

**RESPONSES OF INTER –URBAN BUS COMPANIES IN
KENYA TO ENVIRONMENTAL CHANGES**

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BY

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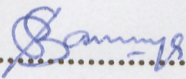
**A MANAGEMENT RESEARCH PROJECT SUBMITTED IN
PARTIAL FULFILMENT OF THE REQUIREMENTS FOR
THE AWARD OF A DEGREE OF MASTER OF BUSINESS
ADMINISTRATION, FACULTY OF COMMERCE,
UNIVERSITY OF NAIROBI**

OCTOBER 2003

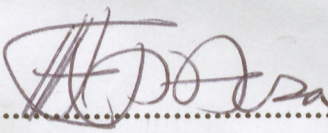
DECLARATION

I declare that this project is my original work and has never been presented for academic purposes in any other University.

CANDIDATE: SAMUEL BIRONGA MOKAYA

SIGNED..........DATE.....6-11-2003.....

This project has been submitted for my approval as a University supervisor

SIGNED..........DATE.....7/11/2003.....

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ACKNOWLEDGEMENTS

This study is dedicated to my Wife, Parents and my Children for their support while carrying out this project.

First I wish to extend my appreciation to Prof. Evans Ayari who gave me insightful guidance that enabled me to complete the study. His commitment and thorough knowledge of concepts in this study was valuable to me. I would also like to thank Prof. Peter O. K'Obonyo, Prof. Isaac Mbeche, Dr. Martin Oguni, Mr. Tom Mwangi and Mr. Jackson Muthi all of the Faculty of Commerce. Their contributions are gratefully acknowledged. I would also not forget to thank a number of my friends and more so to my MBA colleagues whose suggestions to the study were highly helpful. Sincerely, I would like to appreciate the passionate support and encouragement given to me by my wife, especially for the sacrifices and self-denials she underwent during my studies. My sincere gratitude also goes to my children who had to reduce my long hours of absence and suffer during the duration of my studies. I would also wish to express my sincere gratitude to my Parents especially for their love for education. I would also wish to extend my sincere appreciation to my brothers and sisters, during this period and throughout life they have been with me. Finally, the final production of this study would not have been successfully completed without the efficient staff of Ms. Lila Omari. She spent many hours typing and going through the documents to ensure that a quality document is produced. This contribution is highly acknowledged. I would also wish to thank the management and employees of the bus companies for their cooperation during the data collection phase. Finally, I am grateful to the Almighty God who has always been guiding me all along.

ACKNOWLEDGMENTS

This study has been accomplished through the encouragement, support and various contributions from a number of people to whom I am greatly indebted.

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ABSTRACT

Organisations must continuously adapt their operations to the constantly changing environment in order to succeed in business. Since the last quarter of the twentieth century to date, several changes have taken place in the world economies in particular the transport industry. In order to survive in this dynamic environment, organisations need strategies that are focused on their activities and deal with the emerging environmental challenges accordingly.

The Kenyan business environment has been undergoing through transformational changes for a while now. Some of these changes include the accelerated implementation of economic reforms, the liberalisation of the economy, removal of price controls. Privatisation and commercialisation of the public sector and increased competition in all spheres of business. In this changing environment, organisations have to constantly adapt their operations and internal configurations to reflect the new external realities.

This study set out to establish the responses, being utilised by the inter urban bus companies in the face of increasing environmental changes. The objective of the study was to determine how the public passenger bus firms that ply between Kenya towns are responding to changes in the environment in which they operate.

The researcher collected data through the administration of a structured questionnaire. 28 out of the targeted 43 bus companies participated in the study.

It became clear from the research findings that the major challenge facing the bus companies was how to maintain and improve profitability and survival in the face of high competition. The responses by bus companies were therefore geared towards cost cutting strategies. The study documented the following key responses by bus companies to changes in the environment. These are sourcing of fuel and spare parts, improvement of services, reducing the incidence of loss of baggage, capital investment in technology, sales promotions, adherence to arrival and departure time and varying of fares.

Understanding of the respondents on the subject was a major limitation. A number of respondents did not have time and capability to respond to the study. Greater participation would have, undoubtedly, enhanced the research findings. This is particularly true in that the total population stood at 43 firms. The bus companies operating to the coast were particularly cautious as the terrorists search at the coast was being pursued vigorously by the security apparatus and any stranger to them was not welcome.

LIST OF TABLES

Table 1: Country of incorporation	18
Table 2: Year of incorporation	19
Table 3: Home bus terminus.....	19
Table 4: Geographic network coverage in e.african towns	20
Table 5: Types of buses in operation	23
Table 6: Seating capacity.....	24
Table 7: Responses to changes in transport industry	27
Table 8: Responses.....	28
Table 9: Total variance explained.....	30

LIST OF FIGURES

Declaration.....	ii
Dedication.....	iii
Acknowledgment.....	iv
Abstract.....	v
Figure 1: Number of Buses in Fleet.....	20
Figure 2: Town Routing Destination - Nyanza.....	21
Figure 3: Bar Graph: Routing Destination – Western.....	22
Figure 4: Category Of Passengers.....	25
Figure 5: Level Of Competition.....	26
CHAPTER ONE: INTRODUCTION.....	8
1.1 Impact of external environment on organizations.....	8
1.2 Responses of firms operating in changed environmental conditions.....	10
1.3 Role of general management in facilitating responses to environmental changes.....	13
CHAPTER TWO: RESEARCH METHODOLOGY.....	16
2.1 Research Design.....	16
2.2 Sample.....	16
2.3 Data collection.....	16
2.4 Data analysis.....	16
CHAPTER THREE: RESULTS AND DISCUSSIONS.....	18
3.1 Introduction.....	18
3.2 Firm's Profile.....	18
3.3 Operational Characteristics.....	23
3.4 Level Of Competitiveness.....	25
3.5 Responses To Changes In The Bus Transport Sector.....	26
3.5.1 Adjustments in variables in response to environmental changes.....	27
3.5.2 Factors Analysis.....	30
3.6 Discussion Of Results.....	31
CHAPTER FOUR: SUMMARY AND CONCLUSION.....	36
4.1 Summary.....	36
4.2 Conclusion.....	37
4.3 Limitations Of The Study.....	39
4.4 Recommendations For Further Study.....	40
REFERENCES.....	41
APPENDIX I: QUESTIONNAIRE.....	44
APPENDIX II: LIST OF INTER-URBAN DISSEMINATION.....	53
APPENDIX III: FACTOR ANALYSIS.....	54
APPENDIX IV: TOTAL VARIANCE EXPLAINED.....	55
APPENDIX V: ROTATED COMPONENT MATRIX.....	56

TABLE OF CONTENTS

Declaration.....	i
Dedication.....	ii
Acknowledgments.....	iii
Abstract	iv
List of tables	vi
List of figures	vii
1.0 INTRODUCTION	1
1.1 Background	1
1.2 The Kenyan Public Bus Transport Sector.....	5
1.3 Statement of the problem	6
1.4 Objective of the study.....	6
1.5 Importance of the study	7
2.0 LITERATURE REVIEW	8
2.1 Impact of external environment on organisations	8
2.2 Responses of firms operating in changed environmental conditions	10
2.3 Role of general management in facilitating responses to environmental changes	13
3.0 RESEARCH METHODOLOGY.....	16
3.1 Research Design	16
3.2 Sample	16
3.3 Data collection	16
3.4 Data analysis	16
4.0 RESULTS AND DISCUSSIONS	18
4.1 Introduction.....	18
4.2 Firms' Profile	18
4.3 Operational Characteristics	23
4.4 Level Of Competition	25
4.5 Responses To Changes In The Bus Transport Sector	26
4.5.1 Adjustments in variables in response to environmental changes	27
4.5.2 Factors Analysis	30
4.6 Discussion Of Results.....	31
5.0 SUMMARY AND CONCLUSION.....	35
5.1 Summary	35
5.2 Conclusion.....	37
5.3 Limitations Of The Study	39
5.4 Recommendations For Further Study.....	40
REFERENCES:	41
APPENDIX I: QUESTIONNAIRE	44
APPENDIX II: LIST OF INTER-URBAN BUS SERVICES.....	53
APPENDIX III: FACTOR ANALYSIS	54
APPENDIX V: TOTAL VARIANCE EXPLAINED	55
APPENDIX IV: ROTATED COMPONENT MATRIX.....	56

1.0 INTRODUCTION

1.1 BACKGROUND

Road transport services and its associated infrastructure have long been regarded as key ingredients to the rate and pattern of economic growth (Oster Jr., et al, 2000). Transport investment was usually, made to provide essential services and achieve public policy and political objectives.

Since the last quarter of the twentieth century to date, a number of changes have taken place in the world economies and in particular the transport industry. Oster Jr., et al, (2000) noted that, in the past, road transport infrastructure and services were provided by the government directly, but the current trend is shifting the operations and ownership to private hands. In other parts of the world maintenance and expansion of roads are being undertaken by private developers and this kind of arrangement is spreading very fast to other parts where the idea has not been embraced. Recently, the Minister for Public Works and Housing, Hon. Raila Amollo Odinga, did indicate that the government is studying the option of letting private organisations built roads and collect levies through their own toll stations on those roads. This will definitely improve the state of the Kenyan roads and in turn it would enhance economic development greatly.

