RELATIONSHIP BETWEEN COMPETITIVE STRATEGIES AND PERFORMANCE OF CHARTERED PRIVATE UNIVERSITIES IN KENYA

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DECLARATION

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

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DEDICATED

I dedicate this project to my family and friends for their support that helped me to successfully accomplish this project. I am really grateful and may God bless you all.
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ABSTRACT

Competitive strategies analyses the core competencies and capabilities of a firm vis-a-vis the competition and the customers’ needs so as to select the position the firm will take in order to survive and compete successfully. Today’s dynamic markets and technologies have called into question the sustainability of competitive advantage. Several competitive typologies have been developed to explain how firms compete, however, Porter's generic strategy types seem to integrate the central concepts of these typologies. These are; Cost leadership, differentiation and focus strategies.

This study seeks to establish the perceived relationship between competitive strategies and performance of Chartered Private Universities in Kenya. Census survey data was collected from the top management of Chartered Private Universities in Kenya. This data was analyzed using correlation and regression analysis techniques for interpretation. It was ascertained that Private universities use more of focus strategies followed by differentiation and cost leadership respectively.

The findings showed a general positive relationship between competitive strategies and performance. The strength of the relationship was positively strong on differentiation strategies than in focus strategies and cost leadership strategies; however, the latter showed a negative correlation with performance. This confirmed Porters (1980) stuck – in-the middle argument. The findings show that there is a relationship between competitive strategies and performance of Private Chartered Universities in Kenya. Universities therefore need to adopt these strategies to remain more competitive in the market.
CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Competition has intensified with globalization of world economies which has resulted in high environmental volatility coming up in unpredictable ways. Environmental changes such as technology and innovation, competition, globalization, regulation and de-regulation and consumer behavior have affected many firms forcing them to enhance their business process to survive in the environment. According to Ansoff (1987) organizations are undertaking strategic changes in order to align their business strategies to the environment thereby matching the resources and activities of an organization to that environment (Johnson and Scholes, 2002). This has forced firms to adopt strategies that align them with the turbulent environment and enable them exploit existing opportunities by building sustainable competitive advantage.

Performance measurement in a firm is critical for effective strategy implementation. This is a process of collecting and reporting information regarding the extent up to which organization goals have been attained. Performance measures are quantitative or qualitative ways to characterize and define performance. There are many different measurement frameworks of performance, including the balanced scorecard, activity based costing, competitive benchmarking, and shareholder value added. Each of these provides a unique and different lens through which to view an organization’s performance, however, the balanced scorecard is a measurement framework which integrates multiple perspectives. (Richard et al, 2009).
Hughes (2005) argues that strategic performance measures are the foundation of effective strategy management and key to taking the Balanced Scorecard, or any performance system from the theoretical to the applied. It is through the process of developing measures that organizations establish, in concrete terms, the drivers of performance. Measures and their results are the real tests of strategic hypothesis. Most organizations are awash in financial data and deficient in measures of nonfinancial performance. Dobbs and Koller (2005) stated in the Harvard business review that a company can construct a comprehensive performance assessment that measures the value it has created and estimate its ability to create more.

Kenya higher education sector is made up of Public Universities, Chartered Private Universities and middle level colleges with letters of interim authority from CHE. The number of public universities has rapidly increased by opening of more constituent colleges to address the rising demand for higher education in Kenya (Ministry of education 2010). However, the liberation of University education sector which started in the 1980’s and earlier 1990’s led to an increase in the number of private universities in Kenya. Kenya has a total of 14 chartered universities as at July 2012 (CHE 2012). This has led to intensified rivalry among Kenyan universities as they struggle to position themselves to benefit from the increased demand through various strategies such as the parallel programs by public universities and provision of more marketable courses and sponsorships by private universities to lure students (Riech, 2010).
1.1.1 Competitive strategies

Competitive strategies comprises all of those moves that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thomson and Strickland, 2002). It concerns what a firm is doing in order to gain sustainable competitive advantage. Porter (1985) argues that strategy is about seeking a competitive edge over rivals while slowing the erosion of present advantages. Few advantages can be sustained indefinitely, for time eventually lenders them obsolete. Strategy serves as a guide to the organization on what it is trying to do and to achieve (Johnson and Scholes, 1999). According to Johnson and Scholes (1999) 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.

All successful strategies have some common elements. They are based on simple, consistent and long term objectives. They are also based on profound understanding of competitive environment and objective appraisal of available resources (Grant 1998). According to Porter (1980), there are three approaches to competitive strategy; one is striving to be the overall low cost producer, therefore being a cost leader, another is seeking to differentiate ones product offering from that of one’s competing rivals, which is differentiation strategy, while the third involves focus on a narrow portion of the market, which is the focus or niche strategy.
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. Firms without appropriate competitive strategies fail to exploit available opportunities in the market and eventually collapse. A competitive strategy is therefore a critical factor for success in any market. Firm’s management need to craft it carefully to ensure a proper fit with the environment in which they operate.

Assessing a firm’s competitive position improves its chances of designing strategies that optimize environmental opportunities. Competitive advantages cannot be understood by looking at a firm as a whole. It stems from the many discreet activities a firm performs in designing, producing, marketing, delivery and supporting its product or services. Value chain analysis is one of the systematic ways of analyzing sources of competitive advantage. The value chain disaggregates a firm into its strategically relevant activities, in order to understand the behavior of costs and potential sources of differentiation. A firm gains competitive advantage by performing these strategically important activities more cheaply or better than its competitors (Porter, 1985).

Ansoff and McDonnell (1990) define competitive strategy as the distinctive approach which a firm uses or intents to use to succeed in the market. In his recent study, Porter (2001) reemphasized the importance of analyzing the five competitive forces in developing strategies for competitive advantage. Analyzing the forces illuminates an industry’s fundamental attractiveness, exposes the underlying drivers of average industry profitability, and provides insight into how profitability will evolve in the future.
1.1.2. Organizational performance

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). According to Richard et al. (2009) organizational performance encompasses three specific areas of firm outcomes: financial performance, product market performance and shareholder return. In recent years, many organizations have attempted to manage organizational performance using the balanced scorecard methodology where performance is tracked and measured in multiple dimensions such as: financial performance, customer service, social responsibility and employee stewardship.

Performance measures can be grouped into two basic types: those that relate to results (outputs or outcomes such as competitiveness or financial performance) and those that focus on the determinants of the results (inputs such as quality, flexibility, resource utilization, and innovation). This suggests that performance measurement frameworks can be built around the concepts of results and determinants. Measures of performance of a business usually embrace five fundamental, but interlinking areas: Money usually measured as profit, output/input relationships or productivity, Customer emphasis such as quality, Innovation and adaptation to change, and human resources. Maurice G. (2005).

To be effective, performance yardsticks should continuously evolve in order to properly assess performance and focus resources on continuous improvement and motivating personnel. In order to incorporate various types of performance measures some firm's develop performance measurement frameworks. These frameworks appear in the literature and vary from Kaplan and Norton's balanced scorecard to Fitzgerald's
framework of results and determinants. Kaplan and Norton's basic balanced scorecard asks managers to view their business from four different perspectives: the customer perspective, an internal business perspective, an innovation and learning perspective, and the financial or shareholder perspective. These perspectives are relevant to all types of businesses. However, additional perspectives also may be important in certain types of businesses. Briscoe (2005).

Quantitative measures of secondary data such as annual turnover or annual revenue, number of customers compared to the size of the whole industry (market share), net profits and number of users of university services are useful measures in evaluating performance of firms Kragh and Helge (1989). High output of graduates to the market indicates a large market share held by the concerned university. This in turn implies high enrollment rates, high retention rates (royalty) and more profitability by the concerned universities as more fees will be paid and facilities fully utilized to reduce unit production costs in order to maximize profits. A firm can maximize returns by minimizing operational and production costs while increasing revenue through maximization of sales Gosselin (2005).

1.1.3 Higher education sector in Kenya

There are two broad categories of universities operating in Kenya: Private universities and Public universities. A public university is one that is fully owned and subsidized by the Government of Kenya while a private university is one that is owned by investors other than the government (CHE 2012). Kenya private universities can be classified into
chartered universities, Universities with letters of interim authority and registered Universities. There are fourteen fully chartered universities in Kenya. While the history of higher education in Kenya predates independence and is characteristically religious the first truly private university in Kenya was marked by the establishment of a campus of (united states international University) USIU in 1969. This was followed by Daystar university in 1974 and Baraton university of East Africa in 1978, however, the pace of change has been fast due to policy shifts that began in 1980’s and 1990’s (UNESCO, 2008).

