

Critical Analysis of Competitive Strategies on Performance and Market Positioning: A Case Study of Middle Level Colleges, in Mombasa County.

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Abstract

Today, service organizations are shifting their focus from “transactional exchange” to “relational exchange” for developing mutually satisfying relationship with customers. Extended relationships are reported to have a significant impact on transaction cost and profitability, and customer lifetime value. Serving the customers, in true sense, is the need of the hour as the customer was, is and will remain the central focus of all organizational activities. An institution’s competitive behavior is an important area for any manager, director, principal, and policy makers. Among the explanations of firms’ behavior is Michael Porter’s Generic model. The researcher has presented this model in comparison with Porter’s five competitive forces of the industry. In the researchers’ comparative discussion, the use of Porter’s model to evaluate firms’ competitive behavior is supported. The major aims of the study was to identify and analyze the competitive strategies adopted by the Middle Level Colleges in Mombasa County, and whether they enhance performance and help in attaining market position. And lastly to determine the challenges faced by these colleges when implementing competitive strategies. In this study the target population encompassed colleges located in Mombasa County amounting to 33% of the total population of 62 MLCs. The focus has been on 6 public and 14 private colleges that offer both university and non university courses. A semi-structured questionnaire consisting of closed and open-ended questions was used to collect data using the drop and pick method. The data collected was processed by first editing, coding, classifying and tabulation. The researcher analyzed the data processing with the aid of Microsoft excel 2007-integrated package and the SPSS software. Some recommendations that the study made includes the imposition of manager’s originality and creativity. Constant improvement, what the Japanese call Kaizen, is the only way a firm would sustain its long term competitive advantage and success. It is necessary for managers/ directors to develop strategies having unique details and deviations from the studied approaches to obtain superior performance.

Keywords: Competitive behavior, Competitive strategies, Generic models.

1. Introduction

Traditionally, the primary role or objective of any business corporation has been to make profits and to serve the interest of its owners. However, as a result of rapid environmental changes, the society has become restless about its life and the quality of it. Middle Level Colleges in recent years have emerged under increasing pressure to redefine their role in society. Environmental changes shape opportunities and challenges facing organizations. Organizations need to adjust to these changes to remain successful in future. For firms to succeed they need to strategize their plans. The environment can be relatively stable or turbulent and has affected many organizations. Environmental changes affecting organizations include competition, globalization, political and legal factors, changes in consumer tastes and ecological factors. The major aims of the study were to identify and analyze the competitive strategies adopted by the Middle Level Colleges in Mombasa County, and whether they enhance performance and help in attaining market position. And lastly to determine the challenges faced by these colleges when implementing competitive strategies. To become competitive, institutions are becoming more aggressive in exploiting opportunities and dealing with threats. However, an organization’s strength may not always bring success.

Different challenges have different approaches. Competition will determine how appropriate a firm’s activities will contribute to its performance, such as a cohesive culture, innovations or a good implementation (Porter, 1998). Every institution that competes in an industry has a competitive strategy. The strategy may have been developed through a

planning process or may come up through the activities of the various functional departments of the organization (Porter, 1980). For a strategy to be successful, it must align well with the environment in which the organization is set in. There are several Middle Level Colleges, both public and private that offer national and international diploma awards in a wide field of professions. Middle Level Colleges play a significant role in providing tertiary education in Mombasa County. This has led to stiff competition among these colleges and the government sponsored ones. The competition has made it necessary for these colleges to apply the key competitive strategies to market their programs and gain competitive edge. Tertiary institutions in the recent past in Mombasa County have witnessed rapid growth resulting in the scramble of available student clientele and their ever changing needs.

