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• Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

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## AN ASSESSMENT OF COMPETITIVE STRATEGIES ADOPTED BY COMMERCIAL COLLEGES IN NAIROBI, KENYA IN IMPROVING THEIR ENROLMENT CAPACITY

ALICE WAIRIMU KANDE LECTURER SCHOOL OF BUSINESS RIARA UNIVERSITY NAIROBI

#### **ABSTRACT**

The study's main objective was to assess the various competitive strategies that commercial/private colleges in Nairobi Central Business District in Kenya adopted to enhance their student enrolments. There were 96 colleges then, from which the researcher used proportional stratified random sampling method to select 32. The findings from the study show that each college had well intentioned strategies aimed at making their products and services pervasive in the Kenyan Market and abroad. The academic and professional courses offered were partly tailored to suit the intended market's financial ability and differentiated to introduce modernity and partly considered a specific target market. The independent strategies used by different institutions indicated a solid presence of Porter's generic strategies with significant variations in their adoption.

#### **KEYWORDS**

Competitive strategies, competitive edge, core competencies, sustainable competitive advantage.

#### INTRODUCTION

any businesses today operate under very turbulent and dynamic environments. The intensity of business rivalry and the turbulent changes facing them coupled with emergence of more matured, better informed and more discriminating customers have pushed the boundaries of organizations to compete at the highest level with the primary focus of becoming the dominant player in the market in which they operate. Competition poses many challenges to any business and managers must formulate strategies to counter those challenges and strive to attain a competitive edge over their rivals in all areas of operation. In order to attain and maintain a sustainable competitive advantage, organizations regularly develop competitive strategies. The most commonly adopted competitive strategies are the porter's generic competitive strategies. With the introduction of liberalization in Kenya (Government of Kenya, 1986), firms in almost all sectors of the economy are faced with competition. Liberalization primarily involves a movement towards less control of factor markets and commodity markets. Liberalization has led to stiff competition in many sectors including the education sector and this has prompted institutions to devise and adopt responsive strategies in order to remain relevant.

#### LITERATURE REVIEW

Competition refers to rivalry between companies to achieve greater market share. It is a process of rivalry between firms which takes the form of contests within existing markets (intra-industry competition), and the form of potential entry into new areas (inter-industry competition). Competition includes rivalry in terms of price, but also in terms of altered or improved techniques of production or products, and in terms of the provision of information to consumers about products.

A company's competitive strategy consists of the business approaches and initiatives it undertakes to attract customers and fulfill their expectations, to withstand competitive pressures and to strengthen its market position (Johnson and Scholes, 1997). Competitive strategies provide framework for the firm to respond to the various changes within its operating environment. Competitive strategy is the search for a favorable competition in an industry, the fundamental arena in which competition occurs. It aims at establishing a profitable and sustainable position against the forces that determine industry competition (Porter, 1998). A company has competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces (Thompson & Strickland, 2002). Sustainable competitive advantage is borne out of core competencies that yield long-term benefits to the company (Prahalad & Hamel, 1990). According to Prahalad and Hamel, a core competence has three characteristics; it provides access to wide variety of markets, it increases perceived customer benefits and it's difficult for customers to imitate. To succeed in building a sustainable competitive advantage a firm must try to provide what buyers will perceive as superior value. This entails either good quality product at a lower price or a better quality product that is worth paying more for.

#### CORPORATE VERSUS COMPETITIVE STRATEGY

Corporate strategy defines the markets and the businesses in which a company will operate. Competitive or business strategy defines for a given business the basis on which it will compete. Corporate strategy is typically decided in the context of defining the company's mission and vision, that is, saying what the company does, why it exists, and what it is intended to become. Competitive strategy hinges on a company's capabilities, strengths, and weaknesses in relation to market characteristics and the corresponding capabilities, strengths, and weaknesses of its competitors.

#### ANALYZING THE COMPETITIVE ENVIRONMENT

Porter (1991), has built a framework to allow for the analysis of competition within a particular industry. Much of his approach builds on the work of Edward H Chamberlin, also of Harvard University, and Joan Robinson, of Cambridge University, who were pioneer analysts of non-price competition in the 1930's. At the heart of Porter's work is what economists' refer to as the Structure-Conduct-Performance paradigm. To understand the competitive pressures of an industry one needs to focus upon its structure - its underlying economics.