1.1.4 Overview of Chartered Private Universities in Kenya

The policy shifts that culminated in the recognition of private universities happened in late 1980’s and early 1990’s, brought on by liberalization of virtually all sectors of the economy (Riech, 2010). As a result the Government of Kenya to provide a legal and institutional framework, created the Commission of Higher Education (CHE) through an act of parliament in 1995 to help regulate the higher education sector. CHE has so far chartered fourteen private universities in Kenya (CHE, 2012). These Universities largely went unnoticed except in the theological domain, which a majority of them served.

Public universities were able to absorb virtually all candidates that qualified for university education and thus adequately catering for the demand. This full absorption was as a result of heavy government funding to universities as per the recommendations of the Ominde report in 1964. This was later replaced by a cost sharing policy that led to more demand than supply of adequate Public universities services, to cater for the increasing numbers in students seeking university education (Sanyal & Martin, 1998).
Private universities in Kenya vary a great deal in their funding, which vary from tithes, tuition fees, gifts and endowments. The private sector education main source of funding is the tuition fees paid by students and other investment activities run by the institutions (Weidman, 1995). These institutions make profits by saving on costs on their expenditures and by offering consultancy services to some institutions in their various areas of specialization. The Kenya vision 2030 has added more emphasis on higher education by singling education as a key pillar to attaining the much needed socio-economic development in the country (Wanjira, 2009).

1.2 Research Problem

The current business environment is one characterized by intensified competition as firms try to compete in the market. This is largely due to increased supply that has outstripped demand for higher education. A competitive strategy is therefore vital to the adaptation of an organization to this changing environment for superior performance. Ansoff (1987) argues that competition has forced many companies to change their strategies and tactics in order to achieve their objectives and maintain their competitive advantage for superior performance. Performance is better measured using Kaplan and Norton’s basic balanced scorecard which require firms to view their business from four different perspectives: the customer perspective, an internal business perspective, an innovation and learning perspective, and the financial or shareholder perspective.
The rapid expansion of university education has led to a number of challenges. According to UNESCO World Conference on Higher Education (1998), low funding from the exchequer, increased enrolment, limited access compared to the population level, increased enrolment without commensurate improvement in available facilities, gender inequality, and a low research capacity, are some of the problems facing universities in the region. These problems have led to fears that quality of education is in a downward trend in most of these universities.

These universities are almost offering similar products in the market making it difficult to survive in the industry without appropriate competitive strategies. This has sent players to the drawing board to formulate strategies that can merge their organizations to the environment for better performance. This has prompted questions as to whether chartered Private universities in Kenya are using competitive strategies and if so to what extent do this influence their performance.

Although previous researches have been done on competitive strategies adopted by firms, none of these researches has been carried out to establish the relationship between competitive strategies adopted by chartered private universities and performance. Kitoto (2005) looked at the competitive strategies adopted by Universities in Kenya. She concluded that Universities in Kenya mostly use the differential strategy. Mulwa (2010) carried out a survey on factors affecting the competitiveness of business schools in Kenyan Universities in which he observed that inadequate physical facilities, research capacity and inadequate staff qualifications have affected the competitiveness of business
schools in Kenya. He recommended that universities should seek ways to curb brain drain. Karuga (2010) carried out a study on competitive strategies adopted by the media industry which revealed successful use of competitive strategies by mediamax limited.

Njimu F. (2006) did a study on bases of competitive advantage of the school of business of the University of Nairobi in which he recommended building of brand name and increasing of product offering to strengthen competitive advantage, Oyiela (2011) researched on the influence of competitive strategies on performance of commercial banks in Kenya in which she found that indeed these strategies affect performance of commercial banks. It is therefore evident that no specific study has been carried out on the relationship between competitive strategies and performance of chartered private universities in Kenya. Given this backdrop, this study sought to establish the relationship between competitive strategies adopted by chartered Private Universities in Kenya and their performance. Is there a relationship between competitive strategies and performance of chartered private universities in Kenya?

1.3 Research objectives

The objectives of this study were;

(i) To establish competitive strategies adopted by chartered Private Universities in Kenya

(ii) To determine the relationship between the adopted competitive strategies and performance of Chartered Private Universities in Kenya.
1.4 Value of the study

Private and Public Universities regionally and internationally are currently experiencing a lot of competition in their respective industries. This study provides information on the relationship between competitive strategies adopted by Private Chartered Universities and performance. The study also gives them insights on what strategies apply better to their different situation as to whether they need to apply cost leadership strategies, differentiation strategies, focus on narrow markets or a suitable combination of these strategies. It also enlightens players on the best yardsticks for evaluating universities performance.

The Commission for Higher Education as a regulatory agency tasked with planning, advising, accreditation and quality assurance in higher education, benefits by understanding challenges facing the higher education sector and how they can be resolved through recommendations in this study. In addition the government can use findings of this research for Policy formulation and development of quality education in Kenya. This is because the research demonstrates the environment under which private universities operate their challenges and the general impact of various issues in the higher education sector.

Future researchers are also set to benefit from this study as they will be able to see application of competitive strategies in Universities and how this strategies influence the performance of these firms. Using this research and areas recommended for further studies, future researchers also benefit from the in-depth literature contributed.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This section analyses the various competitive strategies applied by businesses to deal with competition in their respective industries. The current business environment is one characterized by high competition and firms need to adopt certain competitive strategies to deal with this increasing competition for superior performance. Various researchers have advanced various competitive typologies to explain how firms compete in the market. These typologies carry different names when essentially they mean the same thing as it will be demonstrated in this chapter.

2.2 The concept of strategy

Strategic management entails defining the goals and objectives of a business, planning how to achieve them and marshaling resources to this end. Strategic management essentially seeks to give the company a competitive advantage, i.e. an edge over its competitors. Hall et al (2012) asserts that companies should put their money where their strategy is. According to their survey, companies that reallocate resources to key strategic areas experience higher shareholder returns. The concept of strategy can be seen as a multidimensional one and therefore its definition is not limited to one. Thomson and Strickland (1998) defines strategy as the game plan that the management has for positioning of the company in its chosen market in order to compete successfully, please its customers and also achieve good business performance. It thus involves choosing among alternatives. This shows that organizations must analyze competition within the industry in order to position themselves successfully.
To sustain a competitive advantage, a firm must keep learning how to do things better and keep spreading that knowledge throughout the organization. Firms must leverage the power of knowledge. Day and Wensley (1998) argue that knowledge is not the same and there is explicit knowledge that can be written down. Such knowledge as patents, procedures, formulations or engineering designs is referred to as explicit. Implicit knowledge is far less tangible and is deeply embedded into an organization operating practices. This may be referred to as the organization culture. Compared to explicit knowledge implicit knowledge can be a sustainable source of competitive advantage that is quite difficult for competition to emulate.

Ansoff (2006) observes that for a firm to optimize its competitiveness and profitability and indeed long term sustainability, it has to match its strategy and supporting capability with the environment. According to him, strategy formulation and strategies are context sensitive which might explain that fact that there are many competing models in strategic development and strategic planning.

Management of strategy whether explicitly or implicitly defined, deals with major intended and emergent initiatives taken by general managers on behalf of owners, involving utilization of resources to enhance the performance of organizations in their external environments, with financial outcomes dominating performance (Nag, Hambrick & Chen 2007). These major intended and emergent initiatives can be achieved by using a formal/deliberate or informal/emergent approach or a combination approach (Mintzberg 1994).
Deliberate/formal approaches have been suggested by various authors (Ansoff 1965; Boston Consulting Group, in Boyett & Boyett 1998; Burgelman & Doz 2001; Carpenter & Sanders 2009; Chan & Mauborge 2002; David 2009; Mintzberg 1994; Pearce & Robinson 2009; Porter 1996; Hough, Thompson, Strickland & Gamble 2008; Treacy & wiersema, in Boett & Boyett 1998). In essence, these approaches suggest that strategic management is a process consisting of three major interrelated phases, namely strategy formulation, implementation and control.

