciation (37%), job training to employees (22%), proper work place documentation (17%), fostering team work (12%); and adopting a favourable leadership style such as participatory management (12%). These rules include having the right licenses and complying with the traffic rules. Complying with the traffic rules reduced the matatu involvement in an accident. It also saved time spent at police station translating to more time to achieve the daily target. However, compliance with the industrial rules meant more money was spent acquiring the legitimate licenses thus reducing the profit made at the end of the month.

Proper vehicle maintenance meant less time was spent at the garage and that the vehicle was able to be on the road without interference. Also, money is not spent in purchasing spare parts. Job commitment meant the respondents appreciated their job and that they looked forward to the next day. To appreciate their work they had music systems in their matatus with their favourite songs. Appreciation was also shown with stickers on their vehicles with pictures or writings of current events. This attracted especially the youth to the industry. However, this was also a worry to the parents as would the youth forfeit school since there was an easier way to make money as long

5.2.2 Factors determining choice strategy used by matatus

The study findings reveal that the factors determining the choice of strategies pursued by the matatu owners included: matatu condition (66%); work availability (43%); job target (35%); harassment from the city askaris and police officers (17%); cost of fuel (52%); and cost of motor vehicle spare parts (29%). The magnitude of factor is assessed by the percentage score, and thus in this case matatu condition and cost fuel were the main factors followed by work availability. Matatu condition meant a new matatu spent initial gains repaying their investment made thus increase the investment was a loan, the loan is paid within the first few years, hence the matatu owner would go for a strategy that will assist him in recovering the initial cost fast. Cost of fuel was also a major factor in determining the choice of strategy because when the cost fuel was low it meant more profit and extra cash is set aside for vehicle maintenance and any eventuality that may arise. More profit also translated to more job commitment and appreciation.

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will be charged or the matatu owner will have to give the police or the city askaris a certain amount of money to avoid being arrested.

5.3 Conclusion

It is estimated that the matatu industry in Kenya controls over 80% of passenger transportation. The industry has been experiencing an exponential growth in size and in terms of employment creation (Mutongi, 2006). Past studies have shown matatus are the transit industry in Kenya that provide service to millions of people a day and are essentially the backbone of the transportation system in Nairobi. The study shows though the matatu industry looks a chaotic business in the country, it's a lucrative industry which if attended to and issues raised addressed can generate enormous income and employment for the country.

Though facing various challenges, the matatu industry is evolving fast and new strategies are being formulated by the market players to ensure that they stay in business. As a growing sector, this industry should be attended to and given proper attention by not only the private investor but also the government as the industry generates considerable revenue for both central and local governments in the form of taxes as well as for insurance firms, spare parts dealers, mechanics and many other parties (Mutongi,2006).

5.4 Recommendations

The researcher recommends that Players in the matatu industry should consider scaling up strict compliance of traffic rules such as driving at recommended speed, having road worthy vehicles on the roads and having the legitimate documents and licenses. This will help avoid unnecessary harassment by police and city askaris.

The Government should consider mobilizing and allocating more resources for the repair and maintenance of the poor road network. Matatu owners should be realistic and practical when setting daily targets. The targets should be those achieved under normal circumstances. Unrealistic targets are the source of stress to matatu drivers and associated industry problems such as accidents.

The information from the study will help the policy makers in understanding the industry and aid in the formulation and enforcement of legislation that would facilitate learning of the industry. The study forms bases for academic and for further research and knowledge on the transport industry. The recommendations of this study are expected to enhance management and general performance of the industry and accurate communication and implementation of plans. The study will serve as a source of information to the public who would like to know more about the matatu industry. It will help fill the gap between theory and practice as applied in the management of the industry

5.5 Limitation of the study

The study faced a number of limitations which included the study size being limited to only matatus operating within the central business district. Thus, we were not able to get strategies used by matatus operating on long distance routes as the strategy applied is different. Although 200 matatus were target only 77% responded to the questionnaire, there was fear among the respondent that we were from the media house despite showing them the letter of introduction. They don't like the media people for fear of victimization by their colleagues; in addition some respondents were reluctant to participate in the questionnaire.

Time was also of constrain in the process of study, the respondents wanted a longer time frame. They wanted more explanation on how the study will assist them especially in generating more revenue and reducing harassment by the police and the city askaris. There was a great interest in the study by the matatu operators after they become comfortable with us as they kept calling their colleagues to come participate in order to give their views. This limited the time we had while trying to coordinate the whole exercise

5.6 Suggestions for further research

Further research needs to cover a wide scope within the matatu industry. The research could try and establish the benefits of the Michuki rules in the industry, the impact of the new government regulations of not registering the fourteen seater matatu and generally why matatu operators are impolite to the public. The research could also look at the impact of matatus on the environment pollution. Future research could cover other transport industry players and other stakeholder's perceptions of the

competitive strategies used by the operators. Research is also needed to find out how government policies affect the success of the matatu industry. Similar research could be carried out in future to track progress made by matatu industry along various competitive strategies.

Impact of leadership or reporting structures in the matatu industry would be another study to look at. How education above high school level with courses like business management would impact the competitive strategies used to remain competitive.

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APPENDICES

APPENDIX 1: LETTER OF INTRODUCTION

Dear Respondent,

RE: MBA PROJECT

I am a student at the University of Nairobi currently undertaking masters of Business Administration degree in strategic management. I am collecting information that will be used to analyze the competitive strategies used by Matatus in Nairobi. Please find attached a questionnaire to fill.

This information will be used to write a strategic management project which is a requirement for the fulfilment of the masters of business administration degree. The information will be treated in total confidence. Your cooperation in this exercise will be highly appreciated.

Thank you

Yours sincerely

Rose N. M. Njiru

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Thank you

Yours sincerely

Rose N. M. Njiru

.....

7. What is your view on the “Michuki rules”?

.....

15. What’s your take or opinion on the new government rule of not registering the seater Matatu?.....

.....

8. Based on your experience in the Matatu industry, to what extent do the

following factors affected the Matatu industry? Key: 5=very high: 4=High 2=low: 1=very low 3=Moderate	5	4	3	2	1
Traffic Police					
City Council					
New Regulations					
Road status					
New Matatu (decorated)					
Old/plain Matatu					
Music /radio in the Matatu					

17. Kindly give a short comment on the Matatu industry.....

.....