The success and survival of the colleges in the current business environment has depended on the extent to which they are able to learn, adapt and change (Karinga, 2012). Increase in competition has greatly affected the colleges. This increase in competition has resulted in competitors introducing low costs, shifts towards quality, changed demands and needs of customers and lack of finance. The increase in competition has posed a challenge for the colleges which in turn forces the colleges to change their strategies by deciding to come up with new and different strategies. Some past studies have been carried out on Middle Level Colleges in Kenya by Mwakundia (2005), and Kitoto (2005), focused on competitive strategies applied by commercial colleges in Nairobi and competitive strategies adopted in Kenya respectively. This study therefore sought to fill the gap by conducting a research at critically analyzing the competitive strategies adopted by the Middle Level Colleges, in Mombasa County, and establishing how these competitive strategies affect their overall performance and market positioning.

2. The concept of Competitive Strategy

The concept of strategy is a multi-dimensional concept that can be applied in all fields of study and life. Strategy has been defined variously by different authors. (Johnson, Scholes & Whittington, 2005 pp 9) defined strategy as “the direction and scope of an organization over the longtime, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholders’ expectations.” Pearce and Robinson (1991) defined strategy as a company’s game plan. No goal can achieved without a proper planning. Planning is the process of setting goals and choosing the means to achieve them. Plans help managers have a clear idea of what they need to organize (Stoner, et al, 2003). The essence of formulating strategy is relating a company to its environment (Porter, 1998). The industry in which a firm competes is the key aspect of the firm’s environment. Porter further argues that the competitive rule of the game as well as the strategies potentially available to the firm has been strongly influence by the industry structure. All firms are therefore affected by outside forces and for them to succeed; they have to strategize their plans in a way that will enable them deal with the five basic competitive forces. What is important to know is that strategy defines a college’s purpose and the obligations of the organization to its stakeholders, deals with organizational competitive advantage by positioning the organization in the environment and defines the business of the organization its product or market scope.

2.1 Porters Generic Competitive Strategies

Three of the most widely read books on competitive analysis in the 1980s were Michael Porter's Competitive Strategy, Competitive Advantage, and Competitive Advantage of Nations. In his various books, Porter developed three generic strategies that, he argues, can be used singly or in combination to create a defensible position and to outperform competitors, whether they are within an industry or across nations. Porter states that the strategies are generic because they are applicable to a large variety of situations and contexts. The strategies are overall cost leadership; differentiation; and focus on a particular market niche. Porter's strategies imply different organizational arrangements, control procedures, and incentive systems. In addition to prompting sharing, Porter stresses the need for firms to "transfer" skills and expertise among autonomous business units effectively in order to gain competitive advantage. Depending upon factors such as type of industry, size of firm, and nature of competition, various strategies could yield advantages in cost leadership, differentiation, and focus.

An institution's relative position within its industry determines whether an industry’s profitability is above or below the industry average. The fundamental basis of above average profitability in the long run is sustainable competitive advantage. It provides a framework for the competitive strategies that are quite fundamental in competition. In Porter’s view the notion underlying the concept of generic strategies is that competitive advantage is the heart of any strategy and achieving competitive advantage requires a firm to make a choice.

2.1.1 Strategy – Differentiation

Differentiating the product or service, requires a firm to create something about its product or service that is perceived as unique throughout the industry. Whether the features are real or just in the mind of the customer, customers must perceive the product as having desirable features not commonly found in competing products. The customers also must be relatively price-insensitive. Adding product features means that the production or distribution costs of a differentiated product may be somewhat higher than the price of a generic, non-differentiated product. Customers must be willing to pay more than the marginal cost of adding the differentiating feature if a differentiation strategy is to succeed.

2.1.2 Strategy - Cost Leadership

Overall cost leadership requires firms to develop policies aimed at becoming and remaining the lowest-cost producer and/or distributor in the industry. Institute strategies aimed at controlling costs include construction of efficient-scale facilities, tight control of costs and overhead, avoidance of marginal customer accounts, minimization of operating expenses, reduction of input costs, tight control of labor costs, and lower distribution costs. The low-cost leader gains competitive advantage by getting its costs of production or distribution lower than those of the other firms in its market.