2.3 Competitive strategies

Competitive strategy refers to how a company competes in a particular business. It is concerned with how a company can gain a competitive advantage through a distinctive way of competing. Hugh Courtney et al (2009) assert that for a firm to anticipate the moves of rivals, they must understand how competitors’ strategists and decision makers think. Competitive strategies comprises all of those moves that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thomson and Strickland, 2002).

Porter (1985) argues that strategy is about seeking a competitive edge over rivals while slowing the erosion of present advantages. Few advantages can be sustained indefinitely, for time eventually lenders them obsolete. Strategy serves as a guide to the organization on what it is trying to do and to achieve thus helping to position an organization in the wider external environment. (Johnson and Scholes, 1999).All successful strategies are based on simple, consistent and long term objectives.
Two schools of thought have emerged on the conceptualization and adoption of competitive strategies. One school of thought led by Porter has predominantly considered that firms can either seek efficiency or differentiation. The more efficiency is sought by management, the less differentiated the firm will be. While the more differentiation is sought by management, the less efficient the firm will be (Dess and Davies, 1984).

Hambrick (1993) and Porter (1980) representing this school of thought, conceptualized low cost vs. differentiation in terms of a continuum, with low costs at one end and differentiation at the other end. According to Porter (1980), there are three approaches to competitive strategy; one is striving to be the overall low cost producer, therefore being a cost leader, another is seeking to differentiate ones product offering from that of one’s competing rivals, which is differentiation strategy, while the third involves focus on a narrow portion of the market, which is the focus or niche strategy.

The second school of thought argue that low cost strategy and differentiation strategy may be adopted simultaneously by an enterprise (Buzzel and Wiersema, 1981), Jones and Butler (1988), Philips et al. (1983) and White (1986). According to them, the adoption of differentiation strategy would entail promoting higher product quality. This could likely mean higher costs across a number of functional areas in order to support the differentiation strategy and quality products would presumably channel greater market demand towards the firm.
The nature and degree of competition in an industry lies on five forces: the threat of new entrants, threat of substitute products, bargaining power of buyers, bargaining power of suppliers and rivalry within the industry. The collective strength of these five forces determines the ultimate profit potential of an industry (Pierce and Robinson 2002, Porter 1998). Rivalry occurs when players use tactics like price competition, advertisement battles, product introductions and increased customers service warranties. It occurs because one or more competitors feel the pressure or sees the opportunity to improve position. According to Porter (1980) an effective strategy takes offensive and defensive actions in order to create a defendable position against the five competitive forces.

Baurer (1995) states that a company that manages to develop a style of management that seeks sustainable leadership by outthinking the competition with more effective strategies and outperform the competition with superior quality and satisfaction is able to achieve competitive advantage. The core of a company’s strategy thus consist of its internal initiatives to deliver superior value to customers but also includes offensive and defensive moves to counter the maneuvering of rivals and tactical effort to respond to whatever conditions prevailing in the market (Thomson and Strickland, 2003). Mckinsey (2008) argues that companies that respond to competitors according to the way they really understand their competitors to react are able to gain an edge in the market.
2.3.1 Competitive Typologies

Various competitive strategies have been developed to explain how firms compete in their various industries. Ansoff (1965) outlines four types of growth strategies, namely market penetration, product development, market development, and diversification. Buzzell, Gale and Sultan (1975) classify business strategies into three broad groups: building, holding and harvesting. Building strategies are based on active efforts to increase market share by new product introductions, new marketing programs and so on. Holding strategies are focused on maintaining the existing level of market share. Harvesting strategies are designed to gain short-term earnings by allowing market share to decline. Utterback and Abernathy (1975) theoretically describe three competitive strategies associated with the innovative patterns of firms: performance maximizing, sales maximizing and cost minimizing.

Hofer and Schendel (1978), developed six strategies using the product/market evolution of the industry in which the firm competes and its competitive position in the industry. These six strategies are; share increasing, growth, profit, turnaround, market concentration and asset reduction and liquidation strategies (Herbert & Deresky (1987). Under share increasing, a firm significantly increases its market share by investing greater than the norm of the industry. A growth strategy is designed to maintain a firm’s position in rapidly expanding markets by investing equal to the industry average. The aim of the profit strategy is to maximize the utilization of resources and skills in order to increase cash flow. A turnaround strategy is a form of retrenchment strategy that focuses on operational efficiency.
The market concentration and asset reduction strategy requires a realignment of resources to focused, smaller segments. A liquidation strategy is for firms that want to generate cash while withdrawing from market. Vesper (1979) proposes four business strategies: multiplication strategies, monopolizing strategies, specialization strategies and liquidation strategy where firms give up on their businesses and market positions.

Van Der Pol and Messer (1980) specify a typology based on the market situation (external potential) and the situation of the company in the market (internal potential). Based on life cycle theory, six strategies are identified: explosion, expansion, continuous growth, slip, consolidation and contraction. An explosive strategy suggests an improved competitive position in the short-term, whereas an expansion strategy suggests an improved competitive position in the long-term. The slip strategy emphasizes only cost reductions in growing markets. A consolidation strategy is only applicable in saturated or diminishing markets and when the only aim is to reduce costs. A continuous growth strategy aims to maintain a firm’s position in an expanding market. In the case of a contraction strategy, firms liquidate assets and leave the market.

Schuler and Jackson (1987), based on Porter’s typology, identify three competitive strategies that firms can use to gain competitive advantage: innovation, quality enhancement and cost reduction. Mintzberg (1988) proposes a typology of generic strategies based on differentiation by price, image, support, design and quality. For Mintzberg, Porter’s cost leadership is another form of differentiation so he includes price differentiation as a fifth business strategy.
Venkatraman (1989) identifies six important dimensions of strategic orientation in his study: aggressiveness, analysis, defensiveness and proactiveness (Ward, Bickford and Leong (1996). Galbraith and Schendel (1983) study identifies six strategy types: harvest, builder, cash out, niche or specialization, climber and continuity. Under a harvest strategy, firms are not interested in investments, whereas the builder strategy is used by firms that want to increase market share and sales rapidly. Firms competing with the cash out strategy attempt to utilize advertising and promotion activities in order to increase perceived quality.

A niche strategy emphasizes high-quality products and services. A climber strategy focuses on a narrow product line and low prices. A continuity strategy implies reacting in a like manner to competitor strategies. For industrial products, four strategy types are identified: low commitment, which is similar to the harvest strategy; growth, in which firms make investments in order to expand their market shares; maintenance, which is the union of the continuity strategy and cost reduction; and the niche and specialization strategy, in which quality is the most important criteria for beating the competition.

Miles, Snow, Meyer and Coleman (1978) propose that firms develop relatively stable patterns of strategic behavior that is compatible with perceived environmental conditions. Their typology consists of four strategic types: defenders, prospectors, analyzers and reactors. The prospector strategy is one which an organization continually innovates by finding and exploiting new products and market opportunities. A prospector is able to do this through its ability to survey rapidly changing environmental conditions, trends and
situations and to create new products and services to fit this dynamic environment (Coulter, 2005). Prospectors are likely to place a strong emphasis on innovation and growth perspectives (Olson & Slater, 2002). Reactor strategy is characterized by lack of coherent strategic plan or apparent means of competing. Reactor firms only react when forced by environmental pressures (Coulter, 2005). Defenders search for market stability while analyzers thoroughly scrutinize new business ideas before deciding to jump in Ensilage et al (2000).

2.3.2 Porter’s Generic strategies

Beside the above discussed competitive typologies Porter's (1980) typology of generic strategies of cost leadership, differentiation, and focus appears to be the most popular paradigm in the competitive strategy literature (e.g., Dess, Gupta, Hennert & Hill, 1995; Hill, 1988; Lee & Miller, 1999; Miller, 1989; Miller & Dess, 1993). This may be due to the fact that Porter's generic strategy types seem to integrate the central concepts of the other typologies (Miller, 1989). For instance, Porter's cost leaders are similar to Miles and Snow's (1978) defenders and Hambrick's (1983) efficient misers. Also Porter's differentiators are comparable to Miles and Snow's prospectors and Miller and Friesen's (1986) innovators. Porter (1980) argues that each of the generic strategies provides a firm with the ability to achieve a competitive advantage.

