COMPETITIVE STRATEGIES ADOPTED BY ZETECH COLLEGE TO COPE WITH COMPETITION AMONG MIDDLE LEVEL COLLEGES IN KENYA

BY

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"IP?

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DECLARATION

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

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This research project has been submitted for examination with my approval as the University supervisor.

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DEDICATION

This project is dedicated to my loving husband Ken and our children Eric and Edwin.

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I wish to thank the Almighty God for his grace and unfailing love that has seen me this far. I am indebted to my supervisor Prof. Martin Ogutu, for his patience, guidance, and support throughout the entire project. I also wish to thank Dr. John Yabs who moderated my project.

1 must also extend my sincere appreciation to my entire family who supported me whenever I needed help. My dad's passion for education, his sacrifice and encouragement has seen me this far.

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To all my friends in particular mention Lisper, and all other friends who supported me in one way or another to complete this project, receive my sincere gratitude.

May God bless you all.

ACRONYMS AND ABBREVIATIONS

CHE- Commission of Higher Education

ICDL- international Computer Driving License

ICT- Information, Communication and Technology

JAB- Joint Admission Board

JKUAT- Jomo Kenyatta University of Agriculture and Technology

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ABSTRACT

Many 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 occurs because the resources are scarce, opportunities are rare and the dominant players in the market are many. 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 used competitive strategies are the porter's generic competitive strategies. This research was based on a case study of Zetech College. Zetech College has been in operation for the last thirteen years and has experienced extensive growth over the years. The study had two objectives. The first objective of the study was to determine the challenges of competition faced by Zetech College and the second to establish the competitive strategies adopted by the college to cope with competition affecting middle level colleges in Kenya. The study established that indeed Zetech College faced several challenges from competition. It was also established that the college adopted several strategies to cope with the competition. The adopted strategies were very effective leading to the phenomenal growth of the institution. The study recommends that companies should adopt a competitive strategy that matches with their internal and external environments instead of blindly copying other company's strategies. The study also recommends that a survey is done on middle level colleges to enable generalization of findings.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Today's business environment is very turbulent and dynamic. The consumer is surrounded by marketing in form of brands, adverts and promotions which all aim at influencing the consumer's behavior. Organizations must therefore understand how to effectively compete in the marketplace by developing new competencies as the old advantage and competencies quickly get eroded by environmental turbulence. Almost all businesses have to face stiff competition with their business rivals in virtually any market. Having an advantage over them is not enough to guarantee you can sustain your position on the competitive ground. An ongoing analytical survey of the market and its volatility is required to keep firms updated and informed on the need for improving the quality of products and ensuring the superiority of service offering. Any firm should therefore adopt a competitive strategy to secure a sustainable competitive advantage over its rivals in the products it sells and the services it offers.

1.1.1 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. It is a plan of how a firm will compete, formulated after evaluating how its strengths and weaknesses compare to those of its competitors. It means deliberately choosing to perform activities differently or to perform different activities than rivals to deliver a unique mix of value.

Walker (2004) defines a competitive strategy as a long term initiative devised to assist an organization to attain a competitive advantage over its rivals. He further contends that, a competitive strategy is habitually used in advertising campaigns through a discrediting of its competitors' products or services in a subtle way. Competitive strategies are significant to companies that compete in heavily saturated markets, providing numerous alternatives to customers.

A competitive strategy concerns the specifics of management game plan for competing successfully and securing a competitive advantage over rivals (Thompson, Strickland and Gamble 2008). The purpose of competitive strategy of any company is to please customers and counter the maneuvers of rivals. It is a response to whatever market conditions that prevails at the moment. It is an initiative to strengthen its market position and its approach to securing a competitive advantage vis-a-vis rivals.

A company achieves competitive advantage whenever it has some type of edge over its rivals in attracting buyers and coping with competitive forces. There are many routes to competitive advantage, but they all involve giving buyers what they perceive as superior value compared to the offerings of rival sellers. Superior value can mean a good product at lower price, a superior product that is worth paying more for or a best value offering that represents an attractive combination of price, features, quality, service and other appealing attributes. Delivering superior value whatever form it takes, nearly always requires performing value chain activities differently than rivals and building competencies, resources and capabilities that are not easily matched (Thompson et al, 2007).

1.1.2 Concept of Competition

Competition can be defined as the existence within a market for some good or service of a sufficient number of buyers and sellers such that no single market participant has enough influence to determine the going price of the good or service. It is the opposite of monopoly. According to Brescia (2007), competition refers to the rivalry in which every seller in the industry seeks at the same time: profit, market share and sales by offering the best practicable combination of price, quality, and service. Competition is where the market information flows freely. Competition plays a regulatory function in balancing demand and supply.

The state of competition in any industry depends on five basic forces: threat of new entrants, bargaining power of suppliers, bargaining power of customers, threat of substitute products and rivalry within the industry. The collective strength of these forces determines the ultimate profit potential of an industry.

Competition brings about several challenges to organizations. As competition increases, pesky competitors become involved in predatory pricing, copying their competitor's product line, or using aggressive marketing techniques or guerrilla warfare strategies. The more the number of businesses offering similar goods or services there are, the higher the intensity of competition within the industry and vice versa.

1.1.3 Middle level colleges in Kenya

Middle level colleges are two or three year post secondary school institutions. They award certificates, diplomas and higher national diplomas in various disciplines after successful completion of relevant courses. Courses offered by these institutions include Business

Education, Accounting, Secretarial Studies, Nursing, Teacher Training, Computer Studies, Journalism, Media, Design, Culinary Studies, Foreign Languages, Tourism and Technical Skills. Although generally termed as colleges, these institutions do not award degrees. Degrees are only awarded by universities.