2.1.3 Strategy - Focus

The final generic strategy, focusing (also called niche or segmentation strategy), involves concentrating on a particular customer, product line, geographical area, channel of distribution, stage in the production process, or market niche. The underlying premise of the focus strategy is that a firm is better able to serve a limited segment more efficiently than competitors can serve a broader range of customers. Firms using a focus strategy simply apply a cost leader or differentiation strategy to a segment of the larger market. Firms may thus be able to differentiate themselves based on meeting customer needs, or they may be able to achieve lower costs within limited markets. Focus strategies are most effective when customers have distinctive preferences or specialized needs. A focus strategy is often appropriate for small, aggressive businesses that do not have the ability or resources to engage in a nationwide marketing effort. Such a strategy may also be appropriate if the target market is too small to support a large-scale operation. Many firms start small and expand into a national organization.

2.2 *Re-engineering as a competitive strategy*

Reengineering simply means the fundamental rethinking and radical redesign of business processes and seeks to achieve improvements in cost, quality, speed, and service. It claims to reinvent the way that companies do business, from first principles, by throwing out the view that companies should be organized into functions and departments to perform tasks, and paying attention instead to processes. The essence of re-engineering is reversing the task specialization and focusing instead on completing a total process with value to customers in one fell swoop.

2.3 *The Concept of Strategic "Fit"*

There has been a debate going on by two scholars of thought- Porter versus Hamel & Prahalad. Porter looks at strategy as “fit” while Hamel & Prahalad looks at it “stretch”. Strategic Fit and Strategic Stretch are two basic frameworks that seem to inform the various models of development of strategic plans in organizations. Strategic fit is one way of coming up with a strategy by seeking opportunities in the business environment and adapting resources and competences so as to take advantage of the opportunities. On the other hand, strategic stretch is developing strategy by leveraging the resources and competencies of an institution to provide competitive advantage and yield new opportunities. Strategic fit looks at organizations as passive while Hamel & Prahalad looks at environment as active. They are suggesting that firms try to influence the environment. Porter suggests that a firm should fit its resources to the environment it is in. Institutions strive to satisfy customers needs, and in so doing they achieve their basic corporate objectives of survival and profitability. Because of their concern for satisfying the customer’s needs, the institutions choose their strategies carefully, in order to offer the products/services that are valued by their customers. Directors have the responsibility of proposing corporate strategy, and the success of the strategy rests on the commitment of the managers in carrying it out.

2.4 *Empirical literature*

This section of the chapter has visited studies that have been conducted in the area under research. Various studies

have been done to determine the competitive strategies and challenges facing higher education institutions in Kenya. The studies have pointed out that most colleges apply competitive strategies in order to survive in their industry sector. But the challenges have not been conclusive enough to justify a generalization. A brief highlight of some of these studies is hereby given to prove that competitive strategies are unique and highly sensitive to environmental circumstances.

Mwakundia (2005) in his study of the competitive strategies applied by commercial colleges in Nairobi found out that both general and specific training institution strategies are applied in this sector. Kitoto (2005) in her study on competitive strategies adopted by universities in Kenya revealed that several external factors, some of them quite closely related, affected the universities. Competition, increasing customer awareness, entry of substitute products and many more challenges called upon the universities to develop strategies that could adequately respond to the forces. The studies point out that training institutions apply competitive strategies and experience challenges which are unique and specific hence cannot be generalized.

Kimondo, Njogu and Sakwa (2012) conducted a research that tried to analyze the Competitive Strategies Employed by Private Universities in Kenya with a Case Study of Private Universities in Nairobi. The study discussed how private universities have employed technology and innovation as a competitive strategy and how they have employed differentiation to give them a competitive advantage.

Results arising from the research suggest that private universities have embraced technology, differentiated their products and services and also products are leading in the market which has given them a competitive advantage over the others. Some recommendation that the study made includes supporting *electronic learning and virtual schools which will enable each lecturer to participate in electronic learning and explore* creative ways to fund electronic learning opportunities, encourage broadband access by thoroughly evaluating existing technology infrastructure, improve lecturer training, consider innovative budgeting and lastly strengthen leadership.