Ansoff (1987) notes that the environment is constantly changing, making it imperative for organisations to continuously adapt their operations in order to succeed. In order to survive in this dynamic environment, organisations need strategies to focus on their activities and deal with the emerging environmental challenges. The Kenyan business environment has been undergoing drastic changes for a while now. Some of these

changes include the accelerated implementation of economic reforms, the liberalisation of the economy, removal of price controls, privatisation and commercialisation of the public sector and increased competition in all spheres of business. In this changing environment, organisations have to constantly adapt their operations and internal configurations to reflect the new external realities. Failure to do this may jeopardise the future success of the organisation (Aosa 1998). It is expected that the Kenyan bus companies to have adapted to such changes for their survival.

The failure of these bus companies does not mean that the business opportunities in

The period between 1964 and 1973, Kenya's Gross Domestic Product (GDP) on average grew by 6.6 per cent per year. Most of the companies operating then were monopolies. Mwaura (2000) argues that, due to low competition then, the only marketing tools that matter most were price and product availability. The environment then was stable and most of the future variables for conducting business were fairly certain. However, when the environment started changing and the business planning variables became uncertain, those running the enterprises weren't prepared and most businesses nose-dived. This is evident by the absence of public passenger bus companies that were once the road masters in Kenya (Langat, 1996).

Langat (1996) further argues that, due to the increased competition in the public road transport, most bus companies have either gone under or they are desperately surviving in very difficult operational conditions. Former household names such as Overseas Trading Company (OTC), Kenya National Transport Company (KENATCO), Nairobi Bus Union, Kenya Mwendo safi, Jogoo Kimakia, JJ family, Nyayo Bus Service, Lolwe Bus Service, Benways Express, Quick Bus Service and Mutheteni Big Bone Express are long gone. Others such as Mbukinya Enterprises,

Mawingo, Malaika, Kisii Express and Goldline are mere shadows of their former glory. The most interesting scenario is that of Nyayo Bus Service. Nyayo Bus had a fleet of 324 buses and 89 un-built chassis with an inventory of spare parts worth millions of Kenya shillings (Langat, 1996). With this kind of spare parts support, no loan to service then, Nyayo Bus could not sustain itself for more than the useful economic life of its first fleet!

The failure of these bus companies does not mean that, the business opportunities in the market are depleted. There are plenty of untapped opportunities lying latent. Kenyans love travelling, partly because of the traditional customs of visiting the rural areas, at least when there is a village ceremony including funerals and partly because they are a very industrious lot in trade. Thus, this inherent behaviour should be enhanced to tap the maximum benefits from the market. The East African states are working seriously on plans to establish a free trade area within them. In turn, this will create a large market for the transporters. Bus companies should therefore formulate befitting strategies that would expand their operations and ensure continuity so as to reap the potential benefits.

The major threats to the public passenger bus transport firms are the dilapidated state of roads, entry by new competitors, unofficial route franchising and the escalating operating costs. The profit margins of these companies are being eroded day by day. In this case, therefore, formulation of appropriate strategy is absolutely necessary (Mwaura, 2002).

The public mode of transport plays a very important role in Kenya. A large number of Kenyans do not own private means of transport and hence depend on public transportation. This has made the passenger transport business to be very attractive. Though bus companies have been operating in Kenya for a long time, it is in the last few years that many indigenous bus companies have been established. According to the Transport Licensing Board (TLB) records, in 1998 there were seven new bus companies that were registered. These were Safe ride, Tran Africa, Great Southern, Oceanic, Shaggy, Mash and Kitale express. As Langat (1996) noted, most of the bus companies do not survive for long and indeed Shaggy and Great Southern are no longer on the road. Perhaps it could be that the rate at which the new players enter the market is equivalent to the rate at which the old players are exiting it.

Public bus transport involves the commuters, owners, workers, agents and the regulators such as Kenya Revenue Authority, the Police and the Local authorities. All these groups play one role or the other in the survival grid of these companies. However, it is the commuter who mainly conditions the thinking of the management of these companies. As mentioned earlier, the bulk of the public passenger road transport is in the informal sector. This means that, a large part of the business is handled informally. For example, record keeping by most operators is a nightmare. They just collect the daily proceeds and fix repairs on the vehicle breakdowns without tracking down to understand the frequency of any variable that they keep on encountering on a regular basis. Progress reports do not bother the management. Their decisions are based on experience and intuition. They silently believe that the past has nothing to do with the future. In fact, they have several useful unrecorded data that could be useful for planning for the better future. However, there are some bus

companies owned by the indigenous Kenyans who are keen on record keeping. This group of entrepreneurs is now employing qualified personnel in their establishment (Mwaura, 2002).

1.2 THE KENYAN PUBLIC BUS TRANSPORT SECTOR

The public bus transport sector in Kenya consists of bus companies that have focused their operations locally and in the East African region in general. Kenyan bus companies serve some towns in the east and central parts of Uganda. These companies also have their services covering the northern and some coastal towns of Tanzania. Nairobi serves as the headquarters of most of the bus companies. It acts as the central point where journeys begin to various destinations.

The public passenger transport sector has experienced significant changes over the years. Some of these changes include advanced technology that has enabled assemblers to come up with state of the art buses. Other changes are the increased number of bus firms, giving rise to stiff competition among the operators. The regional bus firms that draw customers from the same market have further enhanced the competition. Competition from minibuses, passenger cars and other means of transport such as railways have also eaten up part of the public passenger market. A manager with Kenya Bus Services limited argued that, the large number of bus companies have given the customer a wide range of services to choose from. He further pointed out that the changes in the social-cultural trends such as education and the increased importance of time has forced bus companies to be more sensitive and responsive, as customers are now demanding value for their money.

From the foregoing, the players in the public bus transport sector, like other sectors, have encountered several environmental changes in the past decade. These changes are likely to be creating pressure for change in these bus companies. The responses to the environmental changes as seen from other studies reviewed show how organizations are environmental dependent. Ideally, the responses undertaken by the bus firms are critical in sustaining the firms' continuity in the industry.

1.3 STATEMENT OF THE PROBLEM

The public passenger transport industry has experienced a period of significant environmental changes. Liberalization of markets, removal of most of the industry regulations, global economic recession, and corruption among the regulators such as the police, KRA and recently the terrorist threats are among the factors that have greatly contributed to the environmental changes. These changes have created pressure for change in the way the passenger bus transport companies are managed. Hofer and Schendel (1978) argued that for firms to be effective and successful, they should respond appropriately to changes that occur in their respective environments. What changes have taken place that affects the bus companies? Have these companies responded to these changes?

1.4 OBJECTIVE OF THE STUDY

The objective of the study was:

- i). To determine how the public passenger bus firms that ply between Kenyan towns are responding to changes in the environment in which they operate.

1.5 IMPORTANCE OF THE STUDY LITERATURE REVIEW

This study will benefit the various stakeholders. Firstly, the study is expected to stimulate comparative studies with competitors in the town-to-town transport. This would also call for the assessment of the extent to which bus services fall short of the performance offered by competitors. Secondly, owners, operators, commuters and agents would understand more on the environment under which their operations fall. Thirdly, the study shall give the government a chance to plan appropriately on matters relating to national bus transport. Finally, the study is expected to offer a basis for further academic investigations into areas involving bus passenger transport. Businessmen, scholars and researchers will also find it useful for enhancing their understanding on the subject of study and beef up their inventory of knowledge in the transport industry.

2.0 LITERATURE REVIEW

2.1 IMPACT OF EXTERNAL ENVIRONMENT ON ORGANISATIONS

The external environmental changes do impact on the operational dynamics of the organisations' internal environment and creates a mismatch on the already existing strategies that link the two environments. A number of authors (Chandler, 1962; Andrews, 1971; Daft, 1986 and Porter, 1991) variously point out that firms are environment-dependent and changes in the environment shape opportunities and challenges facing the organisation. It is the extensive understanding of the environment that will help a firm define its objectives and develop competitive strategies.

Oxford Advanced Learners Dictionary defines the term response as "an action or feeling produced in answer to something; in other words a reaction." Responses basically refers to decisions and actions that are undertaken by organisations and entail both short and long term effects to the company, are company-wide in scope and involve the deployment of the firms' resources in their implementation. Porter (1980) argues that, knowledge of the underlying sources of competitive pressure provides the groundwork for strategic agenda in action. Indeed, when firms are faced with unfamiliar changes, the need to revise their strategies becomes a top priority.

Dess and Origer (1980) argue that, looking beyond the organisations' immediate operating environment to the industry in which it competes has long been advocated. In similar circumstances, Aquilar (1967) observed that managers must shift their environmental scanning from the immediate areas in which the firm competes to the

industry as a whole. Porter(1980) takes a similar stand. He points out that the essence of formulating a competitive strategy is relating the company to its environment and the key aspects of the firms' environment is the industry in which it competes. He further noted that industry characteristics strongly influence the alignment options available to the firm.

Dess and Beard(1984) gave a theoretical and empirical support for what they described as the three essential features of industry environment. They include the availability of resources with which the environment can support sustained organisational growth, the extent of unpredictable change in environmental elements, and heterogeneity of and range of environmental activities. Environmental assessment is considered an antecedent activity to the formulation of company objectives and competitive methods. Aldrich and Mindlins(1978), considered the three dimensions by seeing the environment as a source of both information and resources for the organisation. Andrew(1971) had already indicated that information and resource reservoir are the starting point in strategy formulation.