# Structure of an industry - its underlying economics ----> Conduct of the competitors within the industry ----> Performance ----> ----> The profitability of the competitors & the industry as a whole

Source: porter (1991)

The underlying economics include such factors as the numbers of competitors and how easy it is for firms to enter or leave the industry. For example, if there are lots of competitors, who can enter or leave the industry easily, who sell similar products and who are fully informed of each other's strategies, then it is unlikely in the long term that any firm will make massive profits. The competitive process will ensure that prices and profits are reduced. In contrast, if there is only one firm in the industry and entry into the industry is difficult, the profits are likely to remain high, unless customers find alternatives to the product (Porter, 1980).

Porter goes on to argue that firms who come up with better strategies than their competitors, by understanding and exploiting the conditions of the industry better than others, might be able to achieve a more profitable position in the long term – This he refers to as sustainable competitive advantage. According to Porter, whether an industry produces a commodity or a service, or whether it is global or domestic in scope, competition depends on five forces. These forces, which go beyond the immediate competitors in the industry are: the threat of new entrants; the existence of substitute products or services; the bargaining power of suppliers; the bargaining power of customers or buyers and existing rivalry within the industry. These five forces determine the ultimate profit potential of an industry as a whole.

Within an industry, individual firms who develop particular strengths may be able to gain competitive advantage whatever the profit position of the industry as a whole is. The ultimate strength of competition in an industry depends on the collective strength of these forces. Assessing each of the competitive forces in turn, by identifying the structural factors which are significant in each case, will allow an understanding of the dynamics of the industry. As well as providing an insight into dynamics of the industry, this approach also allows individual companies to understand the directions from which they face the greatest competitive pressures - and tailor their strategies to meet these pressures.

#### MICHAEL PORTER'S GENERIC STRATEGIES

For an organization to obtain a sustainable competitive advantage Michael Porter suggested that they should follow either one of three generic strategies (Thompson & Strickland, 2003).

#### COST LEADERSHIP

This strategy involves the organization aiming to be the lowest cost producer within their industry. The organization aims to drive cost down through all the elements of the production of the product from sourcing, to labour costs. The cost leader usually aims at a broad market, so sufficient sales can cover costs. Some organizations may aim to drive costs down but will not pass on these cost savings to their customers aiming for increased profits clearly because their brand can command a premium rate.

To be successful, this strategy usually requires a considerable market share advantage or preferential access to raw materials, components, labour, or some other important input. Without one or more of these advantages, the strategy can easily be mimicked by competitors. Successful implementation also benefits from process engineering skills, sustained access to inexpensive capital, close supervision of labour, tight cost control and Incentives based on quantitative targets.

#### DIFFERENTIATION

To be different, is what organizations strive for. Having a competitive advantage which allows the company and its products ranges to stand out is crucial for their success. With a differentiation strategy the organization aims to focus its effort on particular segments and charge for the added differentiated value. New concepts which allow for differentiation can be patented; however patents have a certain life span and organization always face the danger that their idea that gives the competitive advantage will be copied in one form or another. To maintain this strategy the firm should have strong research and development skills, strong product engineering skills, strong creativity skills, good cooperation with distribution channels, strong marketing skills, incentives based on subjective measures, ability to communicate the importance of the differentiating product characteristics, continuous improvement and innovation and ability attract highly skilled, creative people.

#### **NICHE / FOCUS STRATEGIES**

Here the organization focuses its effort on one particular segment and becomes well known for providing products/services within the segment. They form a competitive advantage for this niche market and either succeeds by being a low cost producer or differentiator within that particular segment. With both of these strategies the organization can also focus by offering particular segments a differentiated product/service or a low cost product/service. The key is that the product or service is focused on a particular segment. The firm typically looks to gain a competitive advantage through effectiveness rather than efficiency. It is most suitable for relatively small firms but can be used by any company. As a focus strategy it may be used to select targets that are less vulnerable to substitutes or where a competition is weakest to earn above-average return on investments.

#### 'STUCK IN THE MIDDLE'

The danger some organizations face is that they try to do all three and become what is known as stuck in the middle. The have no clear business strategy, be all to all consumers, which adds to their running costs causing a fall in sales and market share. 'Stuck in the middle' companies are usually subject to a takeover or merger.