Middle level colleges play a very strategic role in the development of human resources just like the universities. The Kenya Vision 2030 and the need to remain competitive in the ever changing business environment demands emphasis on quality training. Kenya intends to reduce illiteracy to its citizens by providing globally competitive quality education, training and research for sustainable development. It is in this regard that middle level colleges such as Zetech College come in to bridge the gap created by the universities which do not currently have the capacity to accommodate the growing number of students graduating from secondary school level as a result of increased enrolments due to free primary and subsidized secondary education.

There about 500 registered middle level colleges in Kenya. The ministry of higher education has been putting a lot of emphasis on middle level colleges operating illegally .and those operating with provisional certificates to seek full registration or face closure. The courses offered in middle level colleges are accredited by Commission of Higher Education (CHE) for quality assurance. CHE was established by the Kenya government through an act of parliament CAP 21 OB in 1985.

Middle level colleges have been encountering several challenges such as closure due to non compliance to registration regulations, competition, lack of finances and high cost of borrowing capital, ownership structure challenges, lack of adequate resources and limited physical facilities, inflexible curriculum, weak governance and management, negative publicity and poor public perception among other challenges.

1.1.4 Zetech College in Kenya

Zetech College is a locally owned private learning institution established in 1999 initially to offer basic computer training. The college officially started from a one roomed premises at the Summit house building along MOI Avenue and has expanded over the years to the current six branches. Zetech College offers specialized training in a variety of fields at certificate, diploma, advanced diploma and degree level. The degree courses are offered with collaboration with Jomo Kenyatta University of Science and Technology (JKUAT).

Over the years, the college has kept with its theme of developing careers to Kenyan and international students. Zetech College's vision is to become one of the leading regional Universities in Africa for research, knowledge creation and dissemination. In line with this Vision, Zetech is working towards becoming a University by the year 2013. Its mission is to provide high quality education of international standard and recognition by creating an environment that stimulates and challenges students to enable them fully explore their intellectual and human potential. Zetech College believes in offering easily accessible higher education to ambitious students with academic potential, irrespective of the part of the world in which they are.

The student and staff population at Zetech has grown over the years to about five thousand students and over two hundred members of staff Zetech is arguably the leading collaborating centre for JKUAT with a total of seventeen JKUAT programmes on offer seven being Degree programmes.

The college is accredited by several examining bodies such as Kenya National Examination Council, Association of Business Executives, Institute of Commercial Management, IATA, City and Guilds, 1CDL among others. The college reviews its curriculum constantly to reflect dynamic needs of the industry and incorporates the latest methodologies to maintain a dynamic learning environment. The College has made significant progress by introducing and developing more programmes in order to address and embrace the challenges brought about by rapid advancement in ICT.

Zetech College flagship project is the construction of its main campus in Ruiru, along Thika road. The college has also sought continuous improvement in all its facets. Administratively, the college has set up a panel of experts who are guiding the various aspects of converting to a university. The college is also establishing ways of broadening access to education in the country and is looking forward to open branches in various locations in the country and equally embrace innovative ways of increasing access to education through the use of ICT. The college maintains its focus of developing careers while responding to the dynamic and contemporary challenges of post secondary education sector. My research will focus on identifying the challenges faced by Zetech College, and the competitive strategies adopted to overcome those challenges

1.2 Research Problem

Competitive strategy is a strategy that firms use to compete. It gives a firm a competitive edge over its rivals. It is concerned with how a firm can gain a competitive advantage through a distinctive way of competing. A competitive advantage provides an organization with numerous advantages. Firstly, a competitive advantage enables an organization to beat the violent market forces and beat volatility. Consequently, an organization attains sustainability and ultimate competitiveness. Secondly, a competitive advantage enables an organization to grow its market share in the industry in which it operates. The growth in market share results to enhanced performance of the organization. Thirdly, a competitive advantage provides the validity as to why an organization exists. Without a competitive advantage, a firm has limited economic reason to exist; its competitive advantage is its reason for life. Without it, the firm will decline.

Today's dynamic markets and technologies have compelled organizations in all sectors to strive to acquire competitive advantages through crafting and execution of competitive strategies. Zetech College is one such organization. There are over 500 middle level colleges registered in Kenya. These colleges, together with Zetech College compete for resources and customers. As such, Zetech College has been crafting competitive Strategies that have seen its growth from one roomed computer college in 1999, to the current status. The college has acquired external recognition from other institutions of higher learning, and currently collaborates with Jomo Kenyatta University of Science and Technology to offer its courses. This profound growth and expansion of the college, has necessitated the study of the competitive strategies that the college has engaged to achieve its immense success.

A number of studies have been done on competitive strategy (Banda, 2006; Karanja, 2010; Kinyua, 2010; Mbugua 2006; Milewa, 2010; and Mulwa, 2010). These studies have, however, not carried exhaustive study on this important area of strategy implementation. Most of them emphasize on challenges of implementation but do not mention much on any strategies adopted for success Though this topic has been studied before, no study, to the best of my knowledge has been done to investigate the competitive strategies adopted by Zetech College for competitiveness. Thus, a gap exists that this research seeks to fill. This study will therefore investigate the challenges Zetech College faces due to competition and competitive strategies adopted to overcome those challenges. What challenges does Zetech College face due to competition? What competitive strategies has Zetech College adopted to cope with competition?

1.3 Research Objectives

The study will have two objectives.

i. To determine the challenges of competition faced by Zetech College.

ii. To establish the competitive strategies adopted by Zetech College to cope with competition affecting middle level colleges in Kenya.

1.4 Value of the study

The findings of this research will benefit a number of stakeholders namely; researchers, the policy makers/government, other middle level colleges and the management of Zetech College.

To the researches, the study will benefit them in their pursuit for knowledge. The findings in this research may be used to further inform other studies that may be undertaken in the area. The findings of this research will especially be significant in pursuit of a replica research, to investigate the influence of time to the strategies adopted by the College, as well as, the influei'ce of context on strategies adopted by other organizations.