Overall cost leadership strategy aim at becoming the lowest cost producers in the industry (Porter, 1980: 35). By emphasizing cost control, such organizations aim to make above average returns even with low prices. Porters’ differentiation strategy try to achieve
competitive advantage for firms by creating a product or service that is unique, hoping to create brand loyalty for firm offerings, and thus, price inelasticity on the part of buyers (Porter, 1980). Differentiators focus on breadth of product or service offerings, technology, special features, or customer service. This strategy is typically supported by heavy investment in research, product or service design, and marketing (Lee & Miller 1999).

Organizations pursuing a focus strategy either narrow their product or service offerings to specific market areas or may select a smaller line of products or services to the broad market (Porter, 1980). Competitive advantage is achieved by serving a niche market as opposed to the broad market. Porter also consents that stuck-in-the-middle strategies perform at lower levels than do pure generic strategies.

Dess and Rasheed (1992) point out that, researchers may have misclassified stuck-in-the-middle and multiple generic strategies as one and the same. This may be partly responsible for some of the contradictory and inconclusive empirical evidence. For instance, Hall (1980) and Dess and Davis (1984) found multiple generic strategies to be the highest performers, as did White (1986). Others researchers have found no difference between pure, stuck-in-the-middle and multiple generic strategies (Miller and Dess, 1993; Miller, 1992). The combined cost leadership and differentiation strategy although not part of Porter's original typology, generally has become accepted as a fourth generic strategy.
Porter (1980) described his cost leadership and differentiation strategies as being mutually exclusive each representing "a fundamentally different approach to creating and sustaining a competitive advantage" (Porter, 1985:17). While there is limited research that supports this view (e.g., White, 1986), other researchers argue that differentiation and cost leadership are really dimensions along which firms can score high or low (Hambrick, 1983; Miller, 1989; Murray, 1988). This argument is supported by other studies that have established the economic viability of a combined cost leadership and differentiation strategy (e.g., Dess & Davis, 1984; Hall, 1980; Kim & Lim, 1988; Miller & Dess, 1993).

From the above literature analysis, five competitive strategies stand out. These are: cost leadership, differentiation and focus strategies (Porter 1980); Hybrid strategy; (Thompson & Strickland, 1999, Miles & Snow 1978; Robinson & Pearce, 1988), Wright et al., 1992) and lastly firms with no Definite Strategy, in which firms do not follow a certain strategy. For this reason, they unstably adapt to changes in the business environment. Some of them chase their successful rivals. Such strategies can be considered as counterfeiting (Mintzberg, 1988). Generally, these kinds of enterprises cannot develop a compatible strategy with the structure and processes of the organization (Miles et al., 1978).
2.4 Firm performance

Bryant et al (2004) argues that as intangible assets constitute an ever-increasing portion of a company market value, there is an increase in the need for measures that better report assets such as loyal customers, proprietary processes, and high skilled staff. With a balanced scorecard, business leaders get a more well-rounded view of business performance and a better sense of where the company is headed. When businesses use a balanced scorecard, managers are required to focus on customer and employee perspectives in addition to the bottom line. This improves customer and employee retention and creates more sustainable success.

A performance measurement system comprised of multiple measures allows managers to better monitor employees' actions and guide firm behavior (Antic and Demski 1988). Multiple measures also provide better information on changes in the economy and competition (Lev 2001; Banker et al. 2000; Balkcom et al. 1997; Chow et al. 1997). For example, firms are increasingly competing with intangible assets that are not captured by traditional, financial indicators (Wallman 1995) and, therefore, are including multiple performance indicators in their management control system.

To develop a successful performance measurement system, managers must clearly understand the interests of the stakeholders, the strategic objectives of the company, and every aspect of the company's business processes. Only then can they be assured that the performance measurement system includes the right factors, both financial and nonfinancial.
The Balanced score card is a popular performance measurement system that uses multiple measures (Kaplan and Norton 2001 a, 2001b). Firms implement a balanced score card by selecting both financial and nonfinancial measures across four hierarchical perspectives: learning and growth, internal business processes, customer, and financial. The lowest level in the hierarchy is the learning and growth perspective because actions taken there, such as training employees, affect outcomes of the other perspectives at a future date. The financial perspective is considered the highest-level perspective.

Within each perspective, firms select both generic outcome measures that gauge the results of actions taken and unique measures that provide information about the cause or the driver of the outcome. The unique measures are tailored to the firm's competitive strategy and assist the manager in guiding the firm in accordance with its overall strategy and mission. In contrast, generic outcome measures are common across organizations.

Kaplan and Norton (1996, 43) state that generic measures are those that "show up in most organizations' scorecards" and include measures such as return on investment, customer satisfaction, market share, and new product or service introductions. Specifically, Kaplan and Norton (1996, 149) state that: all Balanced Scorecards use certain generic measures. These generic measures tend to be core outcome measures, which reflect the common goals of many strategies, as well as similar structures across industries and companies. The result can be a performance measurement system that is clearly linked to strategy, is dynamic, and is action-oriented. (Maurice Gosselin, 2005).
2.5 Competitive strategies and firms performance

Researchers have studied a wide variety of factors that affect, either directly or through mediation, the strategy-performance relationship. These studies have investigated the mitigating effects of structure (Nystromand Starbuck, 1984; Miller, 1987), affiliations with strategic groups (Caves and Porter, 1977), competitive positioning within strategic groups (McNamara et al., 2003), middle management involvement (Wooldridge and Floyd, 1990), organizational fit (White, 1986), inter-organizational relationships (Golden, 1992), the specific strategy-making process involved (Hart and Banburg, 1994), the sequence of competitive actions adopted by firms (Ferrier, 2001), the use of collaborative linkages among a firm’s supplier base (Kaufman et al., 2000), the effectiveness of a firm’s strategy and, the overall performance of the firm. Far fewer researchers however, have focused on identifying the link between strategy and the process that management engages in to understand, make relevant and to assess the consequences of all of the activities impacting a firm’s competitive environment.

While studying the relationship between the environment, strategy, organizational structure and business performance, Irhass (2010) study shows that firm’s competitive strategies, strategic orientation and organizational structure have a positive influence on business performance. Baurer (1995) states that a company that manages to develop a style of management that seeks sustainable leadership by outthinking the competition with more effective strategies and outperform the competition with superior quality and satisfaction is able to achieve competitive advantage and thus better performance.
While analyzing the relationship between competitive strategy, structure and firm performance using the resource based view in comparison with the contingency theory, Eva et al. (2010) study, found out that organizational structure does not exert a direct influence on performance but has an indirect influence through competitive strategies. Competitive strategies comprises all of those moves that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thomson and Strickland, 2002) This further supports the perceived relationship between strategy and organizational performance.

**Independent valuables**

- Firms Strategic Plans
- Competitive strategies
- Business Environment

**Dependent variables**

- Organizational Performance

![Figure 1: Conceptual Model](image-url)
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents a description of how the study was approached. That is the research design, how data was collected and the data analysis techniques that was adopted in analyzing the collected data in order to generate the findings in the study.

3.2 Research Design

This study took the design of cross sectional census survey of chartered private universities in Kenya to help establish the relationship between competitive strategies and performance of Chartered Private Universities in Kenya. This research took this design since a cross-sectional census survey was anticipated to help establish any relationship between Chartered Private Universities’ competitive strategies and performance.

3.3 Study Population

The total population of this study was the entire chartered Private Universities industry in Kenya. There are 14 chartered Universities in Kenya. This study is therefore a Census survey of all chartered private universities operating in Kenya. Because of the small number of chartered private universities in Kenya a census study was more appropriate given that almost all of them have operations in Nairobi.

3.4 Data Collection

The study involved collection of primary data. Primary data was collected using structured questionnaires which were distributed to Academic Registrars, Quality
Assurance and Programs Officers, Academic Principals and administrative assistants of Chartered Private universities in Kenya whose position and roles gave them the ability to respond effectively to the questions. The questionnaires were dropped and then picked later. To improve the response rates follow ups were done through telephone calls. Cooper and Emory (1995) argue that this improves the response rate.

3.5 Data Analysis

After data was collected and coded, it was analyzed in various ways. Descriptive and inferential statistics was used to analyze the data. Descriptive measures such as the measures of central tendency, measures of dispersion (variance and standard deviation) were used to summarize the data collected for general comparison of the dependent and independent variables. Secondary data was used to verify data collected through questionnaires.