#### Source: Thompson & Strickland, 2003

**CHALLENGES ENCOUNTERED IN IMPLEMENTATION OF STRATEGIES** 

In the implementation of competitive strategies certain challenges may hinder effective utilization of strategies identified and employed. There are three main types of competitive challenges that may hamper a firm's ability to grasp new opportunities. These are financial requirements, regulatory issues imposed by government and the industry and the ability of the company owners or managers (Newman, 1989). Other challenges may arise from structural and economic barriers inherent in the industry. Firms face such challenges as inadequate financial resources, inadequate skills and inability of staff, inadequate marketing

abilities, changes in customer needs, government requirements and complexity of coordinating a firm's activities in pursuit of the agreed strategy (Porter, 1980). The real challenge in implementation of generic strategy is in recognizing all supportive activities and putting them in place properly (Box and Watts 2000). Porter points out that operational effectiveness though necessary is not sufficient to bring about competitive advantage and concludes by arguing that achieving competitive advantage means adopting the appropriate generic strategy and implementing the strategy with a network of supportive activities.

The most important fits are between strategy and organizational capabilities, between strategy and reward structures between strategy and internal support systems and between strategy and organizational culture. Fitting the organization's internal practices to what is needed for strategic success helps unite the organization besides the accomplishment of strategy.

Strategy implementation cuts across all facets of managing and must be initiated from many points inside the organization (Thompson and Strickland, 2003)

#### SIGNIFICANCE AND OBJECTIVES OF THE STUDY

The main objective of the study was to assess the competitive strategies that commercial colleges adopt to improve their enrolment capacity in the Kenyan market.

#### THE SPECIFIC OBJECTIVES WERE:

- 1. To determine the extent to which commercial colleges in Nairobi make use of cost leadership strategies in enhancing their enrolment potential.
- 2. To establish the range of product/service differentiation strategies adopted by commercial colleges for the various market segments in Nairobi.
- 8. To evaluate the effectiveness of customer focus strategies employed by commercial colleges in Nairobi.

#### SIGNIFICANCE OF THE STUDY

This study would be instrumental in assisting a number of parties involved in the commercial college businesses within the Nairobi CBD towards achieving their different preset objectives.

Firstly, the findings would potentially help college management in identifying different ways of modifying their products in the quest of meeting consumer demand; appropriate pricing of the various educational packages offered; and access to modern means of understanding and projecting consumers' satisfaction levels. Secondly, the study would be invaluable to new entrants who had interest to participate in the growing market through accessing its literature on the current levels of competition and probable direction. Thirdly, the findings were to be designed to give a substantial contribution to the Government through the Commission of Higher education (CHE), which was responsible for the sub-sector's regulation, in establishing compliant mechanisms of controlling and improving quality standards within the existing competitive environment. Finally, future researchers had the advantage of accessing the study's literature as a basis for advanced studies either in the field of competition or in any other related scope.

#### **RESEARCH DESIGN**

A descriptive research design was adopted for the purpose of assessing the study's general intent.

#### TARGET POPULATION

The population of this study comprised of departmental heads of all commercial colleges operating within Nairobi Central Business District. The existing and fully licensed college population was ninety six (96) according to specification and boundary limits given by the Nairobi City Council. The researcher collected information from a total of three departmental heads from each sampled college, thus adding up to an aggregate target population of 288 potential respondents. The table below shows the proportional differences between the different categories of colleges on the basis of enrolment size.

**TABLE 1: TARGET POPULATION** 

Enrolment Size	No. of Colleges	Population Size (no. of colleges * 3)	Proportion (%)
Less than 250	30	90	31.25
250 – 500	40	120	41.67
500 - 750	17	51	17.70
750 – 1000	6	18	6.25
1000 and above	3	9	3.13
Total	96	288	100

Source: Author

#### SAMPLING DESIGN

From the 288 target respondents in the Nairobi CBD commercial colleges, the researcher used proportional stratified sampling method to select a sample of 96 informants at 0.3 sampling ratio. The different enrolment sizes for the colleges was used as the base of stratification so that the researcher captured competitive strategies adopted by all levels including small, medium and already established colleges. The stratified sampling techniques ensured that all the selected respondents equitably represented the groups which made the population heterogeneous in nature. The selected size of 96 informants met the recommended criterion suggested by Bell (1993) that requires at least a third of the total target population in order to make a representative sample. The table below shows how the sampling was done:

**TABLE 2: SAMPLING DESIGN** 

Enrolment size	Population size	Sampling Ratio Sample		
Less than 250	90	0.3	30	
250 – 500	120	0.3	40	
500 - 750	51	0.3	17	
750 – 1000	18	0.3	6	
1000 and above	9	0.3	3	
Total	288	0.3	96	

Source: Research Data

#### DATA COLLECTION INSTRUMENTS AND PROCEDURES

To assist the researcher meet the study's pre-designed objectives, self-completion and semi-structured questionnaires were designed accommodating all the critical aspects covered in the identified variables. The semi-structured format allowed inclusion of closed-ended question items, which were essential in limiting response irrelevancies while facilitating timely analysis. However, in those issues the researcher was not be able to generate alternatives; open-ended question items provided the required space for statement and clarification.