The study will also contribute to theory building by highlighting unique strategies that Zetech College has adopted over time, that are unique to Zetech and that can be used to enhance the existing body of knowledge in implementation of competitive strategies in similar or different industry.

To Zetech College, the findings of this study will provide an insight on two ways. Firstly, this study wills provide an insight to the management of Zetech College on the competitive strategies that they have adopted. This will consequently serve as a foundation of the evaluation of the effectiveness of the adopted competitive strategies. Secondly, the findings of this study will benefit the management of Zetech College through the findings and recommendation chapter, to develop better strategic responses to the environmental turbulence and rivalry, for competitiveness.

To other colleges, the research findings will help them understand different strategies that have been proven to work in the implementation of competitive strategies. This will enable them formulate and implement their unique strategies instead of copying other companies strategies which in most cases may fail for them.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

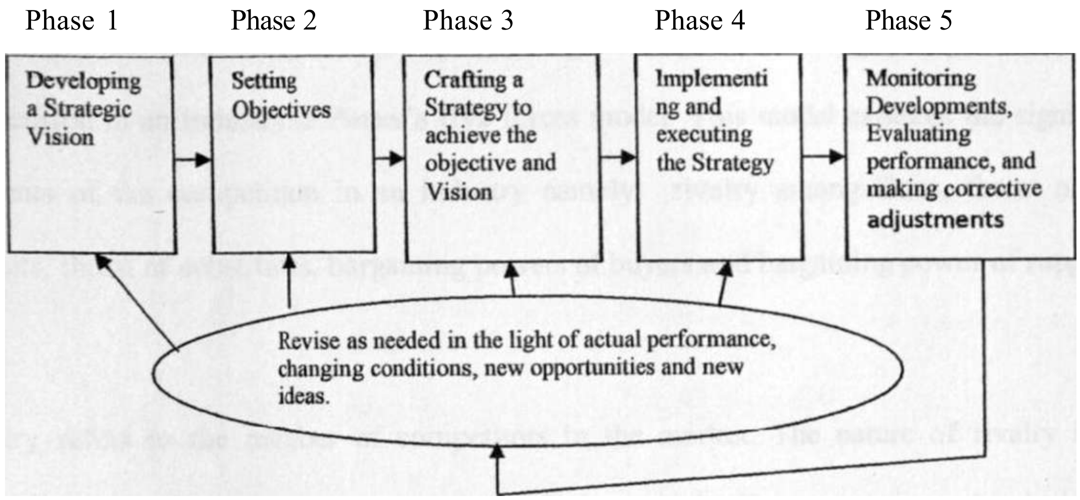
The review of literature involves the systematic identification, location and analysis of documents containing information related to the research problem being investigated. The main purpose of literature review is to determine what has been done already related to the research problem being studied (Mugenda and Mugenda, 2003)

2.2 Concept of Strategy

Thompson, Strickland and Gamble (2008) noted that an organization without a strategy is like a ship without a rudder. An organization's strategy is a management's action plan for running the business and conducting its operations. According to Thompson et al (2008), strategy is the process that matches resources and activities of an organization to the environment in which it operates to achieve a competitive advantage.

A business strategy exists in corporate, business and functional levels of strategy. The corporate level strategy defines the business in which the organization is involved, the business level defines how the organization competes, while the functional level stipulates the operational methods to implement the tactics (Ansoff, 1985). Various steps are involved in strategy formulation and implementation as summarized in the figure below.

Figure 2.1: The strategy Making, Strategy Executing Process



Adapted from: Thompson, Strickland and Gamble, (2008). ***Crafting and Executing***

In most organizations today, crafting and executing strategy is a team effort in which every manager has a role for the departments that they head, as opposed to strategies crafted and executed at the executive level (Thompson, Strickland and Gamble, 1993). Organizations succeed as a result of decision that they make or fail to make. An organization that makes sound strategic decisions achieves excellent financial performances, sustained competitive advantages and growth. Porter (1996) argues that an ideal competitive strategy can only be about being different with a deliberate choice of a distinctive way to deliver a mix of value and activities. He further champions that strategy is about combining activities and synergies that come from combining the right activities and leaving others aside.

2.3 Industry Competition

An industry may be defined as a group of firms that offer product or classes of products that closely substitute one another. Industries are classified according to number of sellers; degree of product differentiation; presence or absence of entry, mobility, and exit barriers; cost structure; degree of vertical integration; and degree of globalization. Organizations exist in extremely competitive environments, to which they must continually adapt for competitiveness (Camillus, 2011). The most significant model for analyzing the nature of competition in an industry is Porter's five forces model. This model captures the significant elements of the competition in an industry namely; rivalry among firms, threat of new entrants, threat of substitutes, bargaining powers of buyers and bargaining power of suppliers.

Rivalry refers to the number of competitors in the market. The nature of rivalry in the industry impacts on the ultimate profitability (Porter, 1985). The more intense the rivalry, the more attractive the industry is for existing firms, as entrants get deterred from entry. The intensity of rivalry is influenced by; the number of firms in the industry, the market growth rate, the degree to which costs are fixed, the degree to which the products are perishable, switching costs involved, levels of product differentiation, exit barriers and strategic stakes among others. A large number of firms in an industry, slow market growth, high fixed costs, highly perishable products, low switching costs, low product differentiation, high strategic stakes and high exit barriers, intensifies the rivalry within an industry.

Threat of substitutes refers to the likelihood of having products which serve an equivalent purpose in the market (Porter, 1985). The presence of substitute products can lower industry attractiveness and profitability because they limit the price levels. The threat of alternative products depends on; the costs involved in switching to substitutes, buyer's willingness to substitute and the relative price and performance of substitutes.