The SPSS simple Pearson correlation Matrix was used to establish the strength and direction of the relationship between the dependent and independent variables’ in this study (low-cost leadership, differentiation and focus) and the dependent variable (firm performance). To further assess the impact of these variables on performance outcomes, the following regression formula was used to analyze the results: \( Y_i = a + B_1x_1 + B_2x_2 + B_3x_3 + e_i \) where; \( Y_i \)- performance, \( a \)- is the y- intercept , \( B_1 \)-Slope (Beta coefficient) for \( x_1 \), \( x_1 \)- variable that is explaining the variance in \( Y \) (low cost leadership), \( b_2 \)- slope (beta coefficient) for \( X_2 \), \( X_2 \)- independent variable (differentiation), \( b_3 \)- Slope (Beta coefficient) for \( X_3 \) and \( X_3 \)- independent variable (focus).
CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter gives the findings of the research project whose objectives were to determine the relationship between competitive strategies adopted by chartered private Universities in Kenya and their performance. The study findings have been analyzed using descriptive statistics e.g. means and frequencies, correlation and regression analysis and various inferences made based on data findings. Data was successfully obtained from 71.43% of chartered private Universities in Kenya. Employees from these ten Chartered Private Universities participated in the study through fill in questionnaires.

4.2 Profile of Researched Private Universities

This section analyses the general characteristics of the universities focused under this study in terms of ownership, years in existence, qualifications of respondents and presence or absence of organizational strategic plans. This information has been analyzed using statistical tools as discussed in the following sub-headings.

4.2.1 Years in Existence

While the history of higher education in Kenya predates independence and is characteristically religious the first truly private university in Kenya was marked by the establishment of a campus of (united states international University) USIU in 1969. This was followed by Daystar university in 1974 and Baraton university of East Africa in 1978, however, the pace of change has been first due to policy shifts that began in 1980’s
and 1990’s (UNESCO, 2008). Baraton University was the first to receive a charter in 1991. Since then more other Universities have received Charters. Majority of these Chartered private Universities have been in existence for decades now despite the fact that they received their charters later.

### 4.2.2 Ownership

The researched Universities included local universities as well as international Universities operating in Kenya. The study found out that 99% of these Universities in Kenya are owned by Christian organizations while 1% has no religious inclination in terms of ownership. Among the researched chartered Universities only United States International University stood out as the only fully chartered secular foreign University operating in Kenya while the rest have religious inclinations.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Church</td>
<td>39</td>
<td>99</td>
<td>99</td>
</tr>
<tr>
<td>FO</td>
<td>1</td>
<td>1</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

### 4.2.3 Use of Strategic Plans

Among the studied universities it was established that ten out of the ten sampled universities use strategic plans in trying to reach their organization goals. This implies that there is 100% use of strategic plans by Private Chartered Universities in Kenya, as
they strive to realize university goals and objectives. It is from this plan that Universities draw the specific competitive strategies to apply in the market.

4.3 Profile of Respondents

This section analyses the respondents profile in terms of academic qualification and position held within the university. This data was necessary to ensure that the respondents had adequate knowledge and information to respond to the questions in the questionnaire. This data has been analyzed and discussed in the sub-sections below.

4.3.1 Level of Education

The respondents who participated in this study ranged from undergraduate, post graduate and PhD. Out of the 40 respondents from Private Chartered Universities, 30% were in possession of first degree, 44% indicated that they possess a post graduate degree while 26 % possessed PhDs. The respondents’ level of education was therefore sufficient to undertake the study.

4.3.2 Position Held in the University

Out of the 40 respondents who participated in this study, 26 % indicated that they are full University Registrars, 33% indicated that they are quality assurance and programs officers, 32% indicated that they serve as administrative officers, while 9% of respondents were deputy principals academics. The positions of respondents therefore were adequate enough to provide information on competitive strategies and organizational performance.
4.4 Competitive Strategies Adopted by Chartered Private Universities in Kenya

The first objective of the study was to find out competitive strategies being used by Private Chartered Universities in Kenya. Respondents were required to explain the extent to which they use Porters Generic strategies of cost leadership, differentiation and focus to compete in the market. The purpose of this was to find out how the firms competitively position themselves in order to survive and compete successfully in the market. Respondents were required to fill questionnaires using a likert scale of 1-5. Where; 1- strongly disagree, 2-disagree, 3 neither agree nor disagree, 4- agree, 5- strongly agree.

For purposes of analysis, a mean score of less than 1.5 was interpreted as strongly disagree while a mean grater than 1.5 but less than 2.5 was taken as a disagreement. A mean greater than 2.5 but less than 3.5 was taken as neither agree nor disagree while means of 3.5 to 4.5 were interpreted as agree. Means above 4.5 were interpreted as strongly agree.

Competitive strategy refers to how a company competes in a particular business. It is concerned with how a company can gain a competitive advantage through a distinctive way of competing. Porter's generic strategies include; cost leadership, differentiation and focus. The respondents were asked to explain the extent of using each of the strategies.
4.4.1 Focus Strategy

In the focus strategy a firm concentrates on an identified target market and focuses meeting that market needs. Respondents were asked to state the extent to which they use focus strategies in their Universities.

Table 4.2: Focus Strategy

<table>
<thead>
<tr>
<th>Focus Strategies</th>
<th>MEAN</th>
<th>Std. Dev. Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>We have improved our product branding</td>
<td>4.35</td>
<td>.864</td>
</tr>
<tr>
<td>we have segmented our markets to better serve our customers</td>
<td>4.43</td>
<td>.844</td>
</tr>
<tr>
<td>we are concentrating in one market segment</td>
<td>4.55</td>
<td>.749</td>
</tr>
<tr>
<td>We concentrate on programs not offered by other universities</td>
<td>4.65</td>
<td>.580</td>
</tr>
<tr>
<td>Our programs are tailored to market needs</td>
<td>4.72</td>
<td>.599</td>
</tr>
<tr>
<td>We are serving a specific niche in the market</td>
<td>4.72</td>
<td>.506</td>
</tr>
<tr>
<td><strong>Mean</strong></td>
<td>4.65</td>
<td>.580</td>
</tr>
</tbody>
</table>

Universities strongly agreed that they are indeed focusing on a specific niche in the market and that their programs are tailored to meet the market needs with a mean score of 4.72 each. They also strongly agreed that they are concentrating on programs not offered by other Universities and that they concentrate on one market segment by means of 4.65 and 4.55 respectively. Universities further agreed that they have not only segmented their markets to better services to their customers but also improved their product branding by means of 4.43 and 4.35 respectively. The overall mean of focus strategy is 4.65 which mean they strongly agree with use of focus strategies.
In conclusion focus strategy is highly used in Private University in Kenya with tailored programs and serving specific needs being highly focused. Other areas of focus include concentration on one market segment, offering products not offered by others, segmenting markets for better services and improved product branding.

**4.4.2 Differentiation Strategy**

Differentiation involves creating a product that is perceived unique by the customers. The unique features or benefits ought to provide superior value if this strategy is to be successfully. Respondents were asked to state the extent to which they use differentiation strategies in their Universities.

**Table 4.3: Differentiation Strategy**

<table>
<thead>
<tr>
<th>Differentiation Strategy</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>unique market driven products and services</td>
<td>4.1</td>
<td>.545</td>
</tr>
<tr>
<td>Improved services compared to our competitors</td>
<td>3.87</td>
<td>.723</td>
</tr>
<tr>
<td>Unique programs</td>
<td>4.07</td>
<td>.656</td>
</tr>
<tr>
<td>Unique adverts</td>
<td>4.1</td>
<td>.871</td>
</tr>
<tr>
<td>Anticipate customers' needs well in advance to better serve them</td>
<td>3.75</td>
<td>.707</td>
</tr>
<tr>
<td>Wide range of programs</td>
<td>3.97</td>
<td>.891</td>
</tr>
<tr>
<td>We develop new programs after every 2 years depending on market needs</td>
<td>4.12</td>
<td>.822</td>
</tr>
<tr>
<td>Improved product branding</td>
<td>3.97</td>
<td>.620</td>
</tr>
<tr>
<td>Use of technology for superior services</td>
<td>3.92</td>
<td>.764</td>
</tr>
<tr>
<td>Invest highly in new programs(R&amp;D)</td>
<td>4.2</td>
<td>.723</td>
</tr>
<tr>
<td>strongly marketing of services as unique offerings</td>
<td>3.82</td>
<td>.712</td>
</tr>
<tr>
<td><strong>Mean</strong></td>
<td>4.1</td>
<td>.545</td>
</tr>
</tbody>
</table>
Under use of differentiation strategies, Universities agreed that they invest highly in new programs and that they develop new programs after every two years depending on market needs by means of 4.2 and 4.12 respectively. Universities also agreed that their programs are designed to be unique offerings in the market and that their adverts are unique by a common mean of 4.1 for both aspects.