Porter(1996) asserts that, the proximate environment will define many of the input markets the firm has to draw on, the information that guides strategic choices, incentives and pressures on the firms to both innovate and accumulate skills or resources overtime. Competitive advantage then may reside as much in the environment as in individual firm.

Porter(1996) further noted that the environment shapes how activities are configured uniquely and what commitments can be made successfully. Hence the environment is

important in providing the initial insight that supports competitive advantage, the inputs needed to act on it and accumulate knowledge and skills overtime and the forces needed for its sustainability.

2.2 RESPONSES OF FIRMS OPERATING IN CHANGED ENVIRONMENTAL CONDITIONS

Hall (1980) studied how large manufacturing corporations in America were affected when their external environment became turbulent. He found out that many organizations that were stable and highly profitable in the 1960's were drifting towards instability and marginal profitability. He further observed that the broad range of corporate strategies and success formula, which brought prosperity in those early years were no longer working. They were being replaced with much narrower range of strategic choices to survive in the hostile environment ahead.

Porter (1980) floated three generic competitive strategies which can assist a firm develop a competitive edge over its competitors in a competitive environment. He suggested that a firm could develop a strategy of overall cost leadership, differentiation strategy and focus strategy.

Porter (1980) asserts that to achieve cost leadership in an industry, a firm can adopt functional policies and resort to aggressive construction of efficient scale facilities. This is possible by rehabilitating old plant and machinery. Further, cost leadership can also be achieved by sourcing inputs from cheaper suppliers or by putting up state of the art equipment, which can reduce costs of customer service delays and minimize the cost of errors. Porter (1980) went further and concluded that, cost leadership can

assist a firm to compete favorably when dealing with customers who are price sensitive.

According to Porter (1980), a firm can adopt a strategy of differentiating its products or service as a way of creating something that is considered unique industry-wide. For instance, product uniqueness can be achieved through design and creation of innovative features. The firm can then carry out aggressive promotions emphasizing the product uniqueness so as to build a strong brand loyalty to defend itself against competitors' products.

In the focus strategy, Porter (1980) argues that, firms have to focus on a particular buyer group, segmentation of the product line or geographical market. This assertion is based on the realization that in a competitive environment, firms should trim their operations and target specific markets so as to develop a competitive edge.

Gronbjerg (1993) observed that, under competitive conditions, firms respond by seeking to maintain or increase their share of a crowded market. He further, observed that, the specific criteria employed to assert differences are subject to some degree of proactive orchestration.

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Smallen (2000) noted that modern economies are changing at a very fast pace. He observed that, in to-days fast paced global economy, the race doesn't go to someone who makes things 5 per cent or even 10 per cent better, but to that person who literally make things at least 10 to 100 times better. He continued to argue that the new economy needs a person that revolutionalises the world of work..

Njau (2000), in his study on East African Breweries response to changed competitive conditions, found that the company undertook substantial adjustments in various strategic variables to fight off the competition. Changes in product strategies were instituted widely with a lot of emphasis on the introduction of new brands and unique features. He further points out that the company brought on board various cost and efficiency control measures. Among others, they retrenched staff, put up a leaner organization structure, installed state of-the-art equipment and made significant improvements in technology. Management information systems tailored towards the customer needs and competitor intelligence was also put up. Hired management experts and consultants were called in to facilitate the change process. He further noted that domestic firms understand the domestic market better than the incoming multinationals. Thus, the domestic firms should be able to leverage such advantages to fight off the incoming competitors, notwithstanding their international experience and vast resources.

Kombo (1997), found that due to the on going economic reforms in the country, firms in the motor vehicle industry made significant changes in their strategic variables in order to survive in the competitive environment. The firms introduced new technologies of product development, differentiated their products, segmented and targeted their customers more and improved customer services. The other marketing mix strategy variables of promotion, price, and distribution were significantly changed in response to the changed environment. He further observed that, it is important to understand the environment so that firms can act proactively and not reactively to changes that are taking place in their operational areas.

Mwaura (2002) pointed out that the public passenger transport sector has experienced a momentous growth in the economy and at the same time competition has been intensified. He further observed that, in the passenger transport business, customer loyalty cannot be guaranteed. Due to the lack of guaranteed customer loyalty, the vehicle operators have been forced to develop other service offerings and repackage their service besides the basic transportation service so as to maintain a consistent flow of commuters. He also noted that, passenger transport business is a low margin sector. For providers to gain higher returns, they have to persuade many commuters to board their vehicles.

Steel and Webster (1992) in their work on small-scale enterprises in Ghana found that such firms altered their product mixes to avoid the intense competition from imports. They found that enterprises changed marketing strategies by identifying new market niches and engaging in export markets. Most firms cut down the staff and changed their sources of raw materials in order to reduce costs.

2.3 ROLE OF GENERAL MANAGEMENT IN FACILITATING RESPONSES TO ENVIRONMENTAL CHANGES

Ansoff (1990) put into perspective the role of general management in a firms' strategic response. General management is the propensity and ability of the firm to engage in behavior, which optimizes attainment of the firms' near and long term objectives. He aptly puts it that, general management is about setting the right climate (will to respond), competence (ability to respond) and capacity (volume of response).

He argues that, the three components are essential if the firm is to implement a strategic response.

Climate setting involves the mentality and power position of the managers. Competence involves talents, skills and knowledge of the management. It determines the organizational structures, systems and shared knowledge. Capacity on the other hand, entails the personal and organizational capability to accommodate the various management challenges as may arise from time to time.

Ansoff (1990) went further and conceptualized the effects of environmental changes on the firm's strategy and capability. He proposed that there has to be a fit between the existing strategy and the prevailing environment for the organization to remain successful. The change in the internal capability involves changes in the company resources of staff, management, finance, systems and policies. He stated that, once the strategy has changed, such change requires a corresponding change in the internal capability of the firm so as to fit with the new environment.

Osthuizer, et al (2000) argued that successful strategies could only be implemented through an organizational structure that links people's abilities and skills to the mission of the enterprise. They further stated that, the key to efficient information service of the future is to reduce reliance on managerial authority, create teams that share information and delegate responsibility far down the hierarchy. They continued to argue that, organizational processes must be transformed to deliver the right response at the right time to highly unique and transient user needs. They further observed that, faced with changing markets, advanced technology and increased

competition, many information services have come to understand that the key to corporate success lies in transforming authority and delegating responsibility and accountability far down the hierarchy.

The population of interest in this study consisted of bus companies that are plying between Nairobi and their home base of operations situated in Nairobi. According to the Transport Licensing Board (TLB), there are forty-three licensed bus companies in Kenya (appendix B). Since the number of companies involved in the study was small, the study used a cross-sectional survey. Cooper and Emory (1992) contend that surveys are more efficient and economical than observations.

2.2 SAMPLE

The researcher anticipated non-response from some bus companies, hence planned to contact all forty-three bus companies. However, not all responded and therefore the effective study sample was based on the 28 bus companies that responded, resulting in a response rate of 65%. Similar previous studies have recorded less than 100% response. For instance, Lopez (1996) had 62% response rate.

2.3 DATA COLLECTION

The study used primary data that was collected using a questionnaire. Data was collected through personal interviews with the respondents. The respondents were Chief Executive Officers or top managers. One such manager was interviewed in each company. The researcher carried out the interview during the off-peak periods.

2.4 DATA ANALYSIS

The data collected was analyzed using descriptive statistics. This involved use of frequency tables, percentages and mean scores. The frequency tables were used for

3.0 RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

The population of interest in this study consisted of bus companies that are plying between Kenyan towns with their home base of operation situated in Nairobi. According to the Transport Licensing Board (TLB), there are forty-three inter-urban bus companies in Kenya (appendix II). Since the number of companies involved in the study was small, the study used a cross-sectional survey. Cooper and Emory (1985) contend that surveys are more efficient and economical than observations.

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3.4 DATA ANALYSIS

The data collected was analyzed using descriptive statistics. This involved use of frequency tables, percentages and mean scores. The frequency tables were used for

organizing data obtained and facilitated working out percentages. The percentages transformed data obtained from different bus companies into standard form for relative comparison.

Mean scores were calculated to indicate the adjustments that have been adopted to variables in response to the changes in the environment. Factor analysis was used to determine the factors that the respondents made adjustments in regard to the environmental changes.

4.1 FIRMS' PROFILE

This section sought to establish the basic firm characteristics. The profile outlined the countries of origin of the transport companies, when they were incorporated, their home bus services, number of buses in the fleet, geographic network coverage in East Africa and timing destinations. The findings are presented in Tables 1, 2, 3 and 4, Figure 1, Figure 2 and Figure 3.

TABLE 1: COUNTRY OF INCORPORATION

COUNTRY OF INCORPORATION	Frequency	Valid Percent
KENYA	27	95.80
KENYA AND TANZANIA	1	4.20

The 28 companies that responded, 95.8% were incorporated in Kenya and 4.20% incorporated in both Kenya and Tanzania.

4.0 RESULTS AND DISCUSSIONS

4.1 INTRODUCTION

This chapter contains data analysis and the research findings. The data was collected from 28 inter-urban bus companies. The data collected was analysed using descriptive statistics by way of frequency tables, percentages, mean scores and standard deviation. The researcher also used factor analysis to determine how the respondents made adjustments in various factors in responding to the environmental changes.