Threat of entry refers to the potential investors likely to join the industry (Porter, 1980a). New entry to an industry heightens competition and reduces the industry attractiveness. The threat of new entrants is largely influenced by entry barriers. The most significant barriers to entry include; the economies of scale, capital requirements, access to industry distribution channels, likelihood of retaliation from the existing industry players, customer switching costs, access to raw materials, government subsidy and access to raw materials among others (Few, 2011).

Bargaining power of buyers is the capability of consumers to compete with the supplying industry by bargaining for the prices downwards (Porter, 1985). The bargaining power of buyers is greater when products are standardized, there are few dominant buyers in the industry, there are many sellers, the industry is not a significant supplier group, suppliers do not threaten to integrate forward into the buyer's industry and buyers threaten integrate backward into the industry among others. Suppliers are the businesses that supply materials and other products into the industry. Suppliers may exert pressure into an industry by threatening to adjust prices and alter the product quality (Porter, 1980a).

The bargaining power of suppliers will be high when there are many buyers and few dominant suppliers in the industry, there are differentiated and highly valued products, suppliers threatening to integrate forward into retailing, buyers do not threaten to integrate backwards into supply and the industry is not a key customer group to the suppliers. An industry is competitive if the threat of new entrants is low as a result of high entry and low exit barriers, bargaining power of supplier and buyer is weak, buyer power is low, the threat of substitutes is low and the intensity of rivalry among industry competitors is low.

2.4 Challenges of Competition

The intensity of business rivalry and the turbulent changes facing today's organizations, coupled with the emergence of the more matured, better informed and more discriminating customers, have pushed the boundaries of organizations to compete at the highest level, with the primary focus on becoming the dominant player in the markets in which they operate. Competition occurs because the resources are scarce, opportunities are rare and the dominant players in the market are many. Where the market information flows freely, competition plays a regulatory function in balancing demand and supply. While competition, both direct and indirect, provides numerous advantages to the stakeholders, it also poses several challenges, for which the entrepreneurs require crafting strategies to counter. Those challenges are as discussed below.

Competition may lead to a decline and loss of the organization's market share. A market share refers to the percentage of a market, usually defined in terms of either revenue or units, controlled by a firm. The declining market share may be as a result of loss of customers, who provide the market for an organization's products and services (Brescian, 2007). This reduction in market share culminates to reduced revenue and ultimate profits. In the long run, the diminishing return from an investment may strain the operating capital of an organization, resulting to insolvency.

Competition also results to high capital expenditure. Strategic managers may react to competition through business process reengineering, vigorous advertising, investment in contemporary equipments, hiring of highly skilled manpower, rebranding of products and adoption of new production technology. The strategic moves to counter competition are capital extensive; hence, reducing the finances which would have been used by the company for competitive advantages.

Another challenge of competition is that it leads to struggle for raw materials by the key player in the industry, hence, high pricing for raw materials (Tidstrom, 2012). When managers acquire raw materials at high costs, the production cost becomes higher. The high production costs are transferred to the end products, resulting to high-priced goods. As a result, the organization loses on the competitive advantages provided by low pricing of products.

Competition also results to scarcity of skilled manpower. Competitors in an industry are likely to struggle for the same skills and manpower, which culminates to poaching of highly skilled employees from the competitors. This scarcity of skilled manpower impacts directly on production efficiency and profitability of an organization. The costs involved in poaching a highly skilled employee also strain the organization's capital. Competition also compels organization to make expensive investments in employees (Tidstrom, 2012). Various skills are required within an organization to achieve a competitive edge. In order for an organization to attain the required levels of efficiency to counter the effects of competition, an organization may require investing heavily on training and development of employees as well as research and development. These approaches to countering competition are extremely expensive, and require adequate planning by an organization before undertaking.

Competition compels organizations to lower their pricing and improve the quality of their products to retain their market share, affirms Drejer (1969). The price that organization charge for their products is limited by the extent of competition. While this move by organization greatly benefits the end user consumers, organizations suffer reduced revenues and profits. Reduced revenues subsequently strain an organizations operating capital. With strained capital, efficiency and quality of production is compromised, hence, decline in competitiveness. This competition also limits the range of services and the nature of products that organizations sell. An organization that sells inferior products than those of its rival will struggle to make sales unless they take desperate measures such as price reduction, champions Haberberg and Rieple, (2008). This jeopardizes the operations of smaller players in the market, to the levels of minimum productivity. Competition may also result to loss of jobs. As competition pushes the prices of products that an organization produces, firms move offshore in search of cheaper labor to remain competitive. This may lead to some firms exploiting people in less developed countries and in extreme cases even child and or slave labor.

2.5 Competitive Strategies

Organization exists in turbulent environment mapped with high degrees of rivalry. In the context of extremely competitive and turbulent business environments, organizations strive to attain a competitive edge over its rival in all its areas of operation. Faced with the changing environments, organizations have to adapt their activities and internal configurations to reflect the new external realities. Failure to do this may jeopardize future success of those organizations, contends Aosa (1998). A competitive advantage allows an organization to produce and sell goods more efficiently than its rivals. In order to attain and maintain a sustained competitive advantage, organizations regularly develop competitive strategies (Porter, 1980a). Different businesses and organizations require different strategies depending on their size and type. Flexibility is a significant feature of competitive business strategies. One of the most renowned business strategies is the Porters Generic Competitive Strategies.

Porter's Generic Competitive Strategies form a business tool which helps strategists understand how the position of a company within its industry can be directly related to the strategy it employs. The strategy employed can then be analyzed to understand where a company's competitive advantage lies, with a view to maintaining it. Porter (1980b) identified the two main types of competitive advantage as cost advantage and differentiation. In developing and maintaining their competitive advantage, companies have the option to adopt one of the three generic strategies: cost leadership, differentiation or focus. The figure below provides a diagrammatic summary of Porter's competitive generic strategies.