Use of wide range of programs, improved product branding, use of technology for superior services, improved services in comparison to competitors and strong marketing of university services as unique offerings, universities agreed using these strategies by means of 3.97, 3.97, 3.92, 3.87, and 3.82 respectively. They also agreed by a mean of 3.75 that they anticipate customers’ needs well in advance to better serve them. The overall mean on use of differentiation is 4.1 which means they agree using differentiation strategies.

In conclusion Universities agreed using differentiation strategy with high scores on investing highly in new programs and developing new programs after every two years depending on market needs. This was closely followed by use of wide range of programs, improved product branding, use of technology for superior services, improved services in comparison to competitors, strong marketing of university services as unique offerings and anticipation of customers’ needs well in advance to better serve them.
4.4.3 Cost Leadership Strategy

Under cost leadership strategy firms strive to be cost leaders in the market by pursuing various cost cutting avenues that can help minimize the production costs and thus increase profits.

Table 4.4: Cost Leadership Strategies

<table>
<thead>
<tr>
<th>Cost leadership strategies</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees charges is lower than other universities</td>
<td>3.42</td>
<td>.781</td>
</tr>
<tr>
<td>University enjoys economies of scale due to its large scale operations (low unit costs)</td>
<td>3.68</td>
<td>.694</td>
</tr>
<tr>
<td>University has introduced cost cutting measures to deal with rising operational costs</td>
<td>3.52</td>
<td>.960</td>
</tr>
<tr>
<td>University emphasizes efficiency in operations</td>
<td>3.72</td>
<td>.679</td>
</tr>
<tr>
<td>University incurs low operational costs compared to its competitors</td>
<td>3.45</td>
<td>.846</td>
</tr>
<tr>
<td>University advertising costs are on the decrease</td>
<td>3.90</td>
<td>.810</td>
</tr>
<tr>
<td>University experiences low and R &amp; D costs</td>
<td>3.47</td>
<td>.816</td>
</tr>
<tr>
<td>The university has embraced technology to minimize costs</td>
<td>3.68</td>
<td>.694</td>
</tr>
<tr>
<td>University partners with suppliers to reduce cost of inputs</td>
<td>3.60</td>
<td>.672</td>
</tr>
<tr>
<td>University maximizes capacity to reduce production costs</td>
<td>3.80</td>
<td>.723</td>
</tr>
<tr>
<td>Use of value chain analysis to manage costs</td>
<td>3.52</td>
<td>.716</td>
</tr>
<tr>
<td>Mean</td>
<td>3.47</td>
<td>.816</td>
</tr>
</tbody>
</table>

Under the cost leadership strategy, Universities agreed by a high mean of 3.90 that their advertising cost are on the decrease. They also agreed using capacity maximization, emphasis on efficiency and use of technology to minimize costs by means of 3.80, 3.72 and 3.68 respectively. Universities agreed by 3.60 that they are partnering with suppliers
to reduce cost of inputs. They also agreed by a rate 3.52 on both use of value chain analysis to manage costs and on introducing of various cost cutting measures to deal with rising costs.

Universities neither agreed nor disagreed that they are experiencing low R&D costs as shown by a mean response rate of 3.47. Universities failed to agree or disagree that the amount of fees charged by them is lower than other Universities and that they incur low operational costs compared to their competitors by means of 3.42 and 3.45 respectively. Cost leadership strategy obtained an overall mean 3.47, which means that Private Chartered Universities in Kenya neither agree nor Disagree on using cost leadership strategies.

In conclusion, Universities generally agreed to be using cost leadership strategy with reduced advertisement costs, capacity maximization, efficient operations, economies of scale and use of technology to minimize costs scoring highly in that order. They also agreed using cost cutting measures to curb rising operational cost and use of value chain analysis to manage costs. Universities neither agreed nor disagreed as to whether the experience low R&D cost. They too failed to agree or disagree as to whether they charge lower fees than other universities.

**Table 4.5: Competitive Strategies Usage Summary**

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Mean Usage</th>
<th>% usage</th>
<th>STD. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Leadership</td>
<td>3.47</td>
<td>69.4</td>
<td>0.816</td>
</tr>
<tr>
<td>Differentiation</td>
<td>4.1</td>
<td>82</td>
<td>0.545</td>
</tr>
<tr>
<td>Focus</td>
<td>4.65</td>
<td>93</td>
<td>0.580</td>
</tr>
</tbody>
</table>
4.5 Performance of Chartered Private Universities in Kenya

To establish the performance of Chartered Private Universities in Kenya, respondents were asked to assess and grade performance of their Universities on basis of various listed performance statements in the Chartered Private University industry. The responses were measured on a rikert scale of 1-5 where; 1-very poor, 2-poor, 3-neither poor nor good, 4-good and 5-very good. The results were interpreted as follows; X < 1.5 – very poor, 1.5 < X < 2.5 poor, 2.5 < X < 3.5 neither bad or good, 3.5 < X < 4.5 good, X > 4.5 very good

Table 4.6: Performance of Chartered Private Universities

<table>
<thead>
<tr>
<th>Performance measure</th>
<th>Mean</th>
<th>Std. dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved quality services</td>
<td>4.37</td>
<td>.740</td>
</tr>
<tr>
<td>New product development to meet market needs</td>
<td>4.28</td>
<td>.599</td>
</tr>
<tr>
<td>Improved student enrollment</td>
<td>4.57</td>
<td>.594</td>
</tr>
<tr>
<td>Low staff turnover</td>
<td>4.42</td>
<td>.636</td>
</tr>
<tr>
<td>Wide range of programs</td>
<td>4.35</td>
<td>.580</td>
</tr>
<tr>
<td>High student retention</td>
<td>4.38</td>
<td>.586</td>
</tr>
<tr>
<td>Highly marketable graduates</td>
<td>4.65</td>
<td>.533</td>
</tr>
<tr>
<td>Increased market share</td>
<td>4.45</td>
<td>.639</td>
</tr>
<tr>
<td>Improved profits</td>
<td>4.30</td>
<td>.791</td>
</tr>
<tr>
<td>Highly trained staff</td>
<td>4.47</td>
<td>.554</td>
</tr>
<tr>
<td>Large market share</td>
<td>4.47</td>
<td>.554</td>
</tr>
<tr>
<td>Meeting strategic targets</td>
<td>4.52</td>
<td>.554</td>
</tr>
<tr>
<td>Competitiveness</td>
<td>4.5</td>
<td>.641</td>
</tr>
<tr>
<td>Mean</td>
<td>4.37</td>
<td>.740</td>
</tr>
</tbody>
</table>
Universities indicated by a mean 4.65 that there graduates are highly marketable which means very good performance. They also stated that there is improved student enrollment, meeting of their strategic targets and competitiveness by means of 4.57 and 4.52 and 4.5 respectively which means very good performance.

Market share and highly trained staff received a mean of 4.47 each which means good performance. Increased market, high student retention, share improved quality services and wide range of programs received means of 4.45, 4.38, 4.37 and 4.35 respectively. This means good performance. Improved profits and new product development to meet market needs received the lowest performance means of 4.30 and 4.28 respectively which also imply good performance. The general performance mean was 4.37 with a standard deviation of 0.740. This implies that performance of Chartered Private Universities is generally good.

In conclusion Private universities are experiencing good performance with very high scores on graduates marketability, improved student enrollments, strengthened competitive ability and attainment of strategic targets. They also indicated good performance on areas of: market share, staff quality, student retention, and program variety, improved quality of services, profitability and new product development that meet market needs.
4.6 Competitive Strategies and Performance of Chartered Private Universities in Kenya

The main objective of this study was to find out the relationship between competitive strategies and performance of Chartered Private Universities in Kenya. This relationship has been analyzed using correlation and regression analysis. The general regression equation for this study is of the form; \( Y = a + Bx_1+Bx_2+Bx_3 +E \). Where; Y- Performance mean, a - Value of Y when X=0(y-intercept), X1, X2, X3 are means associated with cost, differentiation and focus respectively, E- Error expected (difference between the observed value and the prediction) and B1, B2 and B3 Coefficient of cost, differentiation and focus respectively.