3. RESEARCH METHODOLOGY

3.1 Research design

This study used a descriptive research design, according to Glass & Hopkins, (1984) descriptive research involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data collection. The study seeks to identify the competitive strategies that colleges are adopting and the competitive challenges they are experiencing in implementing the strategies towards market positioning and performance. Twenty Middle Level Colleges were selected using convenience sampling technique, to which questionnaires were administered.

3.2 Research sample and Sampling design

As Stocker (1998) points out, a sample is used to obtain representatives information in respect of a population. The researcher conveniently and purposively selected 20 units which are registered by the Ministry of Higher Education Science and Technology. According to Kothari (2005) sampling design refers to the technique or procedure the researcher adopted in selecting some sampling units from which inferences about the population are drawn. The researcher subjectively selected the items that made a sample representative of the population. In this case, the researcher used the information on the classification of the Colleges as a criterion in selecting the sample included in the study.

3.3 Data processing and analysis

In order to ensure logical completeness and consistency of responses, data editing has been carried out each day by the researcher. Identified mistakes and data gaps were rectified soonest possible. Once editing was done, it was analyzed qualitatively and quantitatively. The qualitative data from secondary documents has been analyzed using content analysis and logical analysis techniques. Quantitative data analysis has been done by the use of Microsoft excel 2007-integrated package and the SPSS software. The technique for quantitative data analysis was frequency distribution, variances, standard deviation and percentages, which has been used to determine the proportion of respondents choosing the various responses. This has been done for each group of items relating to the research questions. Tables, charts and graphs were used to ensure easy understanding of the analyses.

4. Findings

The findings of this research have brought to light a number of issues regarding the strategies adopted by the MLCs

in Mombasa County the overall results show that most of the colleges are located within the Central Business District, have been in operation for 10 years and above, have a population of below 500 students and have crafted strategies that are focused on offering unique products that are generally valued by customers and thus following the differentiation strategies

5. Conclusion and Recommendation

In Porter's view (1985), competitive advantage is at the heart of a firm's performance in competitive markets. Thus, winning business strategies are grounded in sustainable competitive advantage. A company has competitive advantage whenever it has an edge over rivals in securing customers and defending against competitive forces. There are many sources of competitive advantage: making the highest – quality product, providing superior customer service, achieving lower costs than rivals having a more convenient geographic location, designing a product that performs better than competing brands, making a more reliable and longer lasting product and providing buyers more value for the money (a combination of good quality, good service and acceptable price). To succeed in a building a competitive advantage , a firm must try to provide what buyers will perceive as “ superior value” either a good product at a low price or a “better” product that is worth paying for.

According to Porter (1985), the essence of formulating competitive strategy is relating a company to its environment. The best strategy for a given firm is ultimately a unique construction reflecting its particular circumstance. From the discussion in the previous chapters it can be realized that, generic business strategies and tactics are time- tested approaches to managing companies in specific competitive market situations. As such they have become more important foundations, which most managers regard as starting points for developing their strategy/ tactics in an industry. However, to make these strategies truly successful, managers must interpose their own originality and creativity. This is because most managers, including rivals, expect these strategies, and thus, to catch rivals unaware, a somewhat new approach must be taken. Consequently, it is necessary for managers to develop strategies having unique details and deviations from the studied approaches to obtain superior performance.

Additionally, firms must continuously strive to impose their tactics as well as their competitive position and advantages, because it is only through constant improvement that one stays ahead of competitors that are both copying and improving themselves in order for them to sustain its long term competitive advantage and success in a given industry. The study focused on the analysis of competitive strategies on performance and market positioning. The study will provide a useful basis upon which further studies in the industry could be conducted. There is need to undertake similar studies in different higher learning institutions to ascertain how different sectors deal with the competitive strategies. The study also contributes to the existing literature in the area of strategies that academicians could use as a basis of further research.

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