Figure 2.2: Porter's Generic Competitive Strategies

Competitive Advantage

	Lower Cost	**Differentiation**
Broad target	**1. Cost Leadership**	**2. Differentiation**
Narrow Target	**3a. Cost Focus**	**3b. Differentiation Focus**

Adapted from; Porter, M E. (1985). ***Competitive Advantage.*** **New York: Free Press**

The cost leadership strategy puts emphasis on efficiency. In cost leadership strategy, firms aim to maintain the lowest average cost in the industries in which they operate as compared to their rivals (Porter, 1985). Cost leadership may include proprietary technology, preferential access to raw materials, business process reengineering, pursuit of economies of scale, capacity utilization, residual efficiency and other related factors (Porter, 1980b) Cost leadership may imply that the firm has the lowest average cost in highly competitive industries, hence, low returns but relatively higher than competitors. Cost leadership may also, on the other hand, mean that a firm has the lowest average cost among few competitors in the industry, where each firm enjoys high profits and high pricing power.

Prajogo (2007) assert that a firm attempts to maintain a low cost base by controlling its production costs, increasing their capacity utilization, controlling material supply and product distribution, and minimizing other related costs such as advertising. Mass production, mass distribution, economies of scale, technology, product design, learning curve benefit, workforce dedicated to low cost production, reduces sales force and reduced costs on marketing, helps an organization to maintain a low cost base. For cost leadership to be effective a firm should have a large market share. New entrants, as well as, firms with a smaller market share may not benefit from such strategy since mass production, mass distribution and economies of scale will not make an impact on such firms.

Differentiation is the creation of products and services regarded as unique in the industry. It is aimed at the broad market that involves the creation of a products or services perceived to be unique throughout the industry. These products are usually hard to imitate (Porter, 1985). By extension, it is the creation of the firm's own market. An organization may then charge a premium for its products. Several methods of differentiation include; new technology, brand image, design, dealers, network, customer service and the number of features. Differentiation may be done using more than one of the cited methods. Differentiation is a viable strategy for earning above average returns in a specific business because the resulting brand loyalty lowers the customers' sensitivity to prices. The increased operational costs are easily passed on to the buyers. Buyers' loyalty can also serve as an entry barrier. New entrants to the industry must develop their own distinctive competence to differentiate their products. Lynch (2003) affirms that a successful differentiation strategy may attract competitors to enter the company's market segment and imitate the differentiated products. The risks associated with differentiation strategy include; imitation by competitors and changes in customer preferences and tastes.

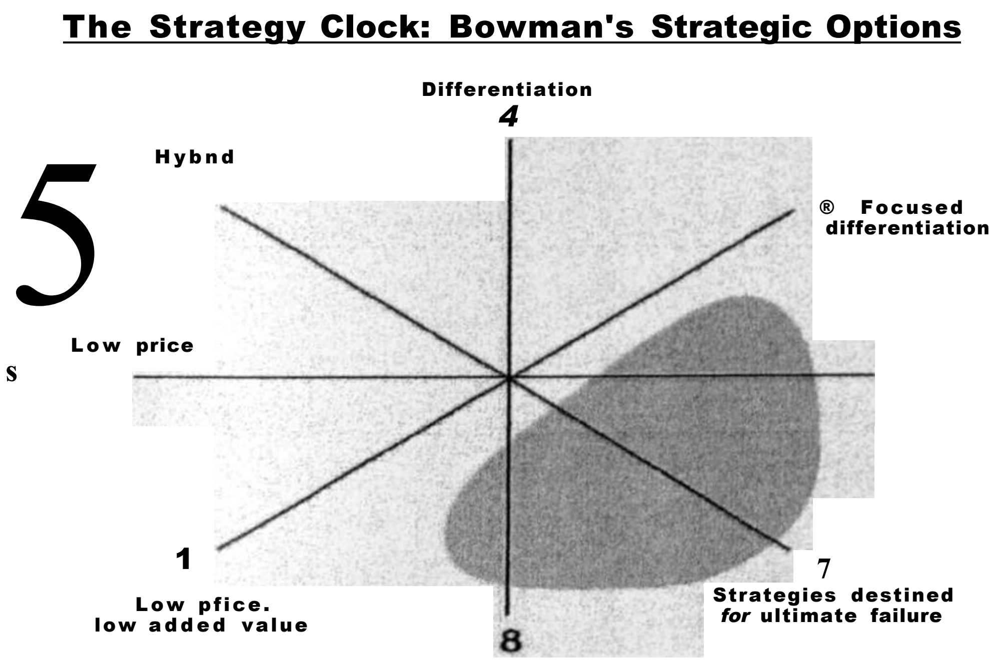
Focus strategy refers to the selection of a narrow market scope within the industry. The firm identifies a segment in the industry in which there is a gap, and tailors its strategies to satisfy the needs of the niche (Porter, 1985). While, differentiation strategy seeks to differentiate products in the niche markets, Cost focus strategy seeks cost advantages in its niche. Costs focus strategy exploits the distinct cost behaviors in segmented areas. Through this strategy, it is hoped that by focusing its marketing efforts on one or more narrow segments and tailoring its marketing mix to these specialized markets, a firm can better meet the needs of the niche market. The firm using the focus strategy typically seeks to gain competitive advantage through product innovation and/ or brand marketing rather than efficiency. A focus strategy should focus market segments that are less vulnerable to substitutes or areas where competition is weakest to earn above average returns on investment. Organizations can make use of the focus strategy by focusing on a specific niche in the market and offering specialized products for that niche. According to Lynch (2003), tliis concept explains why the focus niche is sometimes referred to as niche strategy.

Organizations require an effective competitive strategy to operate successfully in a market where there is established and potential competition. The achievement of a competitive advantage and hence superior profits are central to the strategy of any organization.