Before questionnaire administration, the researcher sought permission from the college management through a letter of authority. Additionally, it was be necessary to attach each questionnaire with a copy of the letter in order to create confidence in case respondents doubted the intent of the assessment. Data collection will be scheduled to take place for a continuous period of four weeks, and those questionnaires which shall have not been filled at expiry will be ignored. However, to avoid non-representativeness the researcher targeted at least 75% response rate through creation of rapport and repeated visits.

#### **DATA ANALYSIS AND PRESENTATION**

Once the required amount of data were received from the field, they were edited for inconsistencies, coded and entered, controlled, and analyzed using descriptive statistics which included measures of central tendency (mean, mode and median) and measures of dispersion (typically standard deviation to determine response disparities). Descriptive statistics were invaluable in describing the sample data in such away as to portray the typical respondent and to

reveal the general pattern of responses (Burns *et al*, 2000). Ultimately, for the purpose of communicative efficiency to likely users, findings were presented using both statistical techniques (frequency distribution tables) and graphical representations (histogram, bars and pie charts). It was expected that the descriptive summaries from findings would present vastly dispersed data in a consolidated and meaningful interpretations. On this basis, all the analyses and presentations focused on accuracy and reliability in relation to the study's pre-designed objectives.

#### **RESULTS AND DISCUSSION**

#### RESPONSE RATE

The study targeted collecting information from a total of 96 respondents who were identified through proportional stratified sampling process. After questionnaire administration, a total of 85 copies were completed and returned which formed the basis for analysis and subsequent generalization. This represented a response rate of 89% which the researcher considered adequate as it represented views from at least half of the target population units.

#### **COST LEADERSHIP STRATEGIES**

Respondents gave different views concerning their varying preferences for the cost leadership strategies that they adopted in marketing of their courses. All the responses were classified and presented as shown in the table below:

**TABLE 3: RESPONSES ON COST LEADERSHIP STRATEGIES RESPONSES** 

Cost leadership strategies	1	2	3	4	5
Charging less in a broad market (many different courses)	1	4	12	35	33
Charging more in a narrow market (few courses)	12	40	16	15	2
Employing more part time lecturers rather than full time lecturers	25	31	20	5	4
Employing more full time lecturers rather than part time lecturers	2	5	13	43	22

Source: Research Data

The responses were analyzed using the mean scores to assist the researcher rank the colleges' preferences as indicated below:

**TABLE 4: MEAN SCORES FOR COST LEADERSHIP STRATEGIES** 

Strategies	Mean Score
Charging less in a broad market (many different courses)	4.4
Charging more in a narrow market (few courses)	3.2
Employing more part time lecturers rather than full time lecturers	2.8
Employing more full time lecturers rather than part time lecturers	4.3

Source: Research Data

Part of the key cost leadership strategies adopted by the colleges included fixing less charges to target large market shares (4.4) and employing full time lecturers rather than part-timers (4.3). The lower charges in respective colleges - to a large extent - attracted students from the rural areas more than from the urban centers, while those colleges which charged highly received more studentship from the urban centers than from the rural areas.

Moreover, full time lecturers received relatively less pay compared to their part time counterparts (if calculated per unit), yet the colleges were in session every month of the year save for minimal breaks.

#### STUDY CONCLUSION

The commercial colleges in the Nairobi CBD had well intentioned strategies of making their products and services pervasive in the Kenyan market. The academic and professional programmes offered were partly tailored to suit the market's financial ability, were somewhat differentiated to introduce modernity, and partly considered the target customer who they were meant to satisfy.

However, there were open gaps that needed to be addressed in order to add greater value to their programmes.