Table 4.7: Correlational analysis

<table>
<thead>
<tr>
<th>Pearson Correlation</th>
<th>Performance</th>
<th>Cost</th>
<th>Focus</th>
<th>Differentiation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance</td>
<td>1.000</td>
<td>-.236</td>
<td>.217</td>
<td>.560</td>
</tr>
<tr>
<td>Cost</td>
<td>-.236</td>
<td>1.000</td>
<td>-.414</td>
<td>-.512</td>
</tr>
<tr>
<td>Focus</td>
<td>.217</td>
<td>-.414</td>
<td>1.000</td>
<td>.365</td>
</tr>
<tr>
<td>Differentiation</td>
<td>.560</td>
<td>-.512</td>
<td>.365</td>
<td>1.000</td>
</tr>
</tbody>
</table>

The above correlation analysis has been interpreted using arrange of -1 to +1. When X= -1(strong negative correlation), when X=0 no correlation when X=+1 (strong correlation). The findings have been interpreted as follows 0<\( x <0.5 \) weak correlation 0.5< \( X < +1 \) strong positive correlation, \( X=0 \) no correlation, -0.5< \( x < 0 \) weak negative correlation and -1 < \( X < -0.5 \) strong negative correlation.
Using the Pearson correlation in table 4.7, differentiation has a strong positive correlation with performance at 0.560 points while cost and differentiation have weaker correlations of -0.236 and 0.217 respectively. This implies that increase in use of differentiation strategies may lead to a 56% increase in performance; increase in use of cost strategies may cause a decrease in performance by 0.236(weak positive correlation) or 23.6% while increase in focus strategies may cause 21.7% increases in performance.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>Cost</td>
<td>.062</td>
<td>.556</td>
<td>.080</td>
<td>.112</td>
</tr>
<tr>
<td>Focus</td>
<td>.022</td>
<td>.406</td>
<td>.035</td>
<td>.054</td>
</tr>
<tr>
<td>Differentiation</td>
<td>.401</td>
<td>.472</td>
<td>.588</td>
<td>.848</td>
</tr>
</tbody>
</table>

From the above regression analysis the standardized coefficients are; B1= 0.080, B2=0.035 and B3= 0.588. This implies a general positive relationship between competitive strategies and performance of chartered Universities in Kenya. Differentiation has the strongest relationship at 0.588 which means strong positive relationship followed by cost and focus at 0.08 and 0.035 respectively which means slightly weak relationships. This implies that one standard deviation increase in cost leadership leads to, 8% increase in Performance, One standard deviation increase in focus leads to 3.5% increases in performance while one standard deviation increase in differentiation leads to 58.8% increases in performance.
In conclusion there is a correlation between organization strategies and performance with strong positive correlation being on differentiation and performance followed by a weaker positive correlation between focus strategies and performance. Cost strategies have a negatively weak correlation with performance. This mean that use of differentiation strategies can lead to high increase in performance while increase in use of focus strategies leads to a small increase in performance, however, increase in use of cost leadership strategies will lead to a small decrease in performance.

On the other hand regression analysis shows a general positive relationship between competitive strategies and performance. It also shows that differentiation influence performance more strongly than cost strategies and focus strategies respectively. The general influence of cost and focus strategies on performance is however weak. This shows a general positive relationship between competitive strategies and Performance.

4.7 Discussion
Organizations pursuing a focus strategy either narrow their product or service offerings to specific market areas or may select a smaller line of products or services to the broad market. Competitive advantage in this case is achieved by serving a niche market as opposed to the broad market served by the overall cost leadership and differentiation. Universities pursuing this strategy should tailor their products to suit the need of the chosen market to exploit its full potential. The fact that there is a strong agreement in use of focus strategy among Private Universities shows that the strategy is popular among Chartered Private Universities.
Universities following the differentiation strategy try to achieve competitive advantage for firms by creating services that are unique, hoping to create brand loyalty for firm offerings, and thus, price inelasticity on the part of buyers. From the study Universities generally agree using differentiation strategy. Differentiators focus on breadth of product or service offerings, technology, special features, or customer service. This strategy scored highly on heavy investment in research and development of services as shown by a high rate of strongly agree on R&D score and strong communication of the unique benefits to consumers.

The correlation between differentiation and performance is very strong. This strong positive relationship means that increase in use of differentiation leads to an increase in performance by a big percentage. These findings agree with Porters (1980) view that differentiation strategies lead to superior performance. The findings also show that the firms agreed to be investing heavily in research and development. This concurs with Lee& Miller (1999) argument that differentiation strategy is typically supported by heavy investment in research, product or service design, and marketing.

Under the cost advantage strategy, firms set out to be low – cost producer in the industry. Universities adopting this strategy have a broad scope and serve many industry segments and may even operate in related industries. Through constantly seeking for cost reduction avenues, players adopting this strategy can offer services at low costs and hence derive their profits from high volume sales. This strategy is not so popular among Chartered Private universities since it only has a fair usage rate which means they neither agree nor disagree using it.
The correlation between cost leadership and performance of charted Private Universities showed an inversely weak relation. This implies that increase in use of cost leadership strategies may reduce performance by a fairly sizable percentage. This may be due to the fact that the industry depend more on the ability to differentiate products which means that more cost must be incurred in research and development in order to come up with more competitive programs. If costs are cut on research, product design and development, performance may be negatively affected. This demonstrates Porters (1980) stuck in the middle argument where he consents that stuck-in-the-middle strategies perform at lower levels than do pure generic strategies.

Porter (1980) concurs with the above findings by predominantly asserting that firms can either seek efficiency or differentiation. The more efficiency is sought by management, the less differentiated the firm will be. While the more differentiation is sought by management, the less efficient the firm will be (Dess and Davies, 1984). Hambrick (1993) also agreed with Porters argument. Since private Universities are seeking more differentiation as opposed to efficiency cost leadership is not an option to pursue, hence the negative correlation.

Universities agreed that there performance is generally good. The choice of strategies, however, is very important in influencing the performance of Private Chartered Universities. The choice of strategy influence the kind of performance that will be attained in the market and this also depend on the way these strategies are combined holding other factors constant.
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the research findings where the main objective was to determine the relationship between competitive strategies and performance of chartered private universities in Kenya. Conclusions based on the findings of this study are also discussed in this chapter. Finally, limitations of the study, suggestions for further research and recommendations are also discussed.

5.2 Summary of Findings

The first objective of this study was to find out what strategies have been adopted by Private Chartered Universities in Kenya. The study found out that Universities use a blend of Porters generic strategies of cost leadership, differentiation and focus to compete in the market. Focus strategy is highly used among Chartered Private University in Kenya with tailored programs and serving specific needs being highly focused. Other areas of focus include concentration on one market segment, offering products not offered by others, segmenting markets for better services and improved product branding.

Universities generally agreed using differentiation strategy with high scores on investing highly in new programs and developing new programs after every two years depending on market needs. This was closely followed by use of wide range of programs, improved product branding, use of technology for superior services, improved services in
comparison to competitors, strong marketing of university services as unique offerings and anticipation of customers’ needs well in advance to better serve them.

Private Chartered Universities by and large agreed to be using cost leadership strategy with reduced advertisement costs, capacity maximization, efficient operations, economies of scale and use of technology to minimize costs scoring highly in that order. They also agreed using cost cutting measures to curb rising operational cost and use of value chain analysis to manage costs. Universities neither agreed nor disagreed as to whether the experience low R&D cost. They too failed to agree or disagree as to whether they charge lower fees than other universities.

Private Chartered universities indicated that they are experiencing a generally good performance with very high scores on graduates marketability, improved student enrollments, strengthened competitive ability and attainment of strategic targets. They also indicated good performance on areas of: market share, staff quality, student retention, and program variety, improved quality of services, profitability and new product development that meet market needs.

The second and final objective of this study sought to establish whether there is a relationship between the organization competitive strategies and performance. It was established that indeed there is a correlation between the adopted competitive strategies and performance, with strong positive correlation being on differentiation and performance followed by a weaker positive correlation between focus strategies and
performance. Cost strategies have a negatively weak correlation with performance. This means that use of differentiation strategies can lead to high increase in performance while increase in use of focus strategies leads to a small increase in performance, however, increase in use of cost leadership strategies will lead to a small decrease in performance.