4.2 FIRMS' PROFILE

This section sought to establish the basic firm characteristics. The profile outlined the countries of origin of the contacted companies, when they were incorporated, their home bus terminus, number of buses in the fleet, geographic network coverage in East Africa and routing destinations. The findings are presented in Tables 1, 2, 3 and 4, figure 1, figure 2 and figure 3.

TABLE 1: COUNTRY OF INCORPORATION

COUNTRY OF INCORPORATION	Frequency	Valid Percent
KENYA	27	95.80
KENYA AND TANZANIA	1	4.20

Source: Interviews

The bus companies that responded, 95.8% were incorporated in Kenya and 4.20% incorporated in both Kenya and Tanzania.

TABLE 2: YEAR OF INCORPORATION

YEAR OF INCORPORATION	Frequency	Valid Percent
1930's	1	3.6
1960's	1	3.6
1970's	1	3.6
1980's	3	10.7
1990's	12	42.9
2000's	10	35.7
Total	28	100

Source: Interviews

The bus companies were incorporated from 1930's to the present. One bus company was incorporated in 1934 whilst 42.9% were incorporated in 1990's, 35.7% in 2000's and 10.7% in 1980's. From the above table, about 78% of the companies were established in the last decade.

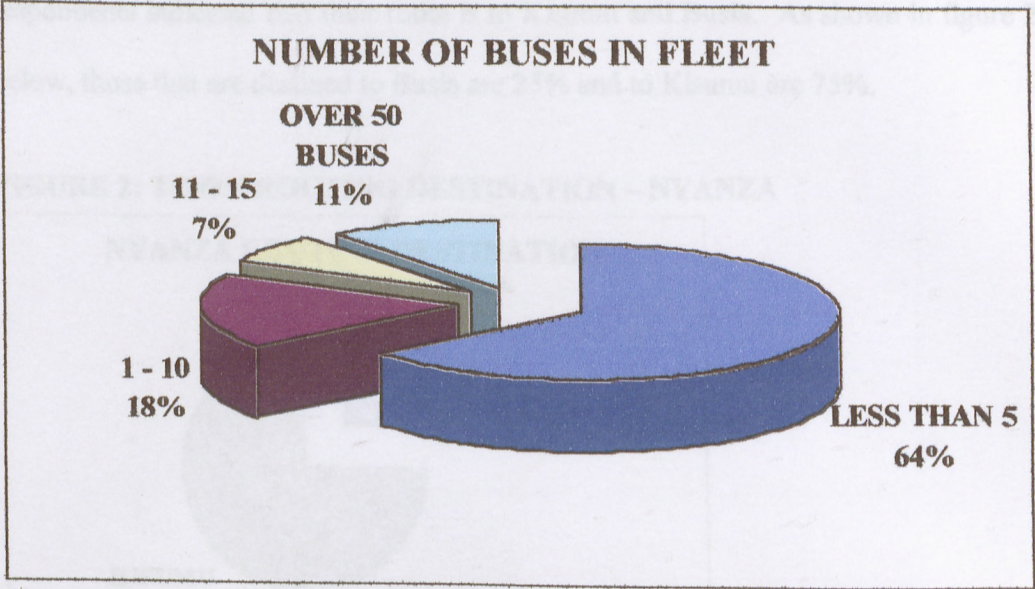
TABLE 3: HOME BUS TERMINUS

Home Bus Terminus	Frequency	Valid Percent
NAIROBI - RIVER ROAD	4	14.3
NAIROBI - NYAMAKIMA	1	3.6
NAIROBI - LAGOS ROAD	1	3.6
NAIROBI - EASTLEIGH	3	10.7
NAIROBI -- COUNTRY BUS	15	53.6
NAIROBI - ACCRA ROAD	1	3.6
KISII	2	7.1
DAR -ES- SALAAM	1	3.6
Total	28	100

Source: Interviews

Table 3 shows that 53.6% of the respondent bus companies have their home terminus at the Nairobi Country Bus station. 14.3% have their terminus at Nairobi River Road, and the rest have their terminus as indicated in the above table. Most bus companies chose Nairobi Country Bus Station as their major terminus because of its proximity to eastlands which is the home of most bus travellers. Even the other termini are not far from each other.

FIGURE 1: NUMBER OF BUSES IN FLEET



Source: Interviews

From the above figure, it is clear that most of the bus companies in Kenya have less than five units.

TABLE 4: GEOGRAPHIC NETWORK COVERAGE IN E.AFRICAN TOWNS

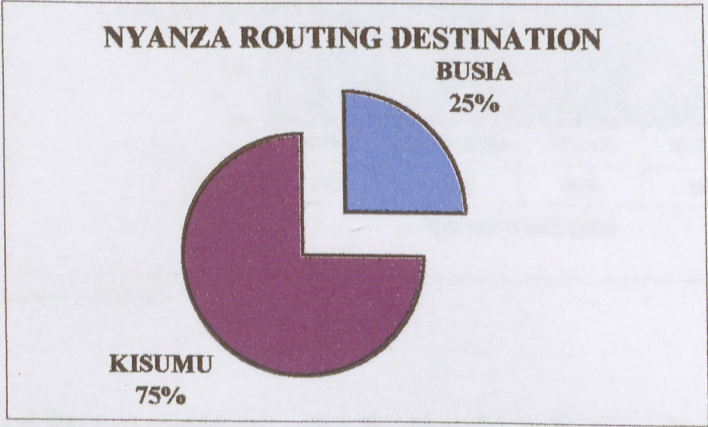
NO. OF TOWNS	1 - 5	6 - 10	11 - 15	16 - 20	OVER 20	Total
KENYA	7.40	37.00	33.30	14.80	7.40	100.00
UGANDA	100.00					
TANZANIA	50.00	50.00				100.00

Source: Interviews

The above table shows the network coverage of the bus companies in Kenya, Uganda and Tanzania. Those bus companies that cover 1 – 5 towns in Kenya are 7.4%. In Uganda, all go to one town and 50% in Tanzania. Those that cover 6 – 10 towns are 37% in Kenya and 50% in Tanzania. Those that cover 11 – 15 towns are in Kenya only and account for 33.30%. 16 – 20 towns are covered by 14.80% in Kenya and those that cover over 20 towns are 7.4% and are found in Kenya.

In the case of geographic network coverage from the home base to Nyanza, the respondents indicated that their route is to Kisumu and Busia. As shown in figure 2 below, those that are destined to Busia are 25% and to Kisumu are 75%.

FIGURE 2: TOWN ROUTING DESTINATION – NYANZA

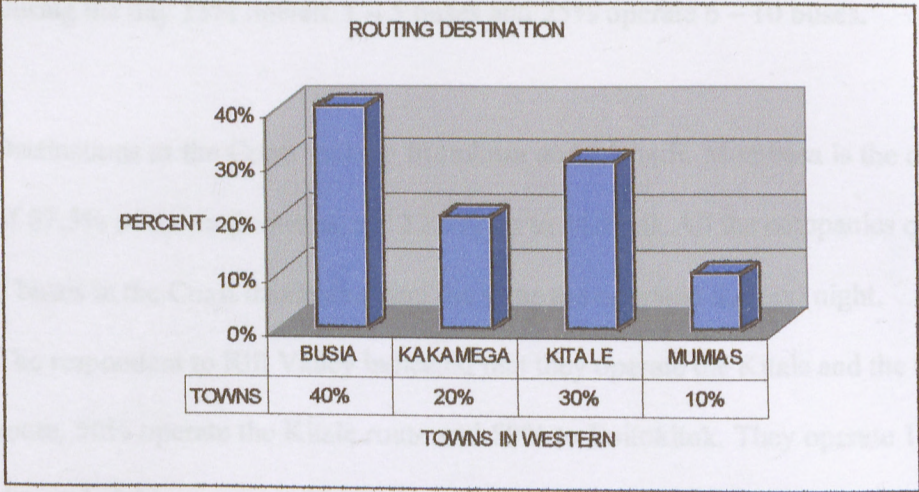


Source: Interviews

For the buses going to Nyanza, 33.3% send 1 – 5 buses, 33.3% send 6 –10 buses, and 33.3% send over 20 buses. Of these buses, some go during the day and others during the night. The bus companies that operate their buses in the route during the day to Nyanza, 33.3% operate 1 – 5 buses, 33.3% operate 6 – 10 buses and 33.3% operate 16 – 20 buses. Those that operate their buses at night, 33.3% operate 1 – 5 buses, 33.3% operate 6 – 10 buses and 33.3% operate 16 – 20 buses. The respondents indicated that they tend to balance the number of buses they operate at night and during the day. The same number of buses sent during the day would be the same buses that will travel at night.

For the Western route, as shown in figure 3 below, there are four towns indicated as covered. Busia takes the lead as it is covered by 40% of the companies, followed by 30% for Kitale. The respondents indicated that in the Western route, there are more buses allocated to travel at night as compared to the day travel.

FIGURE 3: BAR GRAPH: ROUTING DESTINATION – WESTERN



Source: Interviews

All the bus companies cover the Nairobi destination. The respondents indicated that 50% of these companies operate 1 – 5 buses on this route, 33.3% operate 6 – 10 buses, and 16.7% operated over 20 buses. On the other hand, 83.3% of these buses operate 1 – 5 buses during the day and 16.7% operate over 20 buses. The same proportions also operate during the night.