Successful achievement of competitive advantage is likely to result if a company is clear about its competitive strategy which may be one of the following: cost leadership, differentiation, cost focus or cost leadership or alternatively a combination of competitive strategy (Capon, 2008). Gilbert and Strebel as adapted from Capon (2008), present an alternative view of competitive strategies. They argue that there are two constituents of competitive advantage: lower delivered cost and higher perceived value. However unlike porter, Gilbert and Strebel go on and argue that lower delivered cost and higher perceived value can be used together to give a company a superior position in the industry or sector. The essence of their argument is that to achieve competitive advantage, a firm must strive to give the highest perceived value for the lowest delivered cost. Competitive advantage is achieved by creating disequilibrium between perceived value of the product and asking price. This is done by increasing the perceived value or reducing the asking price. This alters the terms of competitors and could drive competitors out of the market or influence them to offer more perceived value for same price or the same value for less money (Capon, 2008)

Faulkner and Bowman (1995) developed the strategy clock, which was further adapted by Johnson, Scholes and Whittington (2008). The strategy clock builds on porters three competitive strategies and is an alternative model to porter for assessing competitive strategy option. The strategy clock is illustrated in the figure on page 21.

Figure 2.3 The Strategy Clock



Adapted from, Faulkner, D and Bowman C (1995) "Competitive Strategy Options" ***The Essence of competitive strategy*, Heme I Hempstead: Prentice Hall**

The No frills strategy is used to target very price sensitive customers who cannot afford or do not wish to pay for higher priced goods and services by offering basic products with no or very limited extra features (Capon 2008). Low price strategy aims at charging reduced prices for products and services which are identical to those offered by competitors. Success in this strategy means a firm must achieve lower costs than those of his competitors and must also have the financial might to withstand a price war. Hybrid strategy is a combination of two strategies namely those of differentiation and low priee The aim is to achieve differentiation from competitors' products and services while charging lower prices. Differentiation strategy is used to target a mass market and to offer customers added value for which they are prepared to pay. Focused differentiation targets a niche market where customers pay a lot of money for luxury goods. Successful differentiation focus requires strong core competencies in areas of importance to the narrow range of customers. Strategies 6, 7 and 8 are failure strategies and should be avoided.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology refers to the procedures by which researchers go about their work of describing, explaining and predicting phenomena, making systematic observations, obtaining data, evidence, or information as part of a research project or study. This chapter sets out a road map that guided the progress of the study to ensure that the objectives were met through answering of the research questions.

3.2 Research Design

This study was conducted through a case study. A form of qualitative descriptive research, the case study looks intensely at an individual or small participant pool, drawing conclusions only about that participant or group and only in that specific context. A case study was essential for this type of research because it aimed at studying one unit of the middle level colleges, Zetech College, from which conclusions were drawn. The case study gave in-depth information regarding challenges of competition faced by Zetech College, the competitive strategies adopted by the college to cope with competition affecting middle level colleges and the underlying issues and factors. No generalizations were required in this study; hence a case study was appropriate to conduct the research.

3.3 Data Collection

Primary data was used for this research. Primary data refers to the information that the researcher collects for the sole purpose of answering the question at hand The primary data was collected using interview guide (see appendix 2). The interview guide was administered among five senior management of Zetech College who head the various functions. The face to face interview provided an opportunity to explore the open ended questions from the interview guide and clarify questions which improved the quality of information obtained

3.4 Data Analysis

Data was analyzed through content analysis. After the interview guides were filled up, they were edited for completeness and consistency. The data collected was mainly qualitative in nature and was analyzed using conceptual content analysis, being the best method of analysis, objectively identifying specific characteristics and using the same approach to relate trends. Mugenda and Mugenda (2003) emphasize that the main purpose of content analysis is the study of existing information in order to determine factors that explain a specific phenomenon.

The content analysis technique was used because it assists in making inference by systematically and objectively identifying specific messages and relating them with their occurrence trend. Besides, various researchers have successfully used the technique of content analysis to analyze data collected from a case study. These include; Gacheri, A. (2010) Irungu (2010), Karanja (2010), and Karani (2008) among others.

CHAPTER FOUR
DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter describes how the data collected was analyzed, the findings and discusses the outcome of the research with the aim of answering the research questions It outlines the challenges of competition faced by Zetech College and the strategies adopted by the college the cope with competition affecting middle level colleges in Kenya. All the projected senior managers were interviewed and this commendable response rate was due to the researcher's effort of constant follow up with the interviewees to book appointment and remind them of the interview.

4.2 Personal and Organization Profile

The researcher sought to understand the senior managers understanding of the organization by seeking to know how long they had worked at Zetech College. The interviewees further gave the vision, mission and objectives of the college. The answers to the question of vision, mission and objectives were similar, and were as follows: The vision of Zetech College was to become the leading university in Africa for research, knowledge creation and dissemination; its mission was to provide high quality education of international standards and recognition while its objectives were to offer quality education at reasonable costs, ensure high quality tertiary education reaches large number of qualified students, and to offer programmes of international reputation.

The number of years the college had been in operation was given as thirteen years and the duration of service of the interviewees given as; two years, three and half years, four years, six years and eight years. This long duration of service enabled the researcher to acquire detailed information regarding the college since the interviewees had deep and comprehensive understanding of the college.

4.3 Challenges of competition faced by Zetech College

The first objective of the study was to determine the challenges of competition faced by Zetech College. The researcher sought to find out the target market of the college and who was considered as its main competitor, strengths of its competitors and how the college overcome competition. The answers to this research question were many and varied. Most managers felt that their niche market was mainly form four leavers who failed to meet the minimum requirements of joining public universities through the joint admission board (JAB) and working class students wishing to upgrade their academic qualifications.

The interviewees mentioned that the main competitors to Zetech College were colleges that had been in existence for longer and thus perceived as having an advantage in certain niche areas. Zetech had however sought to simultaneously build capacity and credibility in its five main training areas to overcome this competition. Other competitors were public and private universities that targeted the same market and offered similar courses with Zetech College. Public universities competed with Zetech for students wishing to undertake JKUAT programmes as well as other diploma programs since they too offered bridging courses, certificates and diploma courses.