On the other hand regression analysis shows a general positive relationship between competitive strategies and performance. It also shows that differentiation influence performance more strongly than cost strategies and focus strategies respectively. The general influence of cost and focus strategies on performance is however weak. This shows a general positive relationship between competitive strategies and Performance.

5.3 Conclusion

From the findings it can be concluded that Chartered Private Universities in Kenya have adopted Porters competitive typologies. Focus strategy is the most popular competitive typology applied by Chartered Private universities in Kenya with most Universities strongly agreeing using focus strategies followed by differentiation and cost strategies respectively.

Private Chartered Universities agreed that their Performance is generally good and attributed their performance to the competitive strategies adopted within their industry. This research found out that indeed competitive strategies have a relationship with firm performance as shown through correlational and regression analysis, however, the strength of the relationship depends on the usage rate of each strategy and what combination of Porters generic strategies is applied in the market.
5.4 Recommendations for Policy and Practice

Based on findings of this study, it is recommended that Private Chartered Universities should constantly evaluate their strategies with an aim of staying ahead of competition. With most firms using focus strategies there is need of increasing the number of services in the chosen markets for higher profits. Differentiation strategies should be used by Private Universities to position their programs as unique offerings to help build royalty among their customers to benefit from reference sales that can help deal with rising competition in the industry.

The Commission for Higher education is mandated to ensuring quality accessible higher education. To fulfill this CHE needs to properly regulate the Higher education industry to ensure that quality practices are maintained in the face of intensified competition among various players in the industry. This is through the evaluation of learning resources and quality of staff in the concerned universities. The industry is growing at a rapid rate and there is need to ensure quality throughout the industry.

The government of Kenya needs to provide more support to students and Private Universities by expanding allocation of resources to this group as part of an effort of creating enough manpower for economic development. This will help widen research activities and thus help improve not only the quality of services offered by Private Chartered Universities but also highly qualified manpower for development. This will fasten the realization of vision 2030 social economic goals.
5.5 Limitations of the Study

Despite the large success of this study, the researcher only analyzed the relationship between competitive strategies and performance of Chartered Private Universities in Kenya, ignoring the influence of other factors on performance which might not be the case. This study was only able to obtain information from only 10 universities, out of the target of fourteen chartered Universities in Kenya. This might have affected the outcome of the intended census study.

The data collected for the study was only done once (one time). This study might not have therefore adequately captured the variations in performance of competitive strategies as the business environment changes. The business environment is very dynamic as it changes from time to time.

The project was biased to studying competition among chartered Private Universities ignoring the Parallel Programs in our Public universities which can influence competition in the entire Higher education industry. This affected the perceived levels of competition in the industry. Lastly the researcher lacked adequate time to deeply focus on other intervening variables that influence performance of chartered private universities other than the competitive strategies analyzed in this study.

5.6 Suggestions for Further Study

Further studies can be carried out on the strategic responses of chartered private universities to competitive forces. Similarly studies can also be done to investigate
factors that influence the competitive typology adopted by Chartered Private Universities in Kenya. In addition to the above, other researchers may also analyze the strategic influence of choice of location on performance of Kenyan Universities. These areas were not covered by this study but will contribute considerable literature to the field of strategic management.
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Hall Europe Caves

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*Unpublished MBA project University of Nairobi School of business.*


*Publication date: Dec 17, 2008. Prod. #: 2698-PDF-ENG.*


APPENDICES

Appendix I: Introduction Letter

TO WHOM IT MAY CONCERN

The bearer of this letter, MR. CYRUS GETEMBE, is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

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

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

Thank you.

[Signature]

IMMACULATE ONYANO
MBA ADMINISTRATOR
MBA OFFICE, AMBANK HOUSE

DATE: 3 OCT 2012
Appendix II: Questionnaire

This questionnaire seeks to collect information on the relationship between competitive strategies and performance of Chartered Private Universities in Kenya. Please provide the requested information frankly and honestly. All feedback will be treated with utmost confidentiality and used for this study only. Your support is highly appreciated.

SECTION A: Background information (Tick where applicable)

1. Name of respondent (if applicable)

2. Name of university (if applicable)

3. Position held

4. Level of education (tick): undergraduate ( ) Post-graduate ( ) O level ( ) PHD ( )

5. Years in existence

6. University ownership (tick): Church( ) Local investors( ) Foreign investors ( )

7. Do you have a strategic plan in your university Yes ( ) No ( )

If yes proceed to section B, if no give details.

SECTION B: COMPETITIVE STRATEGIES

Please indicate with a tick the extent to which you have used the following strategies to remain competitive in the market.

Use the key provided to state the extent to which, your University uses the stated strategies?

To what extent do you agree with the following statements?

<table>
<thead>
<tr>
<th>Cost Leadership</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees charged is lower than other universities</td>
<td></td>
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<tr>
<td>University enjoys economies of scale due to its large scale operations (low unit costs)</td>
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<tr>
<td>University has introduced cost cutting measures to deal with rising operational costs</td>
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<tr>
<td>University emphasizes efficiency in operations</td>
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<tr>
<td>University incurs low operational costs compared to its competitors</td>
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<tr>
<td>University advertising costs are on the decrease</td>
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<tr>
<td>University experiences low R&amp;D costs</td>
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<tr>
<td>The university has embraced technology to minimize cost</td>
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<tr>
<td>University partners with suppliers to reduce cost of inputs</td>
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<tr>
<td>University maximizes capacity to reduce production costs</td>
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<td></td>
<td></td>
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<tr>
<td>Use of value chain analysis to manage costs</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Differentiation</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>We offer unique market driven products and services</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>We have Improved our services to customers compared to our competitors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We have developed new unique programs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
We have unique adverts

We anticipate customers’ needs well in advance to better serve them

We offer a wide range of programs

We develop new programs after every 2 years depending on market needs

We have improved product branding

We use technology to offer superior services

We have royal customers

We have heavy investment in R&D

We invest highly in product design

We strongly market our products as unique offerings.

<table>
<thead>
<tr>
<th>FOCUS</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>We concentrate on programs not offered by other Universities</td>
<td></td>
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<tr>
<td>Our programs are tailored to the market needs</td>
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<tr>
<td>We are serving a specific niche in the market</td>
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<tr>
<td>We are concentrating in one market segment</td>
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<tr>
<td>We have segmented our markets to better serve our customers</td>
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<tr>
<td>We have improved our product branding</td>
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</tbody>
</table>
SECTION C: PERFORMANCE

For the past five years what score could you give your university on the following performance measures?

**Key:** 1-very good  2- Good  3- fair  4 – poor  5- very Poor

<table>
<thead>
<tr>
<th>PERFORMANCE</th>
<th>1</th>
<th>2</th>
<th>3</th>
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<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>We have improved the quality of our products/ services over the past five years</td>
<td></td>
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<tr>
<td>We have developed new products/services to meet the changing market needs more than before</td>
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<tr>
<td>We have improved our student enrollment over the past five years</td>
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<tr>
<td>We have strengthened our ability to retain staff over the years</td>
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<tr>
<td>We offer a wide variety of products to our customers than in the past (e.g. course variety of courses to select from)</td>
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<tr>
<td>We have improved our student retention over the years</td>
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<tr>
<td>Our graduates are highly marketable compared to the past years</td>
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<tr>
<td>We have increased our market share over the years</td>
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<tr>
<td>We have improved our profitability over the years</td>
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<tr>
<td>We have highly trained staff than in the past</td>
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<tr>
<td>We have become market leaders among private universities</td>
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<tr>
<td>Our current performance outcomes conform to our strategic targets than in the previous years</td>
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<tr>
<td>We have improved our competitive position in the market</td>
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</tbody>
</table>
Appendix III: List of Chartered Universities in Kenya

These are universities that have been fully accredited:

2. Catholic University of Eastern Africa, 1992;
3. Scott Theological College, 1992;
4. Daystar University, 1994;
5. United States International University, 1999;
6. Africa Nazarene University, 2002;
7. Kenya Methodist University, 2006;
8. St. Paul’s University, 2007;
9. Pan Africa Christian University, 2008;
10. Strathmore University, 2008;
13. Africa International University, 2011
14. Kenya Highlands Evangelical University, 2011