There are no buses going to Central Province according to the firms that were contacted. This is mainly because the towns in Central Province are near Nairobi and are well covered by small passenger cars such as Peugeot and Mini buses. To North Eastern, the bus companies indicated that they are destined to Dadaab in Garissa and they operate 1 – 5 buses day and night.

The destinations in Eastern Province include Hola, Meru, and Maua among others. 33.3% travel to Hola, 33.3% to Meru and 33.3% of the respondent companies to Maua. 75% of the companies operate 1 – 5 buses on these routes and 25% operate 6 –

10 buses. All of the companies that responded operate 1 – 5 buses during the night.

During the day 75% operate 1 – 5 buses and 25% operate 6 – 10 buses.

Destinations at the Coast include Mombasa and Malindi. Mombasa is the destination of 87.5% of the respondents and 12.5% go to Malindi. All the companies operate 1 – 5 buses in the Coast destination and the same are operated day and night.

The respondent to Rift Valley indicated that they operate the Kitale and the Loitokitok route. 50% operate the Kitale route and 50% to Loitokitok. They operate 1 – 5 buses day and night.

4.3 OPERATIONAL CHARACTERISTICS

This section sought to establish the type of buses in operation, the seating capacity, the category of passengers who frequently travel, and the average load in bus full capacity in various routes. The findings are presented in tables 5, 6, figure 4 and table 7.

TABLE 5: TYPES OF BUSES IN OPERATION

	ISUZU	SCANIA	LEYLAND	RENAULT	VOLVO	TATA	MERCEDES	NISSAN UD
NO. OF BUSES	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
1 – 5	82.6	25.0	100.0	-	100.0	-	100.0	100.0
6 – 10	8.7	-	-	-	-	-	-	-
11 – 20	-	-	-	-	-	-	-	-
Over 20	8.7	75.0	-	-	-	-	-	-

Source: Interviews

From the above table, most bus companies operate Isuzu and Scania type of buses. For those respondents that operate Isuzu buses, 82.6% have 1 – 5 buses, whereas those who own Scania have over 20 buses. The respondents indicated that, it is economical to maintain one type of fleet. The cost of maintenance is reduced when

the fleet comprises of one model. Similarly, one type of model make the employees to specialise in handling the units. None of the respondents operate Renault or Tata buses.

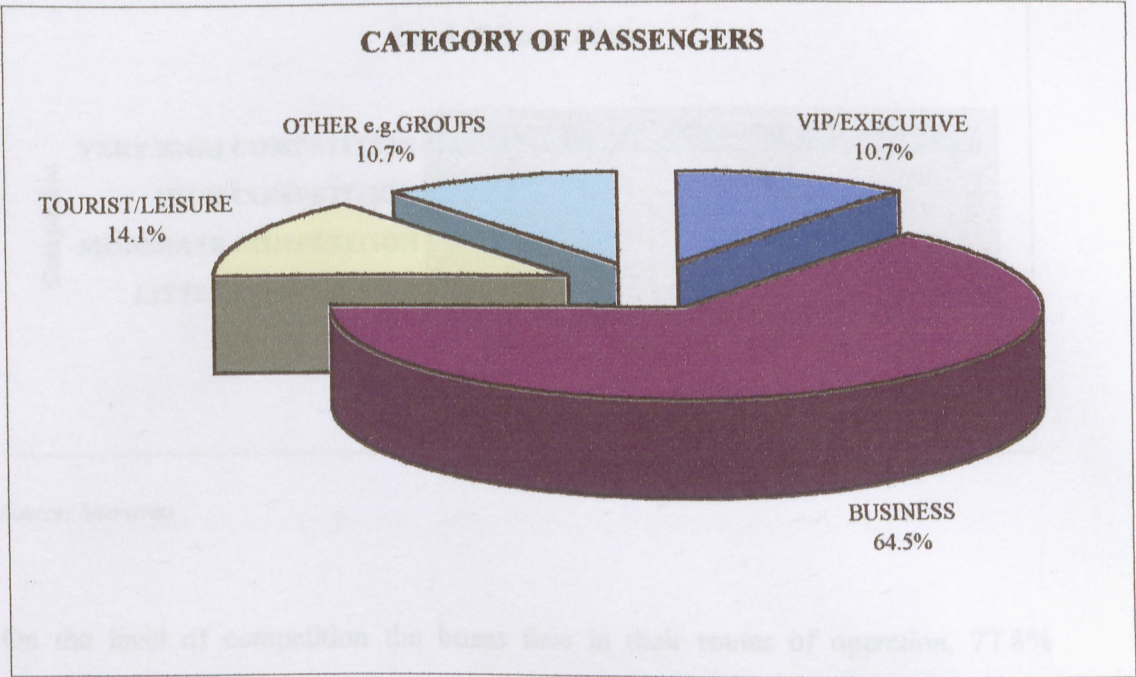
TABLE 6: SEATING CAPACITY

	ISUZU	SCANIA	LEYLAND	RENAULT	VOLVO	TATA	MERCEDES	NISSAN UD
SEATING CAPACITY	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
21-40	4.5	-	-	-	-	-	-	12
41-60	18.2	-	100.0	-	100.0	-	100.0	37
61-80	77.3	100.0	-	-	-	-	-	50

Source: Interviews

The seating capacity of the buses in operation was also established. Companies that operate Isuzu, 77.3% have a full load seating capacity of passengers. Those that operate Scania, all have a full load seating capacity of passengers. The respondents indicated that the impressive results recorded by the Scania is due to its high speed. This enables passengers to spend few hours on the way.

FIGURE 4: CATEGORY OF PASSENGERS



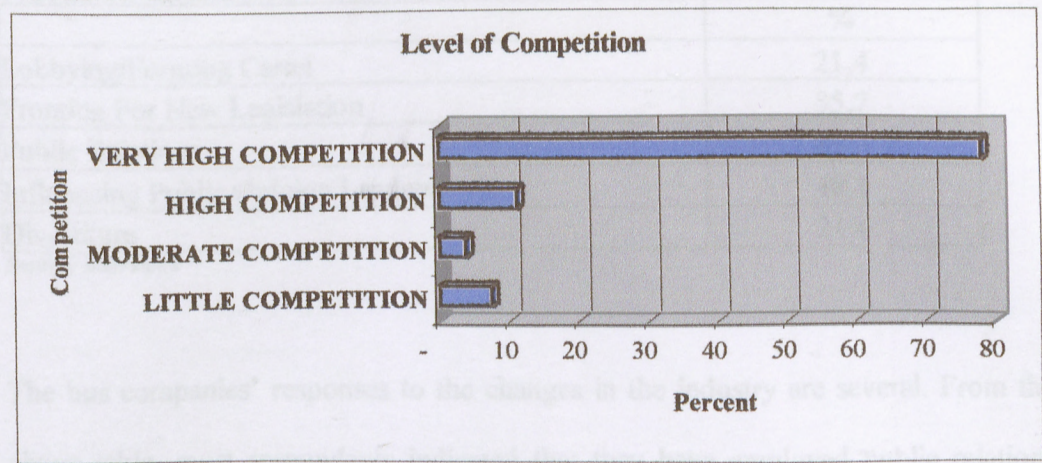
Source: Interviews

In the category of passengers, business people are the majority and account for 64.5% of the travellers. This is shown in figure 4 above.

4.4 LEVEL OF COMPETITION

This section sought to establish the existing or perceived level of competition the bus companies face in their routes of operation. The findings are presented here below under the caption of figure 5.

FIGURE 5: LEVEL OF COMPETITION



Source: Interviews

On the level of competition the buses face in their routes of operation, 77.8% indicated that they face a very high competition, 11.1% face a high competition, 7.4% indicated that they face little competition and 3.75 indicated that they face moderate competition. Respondents indicated that, competition is one of the environmental changes that they have to deal with on a regular basis. The competition emanates not only from the rivalry amongst themselves, but also from other means of passenger transport, for instance, small passenger cars and minibuses and new entrants.

4.5 RESPONSES TO ENVIRONMENTAL CHANGES BY THE BUS COMPANIES

In this section, the researcher sought to establish the responses that have been undertaken by the bus companies as a result of the changing environment in which they are operating. The findings are presented here below.

TABLE 7: RESPONSES TO CHANGES IN TRANSPORT INDUSTRY

	%
Lobbying/Forming Cartel	21.4
Fronting For New Legislation	35.7
Public Relations	89.3
Influencing Public Opinion Leaders	48.1
Divestiture	21.4

Source: Interviews

The bus companies' responses to the changes in the industry are several. From the above table, most respondents indicated that they have employed public relations strategies and at the same time they have tried to influence public opinion leaders.

4.5.1 ADJUSTMENTS IN VARIABLES IN RESPONSE TO ENVIRONMENTAL CHANGES

To understand the responses of bus companies to the environmental changes, specific variables were posed to the respondents and requested to indicate the level of adjustments that have been adopted. The changes were ranked on a 5 point likert-like scale. A mean score was computed for each variable with 5 taken to mean the highest level and 1 taken to mean the lowest level. The strategic variable were service, fare (price) changes, market research activities and process. These were perceived to be the major responses that the bus companies can use to effectively respond to changes in the environment. Both analysis and interpretation are covered hereunder. The variables were broken down as shown in the table below.