On areas where Zetech was weaker than its competitors, the interviewees felt that it was lack of its own building since all the campuses were currently situated in leased build.ngs unlike many private and public universities that owned their buildings. The interviewees however mentioned that Zetech was constructing its own building to overcome this challenge. They also mentioned that unlike universities that could offer their own programmes, they were disadvantaged in that as a college, they did not have that authority. Having own curriculum was considered as strength due to the flexibility it provides to the universities. It was however noted that Zetech Vision of becoming a university was on top gear and that plans were underway to converting to a university, getting a letter of interim authority from CHE in order to be able to offer their own programmes.

On the question of challenges faced from competition, the interviewees gave many challenges as follows: Pricing challenges where some competitors charged very low prices leading to dilution of market prices. This forced other players in the market to adjust their prices in relation to the going prices in the market. Reduced prices lead to reduced income meaning the college has less money to spend on its operational undertakings. This can lead to compromise in quality of service offered.

Unfair competition and unethical practices was cited as another challenge faced from competition. Some players in the market had opted to offer fake certificates or use shortcuts in their undertakings. This had affected the genuine or honest players in the market because of customer distrust and doubt of credibility especially for private middle level colleges hence labelling them as "fake colleges" Customers were however advised to check certificates of registration by Ministry of Higher Education Science and Technology from the colleges before they could decide to enrol with any college as a prove of credibility. Some colleges had gone to the extent of poaching students from other colleges further intensifying the competition. This led to loss of expected revenues.

Another challenge cited by the interviewees was that of labour turnover. This occurred due to promise of higher salaries at the universities. Apart from the funding the public universities get from the government, they also generate a lot of funds from the private sponsored students. They are therefore at a position to remunerate their staff better than most private owned colleges and universities. This poaching of good staff leads to loss of good talent.

It was also emphasized that there was shrinkage of prospects pool since most universities were scooping the cream of the market first due to direct entry through JAB and government sponsorship and the middle level colleges and private universities were left to compete for the remaining prospects. The "Me too adoptions " was also found to affect the college because other competitors kept on copying the college's strategies hence the college was forced to invest a lot in marketing, research and development to make it remain ahead of competition.

4.4 Competitive strategies adopted by Zetech College

The second objective of the study was to determine competitive strategies adopted by Zetech College to cope with competition affecting middle level colleges in Kenya. The interviewees were asked to mention the strategies the college had adopted to cope with competition and how effective each strategy was. One strategy mentioned by all interviewees was aggressive and creative marketing strategies. These strategies focused on increasing sales, providing quality services to match their pricing, adhering to legal requirements and letting customers know that the college was credible.

Other strategies adopted were research and development where the college invested heavily to counter the maneuvers of rivals. The college also encouraged and rewarded innovation Focusing on the "out of the box" strategies to engage and retain customers as well as collaborating with credible institutions had helped the institution stay ahead of competition Product differentiation, quality services and improved customer satisfaction had enabled Zetech to retain loyal customers who have marketed the college to other potential customers From the interviewees, majority of their students were referrals by former students.

According to the managers interviewed, the main competitive strategy for Zetech College was focused differentiation. The college had over time sought to build a focused differentiation with regard to training approach, marketing and overall branding. Since education sector is crowded with many players, customers crave for product distinctions. Zetech College had been able to offer greater value to its customers through quality training hence beating most of the competitors in the market.

On the question regarding the growth of Zetech College for the last five years, the interviewees indicated that the growth had been phenomenal due to aggressive marketing, planned product expansion and investment in structures with regard to policy, administration and human resources. The college had also proved to be a resilient and responsive brand and this had lead to the massive expansion. Other internal factors that lead to the phenomenal growth were leadership with positive attitude, talented and skilled staff, shareholders financing and company culture. External factors included government policy of free primary education leading to more prospects, demographic factors like location within Nairobi, technological factors like media houses with a wider reach for marketing purposes and social factors such as social media.

4.5 Discussion of Results

The findings presented in this research summary are based on the results of a case study and one to one interview with senior managers of Zetech College. Out of the five managers interviewed, three were female while two were male. It was noted that four of the managers had worked with the organization for over three years while one had worked for two years. Camillus (2011) attest that organizations exist in extremely competitive environments, to which they must continually adapt for competitiveness. The study proved this by highlighting the challenges Zetech College faced and how it adapted to remain competitive. Many of challenges cited under industry competition in chapter two were found to affect Zetech in one way or another. The rivalry among firms where some players opted to use shortcuts to beat the competition, threat of substitute products where players in the industry had programmes that substituted the college's programmes, and the bargaining power of buyers that forced some players in the industry to reduce their rates were noted.

The study found that there were several challenges faced by middle level colleges that Zetech College was facing. These included pricing challenges where some competitors had very low prices leading to dilution of market prices. This forced other players in the market to adjust their prices in relation to the market rates Unfair competition and unethical practices was cited as another challenge faced from competition. Some players in the market had opted to offer fake certificates or use shortcuts in their undertakings. labour turnover was another noted challenge. It was also emphasized that there was shrinkage of prospects pool since most universities were scooping the cream of the market first due to direct entry through JAB and government sponsorship and the middle level colleges and private universities were left to compete for the remaining prospects. Copying of Zetech strategies by its competitors was also cited as a major challenge.

Competition leads to high capital expenditure as cited earlier in chapter two This was also seen to affect Zetech College as it had to invest heavily in strategic moves to counter the competition. The strategic moves were capital intensive hence reducing finances that would have been used to build other competitive advantages. According to Tidstrom (2012), competition compels organisations to make expensive investments in employees. This also affected Zetech heavily as they had to invest heaving in training, development and remunerations in order to retain competent staff.