#### **Differentiation Strategies**

With a differentiation strategy the organizations aimed to focus their efforts on particular segments and charged for the added differentiated value. The collected responses were more concentrated on the higher region of the Likert scale as demonstrated in the tables below:

TABLE 5: RESPONSES ON DIFFERENTIATION STRATEGIES

Differentiation Strategies	1	2	3	4	5
Innovation to related specialties	3	8	5	46	23
Introduction of new courses and other services	5	6	14	39	21
Staff training and better methods of service delivery	8	8	7	40	22

Source: Research Data

Differentiation of the services offered at the colleges was meant to make them distinct from others and stand at advantage positions. It was found out that the institutions mainly dependent on continuous changes of quality of their offered programmes through innovative processes into related specialties (4.7) that further involved checking progress in competitors and international industry players. Contemporary courses formed the main source of high enrolment in most colleges; this explained why more effort was placed on assessing prevailing trends to determine what programmes to sell in the market. In addition, lecturers especially from non-education qualifications underwent extra pedagogical training (4.2) to prepare them for better service delivery to the customers. Introduction of new related services was also categorized as practiced at greater extent (4.1). This meant that the colleges mainly focused of their already existing programmes but from a contemporary perspective to add value for customer attraction.

TABLE 6: MEAN SCORE OF PRODUCT/SERVICE DIFFERENTIATION STRATEGIES

Differentiation strategies	Mean Score
Innovation on related specialties	4.7
Introduction of new courses	4.1
Staff training and better methods of service delivery	4.2

Source: Research Data

#### **CUSTOMER FOCUS STRATEGIES**

The customers were consistently on focus by the colleges in fear that they would lose them to competitors if satisfaction was not consistently reached. In such a quest, the institutions adopted a variety of customer focus strategies to extend their competitiveness as demonstrated in tables 8 and 9 below.

#### TABLE 7: RESPONSES ON CUSTOMER FOCUS STRATEGIES

Customer Focus strategies	1	2	3	4	5
Offering a wide range of courses	2	1	35	24	23
Providing student transport	2	4	30	21	28
Providing student with free study materials	4	20	35	22	4
Offering free career counseling	3	19	37	23	3
Facilitation for accommodation	9	13	20	38	5
Adjusting classes to suit students	5	24	34	21	1

The strategies involved offering of wide range of courses (4.3) that enabled students enroll in multiple programmes or shift to preferred ones at later stages. Also colleges owned transport means (4.3) that facilitated movement from the centers to major estates with majority of the students, other than promoting the colleges through the side market appeals and logos. At the moderate extent the colleges provided free study materials (3.5) especially the manual and past question papers; offered free social and professional counseling services (3.4) and adjusted class sessions to suit special clients (3.2) like the evening attendants. All colleges did not offer accommodation services but organized for the needy students to access them from external providers.

#### **TABLE 8: MEAN SCORE OF CUSTOMER FOCUS STRATEGIES**

0	
Customer Service Strategies	Mean Score
Offering a wide range of courses	4.3
Providing student transport	4.3
Providing student with free study materials	3.5
Offering free career counseling	3.4
Facilitation for accommodation	4.1
Adjusting classes to suit students	3.2

Source: Research Data

#### **SUMMARY OF FINDINGS**

From the study findings it was evident that competition was at an advanced stage for the Kenyan commercial colleges, especially those located at the Central Business District. Despite the regulations that governed entry criteria and operational behavior, most colleges adopted below lower standards merely for the purpose of winning public appeal and subsequent increases in student populations. However, the independent strategies used by different institutions indicated a solid presence of Porter's strategies of competitive advantages in the industry.

The colleges sought a variety of techniques that reduced their costs of service provision which would later be reflected in their pricing levels. Some of the key cost leadership strategies adopted included fixing less charges while targeting wider market shares and employing full time lecturers rather than part-timers, and in some other occasions charging highly to target smaller populations. The lower charges in respective colleges attracted students from the rural areas more than from the urban centers, while those colleges which charged highly received more studentship from the urban centers than from the rural areas. The full time lecturers were mainly preferred because they received relatively less pay compared to their part time counterparts.

Other than cost leadership strategies, services/programmes were also differentiated to make them distinct from others and stand at advantage positions. The institutions mainly engaged in continuous changes of quality of their programmes through innovative processes and implementation of on-the-job training for the lecturers who did not have background in training. Introduction of related services was also used as a differentiation tool. Marketing of course stood out as one critical area where competitors greatly demonstrated consistency on how they presented their products. A variety of tools and approaches that were adopted by the players included aggressive promotions, use of detailed prospectus, use of referrals targeting and corporate clients and finally having flexible teaching/learning methods for instance weekend classes and online teaching other than the regular day and evening programmes.

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