TABLE 8: RESPONSES

Strategic Options	N	Little Adj	Moderately Little Adj	Moderate Adj	Moderately High Adj	High Adj	Mean	Percent	Std. Deviation
INPUT SOURCING e.g. FUEL/SUPPLIES	28	0	1	1	0	26	4.82	96.4	0.67
SERVICE : IMPROVEMENT OF SERVICE LEVEL	28	1	0	2	1	24	4.68	93.6	0.9
INCIDENCE OF LOSS OF BAGGAGE	28	4	1	0	1	22	4.26	85.8	1.49
COST STRUCTURE - CAPITAL INVESTMENT TECHNOLOGY	27	5	1	2	2	17	3.93	78.6	1.62
SALES PROMOTION	28	8	0	2	0	18	3.71	74.2	1.82
INCREASE ON STRATEGIC PLANNING EXPENDITURE	28	8	2	1	1	16	3.54	70.8	1.84
PROCESS - ON TIME ARRIVALS/DEPARTURE	28	8	2	5	0	13	3.46	69.2	1.77
PRODUCTIVITY IMPROVEMENTS	28	7	1	3	7	10	3.43	68.6	1.62
HIRING OF EXPERT CONSULTANTS	28	12	1	0	2	13	3.04	60.8	1.93
INTRODUCTION OF NEW SERVICES	27	11	3	0	4	7	2.74	54.8	1.72
TICKET PRICE INCREASE	28	10	3	7	2	6	2.68	53.6	1.56
PRICE - PRICE - TICKET PRICE DISCOUNT	28	13	2	5	3	5	2.46	49.2	1.6
COST CONTROLS	28	13	1	2	2	10	2.42	56.4	1.87
PRICE CONSTANT	27	16	1	2	2	6	2.3	46	1.73
TICKET PRICE REDUCTIONS	28	14	2	5	5	2	2.25	45	1.43
RESEARCH EXPENDITURE ON COMPETITIVE STRATEGIES	28	20	2	2	0	4	1.86	37.2	1.53
USE OF DISCRIMINATION	27	20	1	1	1	4	1.81	36.2	1.52
DIVERSIFICATION OF BUSINESS OPTIONS	28	18	4	2	2	2	1.79	35.8	1.29
PRICE FLACTUATIONS	27	18	2	4	1	2	1.78	35.6	1.28
INTRODUCTION OF UNIQUE SERVICE	28	21	1	2	1	3	1.71	34.2	1.38
DIVERSITURE FROM BUSINESS OPERATIONS	28	21	2	1	1	3	1.68	33.6	1.36
INVESTMENT ON TRAINING AND DEVELOPMENT PROGRAM	28	22	2	0	0	4	1.64	32.8	1.42
MARKET RESEARCH ACTIVITIES - RESEARCH EXPENDITURE ON PASSENGER NEEDS/SATISFACTION	28	21	3	0	2	2	1.61	32.2	1.26
PROMOTION - INCREASE IN ADVERTISING EXPENDITURE	28	23	1	1	1	2	1.5	30	1.2
INCREASE IN MEDIA PUBLICITY	28	23	0	3	0	2	1.5	30	1.17
EVENT SPONSORSHIP	28	25	1	1	0	1	1.25	25	0.84

Source: Interviews

From the above table it can be noted that 26 out of 28 of the firms surveyed indicated that input sourcing was a critical factor in their attempt to respond to the environmental changes. The input sourcing variable has a mean score of 4.68, indicating that the variable requires high adjustments. This is followed closely by improvement of service level and incidence of loss of baggage. This emphasises that, bus companies are putting more attention to the kind of services they are offering to their customers. The incidence of loss of baggage is also a critical factor that the bus companies pay attention to so as to counter the environmental changes they face. Respondents indicated that reducing the incidence of loss of baggage enhances customer loyalty greatly.

Cost control and structure, covering capital investment technology, sales promotion, increase on strategic planning expenditure, adherence to arrival/departure time, productivity improvements and the hiring of expert consultants recorded mean scores of between 3 and 4 indicating that these factors require moderately high adjustments. This implies that the bus companies carry out cost cutting measures such as staff retrenchment as and when the environment dictates. Improvement in technology and incurring huge investments in the state of the art buses has been widely adopted by the bus companies as a response to the environmental changes. This is evident by the type of bus bodies displayed by a number of companies, particularly those plying the Nairobi Mombasa route.

From the above table, changes in fares and introduction of new service record a mean score of 2 to 3, indicating that these factors require moderate adjustments when responding to the changes in the environment. Changing the route fare is not a

significant factor in responding to the environmental changes. The respondents indicated that they do occasionally change the fares, but this is only possible when the demand is extremely high, for instance during the December holiday. Otherwise, the bus companies would wish to give their passengers value for their money all the time. However, for the new state of the art buses that are plying between Nairobi and Mombasa, charge a premium fare to cater for the extra features offered in these buses. The customers perceive these type of buses to be of very high quality so pricing is in line with the targeted customers expectations.

4.5.2 FACTOR ANALYSIS

Factor analysis of environmental changes experienced by the bus companies was performed. It considered twenty environmental variables as shown in appendix iii. Factor extraction was done by using major component analysis (appendix iv). Initial proportion of factor loading of all the components were generated. Factors with proportions of factor loading of greater than one were extracted. Out of twenty factors, eight factors were extracted. These factors were rotated using Varimax to come up with rotated component matrix as shown in appendix v.

The following are the factors that were identified as a result of this procedure.

- Modernisation and distinctiveness whereby the bus companies responds through automation and product differentiation
- Competition and customer service and this comprised of matching competitors' fare, more outlets, provision of product information, improving customer service
- Efficiency and customer care which comprised of reduction in customer complaint, technology, identification of customer needs and cost cutting

- Network comprised of developing new routes and ticket discounts
- Right sizing covering rationalisation and retrenchment
- Route development comprise of lucrative routes and segmentation
- Awareness campaigns comprise of training and increased advertising
- Specific markets comprise of route focussing and new product development

4.6 DISCUSSION OF RESULTS

The study sought to establish the extent to which bus companies have responded to environmental changes. The respondents indicated that they have been significantly influenced by the environmental changes to pursue strategies that would enable them to cut costs significantly without affecting their margin. As Porter (1980) aptly puts it, the essence of formulating competitive strategy is relating a company to its environment. It is further noted that, the best strategy for a given firm is ultimately a unique construction reflecting its particular circumstances (Thompson & Strickland 1993).

The study also established that, though the transport industry is very competitive, the cost of operation is a critical factor. Most of the surveyed companies identified cost leadership as a critical factor to their continued competitiveness. Indeed, most of the bus companies have maintained low fares for quite a long time now, notwithstanding the frequent price increases for fuels and spare parts. This points towards the adoption of Porters cost leadership as a strategy.

The implementation of the cost leadership strategy by bus companies is evident in the way the bus companies have diversified into petrol stations and hardware shops to

sale spare parts. In this way, the companies can be able to obtain good prices through bulk purchasing. The respondents have further enhanced their cost cutting measures, by redesigning the fuel system of their fleets to accommodate two fuel tanks instead of the industry design of one fuel tank per bus. Kombo (1997) also found that the motor franchise firms used purchase criteria of buying from the cheapest source in order to be cost competitive. He further noted that the motor franchise firms had significantly improved their technology so as to be competitive and efficient. The respondents indicated that keeping old units on the road is extremely expensive in terms of spare parts and at the same time acquiring new units is equally expensive, given the high cost of financing.

Modernisation and distinctiveness of the fleet is becoming a crucial factor in countering competition. Most firms are undertaking measures to ensure that their fleet is made up of the latest make and have distinct features to isolate them from the rest. In this way the customers would be attracted and the firm will create unrivalled competition. Customers are aware of their rights and they often demand to be given a bus with all the necessary items to make the journey comfortable. One of the respondents indicated that customers do go as far as checking the tyre threads, first aid kits and even the insurance covers in addition to the state of the seats. This kind of awareness is really setting high standards of operating for the bus companies.

The respondents resolve to provide unique services and distinct buses had been significantly influenced by the changes in the environment. This points towards the adoption of Porters differentiation strategy. Surprisingly though, only one bus company representing 3.6% of the sample population operates a special premium

service on the Nairobi-Mombasa highway. Differentiation through the services and the changing shapes of the buses was also found to be a major response factor. The surveyed companies had endeavoured to improve on their customer service by identifying customer needs and reducing customer complaints. To reduce the incidence of loss of baggage to gain customer loyalty featured prominently as a critical response that most of the respondents are using. Branding was also found to have been used to create differentiation and add value to the business. Bus companies with more than 10 buses used their brand numbers to try to gain customer loyalty. Bus companies with a fleet of less than five units have difficulty in attracting customers, as there may not be a fast recovery in case there is a breakdown. The chance of getting a replacement whenever there is a breakdown would take time.

Regarding pricing strategy, matching competitors' prices, was mostly used in response to the threat of new entrants. Usually the cost of operation for new entrants is higher as compared to established bus companies, but the fare seems to be uniform in most cases. However, new entrants and those with fewer units tend to reduce fares so as to attract passengers. This agrees with Isaboke (2001), who contends that industry after industry, price competition is at the centre stage and that there are enormous pressures on nearly all firms to engage in price competition. Isaboke's (2001) research findings established that the new entrants into the Kenyan oil industry used lower prices to penetrate the market corroborates with the findings in this study.