The study revealed different strategies adopted by Zetech College to cope with this massive competition in middle level colleges. Some of the highlighted strategies were aggressive and creative marketing strategies, providing quality services to match their pricing, adhering to legal requirements and letting customers know that the college was credible, research and development, encouraging and rewarding innovation, focusing on sustainable strategies to engage and retain customers as well as collaborating with credible institutions, product differentiation and improved customer service.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary deduced from the data analysis, conclusions drawn from the findings and recommendations made. The conclusions and recommendations drawn were focused on addressing the challenges of competition and the strategies adopted to overcome competition with emphasis to Zetech College.

5.2 Summary of Findings

The first objective of this study was to determine the challenges of competition faced by Zetech College. The results of the study indicate that the college indeed faced many challenges just like other middle level colleges. Most of the challenges of competition heighted in literature review chapter were found to affect Zetech College. Competition was found to be very intense in the education industry hence players like Zetech College had to devise mechanisms to enable them counter their rivals.

The second objective of competition was to establish the competitive strategies adopted by the college to cope with competition affecting middle level colleges in Kenya. Several strategies were adopted including product distinctions, aggressive marketing, quality value offering, investment in infrastructure, research and development among others. These strategies enabled the college to build a sustainable competitive advantage and remain ahead of its rivals. It was noted that college mainly adopted a focused differentiation strategy.

5.3 Conclusions of Study

The study concludes with the findings that indeed Zetech College faced many challenges just like any other business that is not a monopoly. The researcher noted that challenges will always be present in any business and what makes the difference between the winners and the failures is how effectively the challenges are handled. Zetech has been able to overcome challenges of competition by adopting effective competitive strategies that have enabled it attain a competitive edge over its rivals. The main competitive strategy at the time of my interview was focused differentiation which involves indentifying a segment in the industry in which there is a gap and tailoring strategies to satisfy the needs of that niche. Other research works have shown challenges of competition and competitive strategies adopted to overcome the competition which are also exhibited by Zetech College

5.4 Limitation of the Study

There were a number of limitations that affected the outcome of the study. Some interviewees were unwilling or hesitant to respond to some questions on the interview guide. The interviewees concern was confidentiality of information provided. The researcher overcame this limitation by assuring the interviewees that the information gathered would be treated with utmost confidentiality and would only be used for academic purposes

The study was also limited by time. The interviewees had very busy schedule and it was hectic having to schedule for the interview. This limitation was however overcome by constant follow-up to ensure they schedule as well as reminding them of the scheduled interview.

5.5 Suggestion for Further Research

The study suggests that there is need for replica research in other organizations in similar or different industries to determine whether the same conclusions can hold as well as investigate the influence of time to the strategies adopted by Zetech College, as well as, the influence of context on strategies adopted by other organizations.

The study also suggest that a survey is done for middle level colleges because generalizing the results of case study is limited and hence survey would act as better pointer of challenges of competition and competitive strategies adopted by various players in the industry. The findings from the survey can then be used for generalization purposes.

5.6 Recommendations for Policy and Practice

The study made very interesting findings as far as competition and competitive strategies are concerned. The study is valuable to the management of Zetech by highlighting the effectiveness of adopted strategies as well as highlighting other competitive strategies that can be used to achieve a sustainable competitive advantage hence remaining ahead of its rivals. The fact that most competitors are on the lookout to check and copy Zetech strategies means Zetech must invest heavily in market research, innovation and superior service offering to remain competitive.

Other middle level colleges can learn from Zetech strategies and craft winning strategies that fits in their internal and external environment. This is because by simply copying Zetech strategies, they have no guarantee that the strategy will work for them just because it worked for Zetech. This is because different businesses operate under different environments and it is therefore necessary to craft strategies that are able to match with the operating environment.

The policy formuiators can also draft policies and make recommendations for practice based on the successes of Zetech College strategies. The recommendations could help improve the education sector at tertiary level as well as other levels. This would be a good step towards attainment of Kenya Vision 2030.

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APPENDICIES

APPENDIX 1: INTRODUCTION LETTER

May, 2012

The Principal

Zetech College

P.o Box 2768-00200, Nairobi.

Dear Sir,

RE: MBA RESEARCH PROJECT

I am a student at the University of Nairobi pursuing a Masters of Business Administration (MBA) degree. In partial fulfillment of the requirement of the degree of MBA, am required to undertake a research project. I would therefore wish to conduct the research project using Zetech College as my case study. The objectives of my research are to determine the challenges of competition faced by Zetech College as well as the competitive strategies adopted by the college to cope with competition affecting middle level colleges in Kenya.

I intend to conduct my research through an interview with the senior managers of Zetech College who heads various functions I will also use relevant documents from the college to derive secondary data. I kindly seek your authority to conduct the research at your esteemed organization.

The information and data gathered in the study will be treated with great confidence I hank you in anticipation.

Yours Faithfully,

Loise Kaburu

APPENDIX 2: INTERVIEW GUIDE

The information gathered from this interview will be treated confidentially and will not be used for other purpose other than academic.

1. What are the Vision, Mission and Objectives of Zetech College?

2. How old is Zetech College, and for how long have you been working with the college?

3. What is the target market of Zetech College and who do you consider as your main competitor?

4. In which areas do you consider your main competitor stronger than your institution? How do you plan to overcome those weaknesses?

5. What challenges do you face from competition? Name at least five.

6. What impact have the challenges mentioned above posed to your business?

7. Do you think there are any precautionary measures Zetech College would have taken to avoid any of the challenges mentioned above? If yes which ones? If no why?

8. What strategies has the college adopted over time to overcome the above mentioned challenges?

9. How effective were the adopted strategies? Please explain what led to the success or failure of each strategy.

10. Which of the following is your main competitive strategy and why? Cost leadership, differentiation, cost focus or focused differentiation.

11. How has the growth of Zetech College been over the last five years? What strategic factors have contributed to this growth?