The study further revealed that, the bus crew, that is the drivers, conductors and ticket examiners do also present another challenge. They have exhibited high level of collusion designed to defraud the company. This has become one of the areas the top

management in the bus companies should address. The consequence of the collusion is loss of revenue making the cost of operating the buses to be very high. The respondents indicated that to counter this kind of scenario, they hire consultants (trustees) to travel as ordinary passengers and do a report of their observations to the management. In this way, the bus crew do not know who they are carrying, hence they become careful. Other propositions that were floated by the respondents regarding the strategies that would lead to low cost of operations, included: lobbying for legislation that would ensure a level playing field, intensification of public relations campaigns on the benefits of maintaining high industry standards, discourage corruption at all levels and ensure that the industry players adhere to the laid down laws and procedures.

The study revealed that the grand strategies of mergers and acquisitions by bus companies were found to be least important in responding to the environmental changes.

5.0 SUMMARY AND CONCLUSION

5.1 SUMMARY

The public passenger transport industry has experienced a period of significant environmental changes. These changes have created pressure for change in the way the passenger bus transport companies are managed. This study was an attempt to find out what changes have taken place that affects the bus companies and how have these companies responded to these changes? The objective of this study was to determine how the public passenger bus firms that ply between Kenyan towns are responding to changes in the environment in which they operate.

This objective was to be achieved by undertaking a study on the inter-urban bus companies. The collection of data was done using a questionnaire. The population of interest in this study consisted of bus companies that are plying between Kenyan towns with their home base of operation situated in Nairobi. Data was collected using a questionnaire served on Chief Executive Officers or top managers.

From the findings, majority of the buses have home terminus at various parts of Nairobi and most of them have their base at the Country Bus Station, popularly known as Machakos country bus airport. Bus companies going to Nyanza balance the time and the number of buses that they put in that route. Most of them operate over ten buses in the route day and night, though in some cases the night operation has slightly more buses than the day shift.

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For the buses in operation, those respondents that operate Isuzu buses are the majority followed closely by Scania. However the Scania are recording close to full capacity

more than the Isuzu buses. One of the respondents asserted that, the Scania fleet have economical fuel consumption and provides high output, as compared to other makes. They are fast and consume less fuel. Notwithstanding the Scania's superior performance, the cost of its spare parts is exorbitant and cannot be serviced or repaired by the roadside mechanics. The researcher established that, it is the bad roads that make the enduring Isuzu buses to outdo the Scania. In general the Isuzu and the Scania buses recorded higher sitting capacities than the others. None of the respondents operate Renault or Tata buses.

In understanding the responses of bus companies to environmental changes, specific variables were posed to the respondents. The results showed that input sourcing was a critical factor in their attempt to respond to the environmental changes. The input sourcing variable achieved, a mean score of 4.68 out of 5 which was the highest level of adjustments. This was followed closely by improvement of services level and incidence of loss of baggage. This showed that passenger bus companies are putting more attention to the kind of service they are offering their customers. Respondents indicated that reducing the incidence of loss of baggage enhances customer loyalty greatly.

The bus companies that were surveyed indicated that they have been significantly influenced by the environmental changes to pursue strategies that would enable them cut costs and at the same time remain competitive and efficient. Most of the respondents identified cost leadership as a befitting strategy that is critical to their continued competitiveness. To achieve cost leadership, bus companies have resorted

to bulk purchasing of fuel and spare parts. This is done by establishing petrol stations and hardware shops where the respondents can source for their supplies.

The study indicated that the bus companies have resolved to provide unique services and distinct buses as a differentiation strategy. Branding was also found to have been used to create differentiation and add value to the business.

Factor Analysis was used to determine the factors that the respondents made adjustments in regard to the environmental changes. The following are the factors that were identified.

- Modernization and Distinctiveness
- Competition and Customer Service
- Efficiency and Customer Care
- Network Diversification
- Right Sizing
- Route Development
- Awareness Campaigns
- Specific Markets

5.2 CONSLUSION

In conclusion, the objective of this study was to determine how the public passenger bus firms that ply between Kenyan towns are responding to changes in the environment in which they operate. From the findings it can be concluded that the objective of the study was met and the responses to the changes that the firms utilise were determined. It can also be concluded that the bus companies have responded to

changes in the environment by undertaking several measures like Modernization and Distinctiveness of their fleet, improved customer service, efficiency and customer care, network diversification, right sizing through rationalisation and retrenchment of the staff, route development, awareness campaigns, and franchising on specific markets. In the coast routes some bus companies have introduced state of the art buses that are distinctively different from the rest of the fleet. They are targeting a particular niche in the market that consists of exclusive kind of clients. One respondent argued that it is not viable to introduce such kind of units in their fleet because it would mean that they compete with airlines, a fact that is not feasible at the moment. In this case therefore, the new state of the art buses in the route of Mombasa does not pose any competition to other bus companies as they are virtually in a class of their own. Bus companies have also responded by employing strategies such as public relations strategies, have tried to influence public opinion leaders, fronted for new legislation, they have formed cartel to lobby for them and some have resorted to divestiture.

The study however, revealed that majority of the bus companies do not survive for long as most of the current bus firms were incorporated in the last decade. From the analysis of the data collected, about 78% of the bus companies that were contacted, came into being in the last 12 years. This is perhaps a reflection of the fact that those bus companies formed long time ago and are no longer on Kenyan roads never adapted to the environmental changes that existed then. The study showed that in the 1930's, 1960's and 1970's each had one bus company still existing. However, further probing revealed that these old bus companies that are still operational have changed ownership many times. They could be having the same name, just for customer

loyalty, but ownership has passed on through several hands. It is therefore logical to conclude that those that were formed recently are keen to adapt to environmental changes for their survival, and are acting proactively to changes that are taking place in their areas of operation.

5.3 LIMITATIONS OF THE STUDY

This study could have been a lot better if it was not for several limitations. The chief among these limitations was the understanding of the respondents on the subject. This had to take a lot of time to explain. Some of the respondents also did not have the time and the expertise to respond to such a study. The transport industry is manned by people who are not academically endowed. Most of the respondents are not widely knowledgeable. In this case therefore, the data collected at one point in Kenya could contain some bias results. The research was restricted to Nairobi only. Operators who are based in other towns may respond to the environmental changes differently. Possibly the data could have been more helpful if it was collected from two or more towns and then be compared to be able to have more accurate and objective information for conclusions and generalisations. The other limitation was the fact that like all other projects, it is expensive both in resources and time spent. Some bus companies operate in a very informal set-up to the extent that they do not have offices. This makes it difficult for such companies to have records that can be relied upon.

Another limitation to the study was the current search of terrorists in Kenya particularly at the coastal towns. This hindered data collection. The bus companies

that operate along the Nairobi – Mombasa highway were not willing to be interviewed by strangers.

5.4 RECOMMENDATIONS FOR FURTHER STUDY

The study recommends that further study should be done in the following areas. These may be in the transport sector or in other related sectors. A study should be done: -

- To determine the competencies required to gain competitive advantage in the passenger transport business.
- To find out the management practices that are used by the players in the transport sector and their level of competence.
- To carry out a comparative study with other systems of transport covering town service transport, metro shuttle services and other modes of transport such as rail and air transport.

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Section 4: Questionnaire

- 1. Name of the company
- 2. Which is your species of the world?
- 3. In which year did you first start operating in Kenya?
- 4. Which two services are you offering today by way of operations?
- 5. What is your total number of buses in your fleet?
- 6. What is the geographic network coverage served by your buses in East Africa?

Countries	Number of buses
Kenya	
Uganda	
Tanzania	

7. In Kenya, What is your geographic network coverage by way of routing from your home base?

Provinces	Major town of starting destination	No. of bus deployed	No. of route per day	
			Day	Night
Nyanza				
Western				
Nairobi				
Central				
Northern				
Eastern				
Coast				
Rift Valley				

APPENDIX I: QUESTIONNAIRE

QUESTIONNAIRE:

Kindly answer the following questions as accurately as possible. Your answer will be treated in confidence and used strictly for academic purpose only. In no instance will your name or that of your bus company be divulged.

Section A: Classification questions

1. Name of the company.....
2. Which is your country of incorporation?.....
3. In which year was your bus company established in Kenya?.....
4. Which Bus terminus represents your home base of operations?.....
5. What is your total number of buses in your fleet?.....
6. What is the geographic network coverage served by your buses in East Africa?

Countries	Number of towns
Kenya	
Uganda	
Tanzania	

7. In Kenya, What is your geographic network coverage by way of routing from your home base?

Provinces	Major town of Routing destination	No. of Bus deployed	No. of route per day	
			Day	Night
Nyanza				
Western				
Nairobi				
Central				
North Eastern				
Eastern				
Coast				
Rift Valley				

8. What type of buses do you currently use in your operations in Kenya?

	How many of them.	Seating capacity.
Isuzu bus		
Scania		
Leyland		
Renault		
Volvo		
Tata		
Mercedes		
Nissan UD		

9. Under which of the following categories do your passengers typically fall?

- (a) VIP/Executive _____ %
- (b) Business _____ %
- (c) Tourist/Leisure _____ %
- (d) Other e.g. group (specify) _____ %

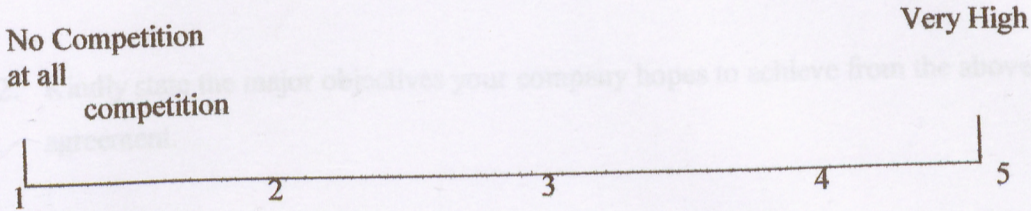
100 %

10. What is your average passenger load on the following routes in terms of bus full Capacity?

PROVINCE	%
Nairobi	
Nyanza	
Western	
Rift valley	
Coast	
Eastern	
North Eastern	

Central	
---------	--

11. On a scale of 1(no competition at all)>2>3>4>5(very high competition) how would you describe the level of competition faced by your buses in your region of operation? (please circle as appropriate).



- What external changes have taken place within the last 10 years that have had an effect on your company operations.
- Has your company responded to the environmental changes you have mentioned?
- For each of the following responses please tick what adjustments your bus company has made in regard to the environmental changes on a scale of 1(Little adjustments)>2>3>4>5(High adjustments).

	Little Adjustments					High Adjustments				
	1	2	3	4	5	1	2	3	4	5
1. Improvement of Service level	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
2. Introduction of new services	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
3. Introduction of new & unique service	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

SECTION B: Response questions

1. Does your company form part of a strategic alliance/partnership with any other bus Company? Yes/No. If yes please name the bus company.
2. Kindly state the major objectives your company hopes to achieve from the above agreement.
 - 1.
 - 2.
 - 3.
3. What external changes have taken place within the last 10 years that have had an effect on your company operations.
4. Has your company responded to the environmental changes you have mentioned?
5. For each of the following responses please tick what adjustments your bus company has made in regard to the environmental changes on a scale of 1(Little adjustments)>2>3>4>5(High adjustments).

A. SERVICE

	Little Adjustments			High Adjustments	
	1	2	3	4	5
1. Improvement of Service level	[]	[]	[]	[]	[]
2. Introduction of new services	[]	[]	[]	[]	[]
3. Introduction of new & unique service	[]	[]	[]	[]	[]

B. PRICE

	1	2	3	4	5
1. Ticket price discount	[]	[]	[]	[]	[]
2. Ticket price reductions	[]	[]	[]	[]	[]
3. Ticket price increase	[]	[]	[]	[]	[]
4. Use of discrimination	[]	[]	[]	[]	[]
5. Sales promotion	[]	[]	[]	[]	[]

C. COST STRUCTURE

	1	2	3	4	5
1. Capital investment in technology	[]	[]	[]	[]	[]
2. Input sourcing e.g. fuel/supplies	[]	[]	[]	[]	[]
3. Productivity improvements	[]	[]	[]	[]	[]
4. Cost controls	[]	[]	[]	[]	[]
5. Diversification of business options	[]	[]	[]	[]	[]
6. Divestiture from business operations	[]	[]	[]	[]	[]

D. MARKET RESEARCH ACTIVITIES

	1	2	3	4	5
1. Research expenditure on passenger needs/behaviour	[]	[]	[]	[]	[]
2. Research expenditure on competitor strategies	[]	[]	[]	[]	[]
3. Investment on training & development program	[]	[]	[]	[]	[]
4. Hiring of expert consultants	[]	[]	[]	[]	[]
5. Increase in strategic planning expenditure	[]	[]	[]	[]	[]

E. PROCESS

	1	2	3	4	5
1. On time arrivals/departure	[]	[]	[]	[]	[]
2. Incidences of loss of baggage	[]	[]	[]	[]	[]

C. PROMOTION

	1	2	3	4	5
1. Increase in advertising expenditure	☐	☐	☐	☐	☐
2. Increase in media publicity	☐	☐	☐	☐	☐
3. Event sponsorship	☐	☐	☐	☐	☐
4. Sales promotion	☐	☐	☐	☐	☐

D. COST STRUCTURE

	1	2	3	4	5
1. Capital Investment in technology	☐	☐	☐	☐	☐
2. Input sourcing e.g. fuel/supplies	☐	☐	☐	☐	☐
3. Productivity improvements	☐	☐	☐	☐	☐
4. Cost controls	☐	☐	☐	☐	☐
5. Diversification of business options	☐	☐	☐	☐	☐
6. Divestiture from business operations	☐	☐	☐	☐	☐

E. MARKET RESEARCH ACTIVITIES

	1	2	3	4	5
1. Research expenditure on passenger needs/satisfaction	☐	☐	☐	☐	☐
2. Research expenditure on competitor strategies	☐	☐	☐	☐	☐
3. Investment on training & development program	☐	☐	☐	☐	☐
4. Hiring of expert/consultants	☐	☐	☐	☐	☐
5. Increases on strategic planning expenditure	☐	☐	☐	☐	☐

F. PROCESS

	1	2	3	4	5
1. On time arrivals/departure	☐	☐	☐	☐	☐
2. Incidences of loss of baggage	☐	☐	☐	☐	☐

6. How important are changes in each of the following areas which your firm has initiated in response to changes in the environment? (Tick as appropriate).

	5 Critically Important	4 Moderately Important	3 Neither Important nor un- Important	2 Less Important	1 Least Important
Technology	☐	☐	☐	☐	☐
Cost cutting	☐	☐	☐	☐	☐
Retrenchments	☐	☐	☐	☐	☐
Rationalisation	☐	☐	☐	☐	☐
Automation of operations	☐	☐	☐	☐	☐
New product Development	☐	☐	☐	☐	☐
Customer service	☐	☐	☐	☐	☐
Provision of product information	☐	☐	☐	☐	☐
Training	☐	☐	☐	☐	☐
Increased Advertising	☐	☐	☐	☐	☐
Branding	☐	☐	☐	☐	☐
Lucrative routes	☐	☐	☐	☐	☐
Route focusing	☐	☐	☐	☐	☐
Segmentation	☐	☐	☐	☐	☐
Identification Of customer Needs	☐	☐	☐	☐	☐

Reduction in Customer complaint	☐	☐	☐	☐	☐
Ticket discounts	☐	☐	☐	☐	☐
Matching Competitors' fare	☐	☐	☐	☐	☐
More outlets	☐	☐	☐	☐	☐
Developing new Routes	☐	☐	☐	☐	☐

7. Could you indicate any other responses you have employed in regard to the changes in the transport industry?

	Yes	No (If yes, Please specify)
Lobbying/cartel forming	☐	☐ (specify)
Fronting for new legislation	☐	☐ (specify)
Public relations	☐	☐ (specify)
Influencing public opinion leaders	☐	☐ (specify)
Divestiture	☐	☐ (specify)
Any other responses (please specify)		

.....

.....

.....

8. What are your future plans regarding your current destinations? Please tick one of the following.

- | | |
|------------------------------|--------------------------|
| (a) Increase market presence | ☐ |
| (b) Maintain market presence | ☐ |
| (c) Decrease market presence | ☐ |
| (d) Exit the market | ☐ |
| (e) Not sure | ☐ |

9. Kindly rank the following in order of importance to your bus company. Please use the following scale.

1 (most important) > 2 > 3 > 4 > 5 (least important)

Survival

Growth

Profitability

Market Share

Competitive position

10. Please add here below any information that you may deem to be relevant to this Research questionnaire

THANK YOU FOR YOUR CO-OPERATION

APPENDIX II: LIST OF INTER-URBAN BUS SERVICES

AFRICA STAR BUS SERVICES
AKAMBA PUBLIC BUS SERVICES
BINYINYI BUS SERVICES
BUS CLASS BUS SERVICES
BUSCAR BUS SERVICES
COAST BUS SERVICES
ELDORET EXPRESS BUS SERVICES LTD
EXPLAINER BUS SERVICES
FALCON BUS SERVICES
GATEWAY BUS SERVICES
GENTAL EXPRESS BUS SERVICES
GRACELAND EXECUTIVE
JAMII BUS SERVICES
KABIYET EXPRESS
KENYA BUS SERVICES LTD
KENYA WITNESS BUS SERVICES
KEROKA EXPRESS BUS SERVICES
KITALE BUS SERVICES
LE – COACH LIMITED
LENSES EXPRESS
LINEAR COACH BUS SERVICES
MASH BUS SERVICES
MASLAH EXPRESS
MERU EXPRESS BUS SERVICES
MOMBASA RAHA BUS SERVICES
MWANANCHI EXPRESS
MWINGI BUS SERVICES
OCEANIC BUS SERVICES
OTANGE BUS SERVICES
ROYAL BUS SERVICES
SABCO LIMITED
SAFE RIDE BUS SERVICES
SAFWAYS EXPRSS
STALLION BUS SERVICES
STAR LINER BUS SERVICES
SUN BIRD BUS SERVICES
SURVIVAL BUS SERVICES
TRANSAFRICA BUS SERVICES
UNIVERSAL BUS SERVICES
WAJIR EXPRESS BUS SERVICES
WEST COAST EXPRESS
WESTERN LINER BUS SERVICES
ZAFANANA BUS SERVICES

Initial	Extraction
1.000	.814
1.000	.904
1.000	.763
1.000	.813
1.000	.763
1.000	.856
1.000	.826
1.000	.788
1.000	.879
1.000	.742
1.000	.702
1.000	.689
1.000	.871
1.000	.683
1.000	.790
1.000	.893
1.000	.785
1.000	.779
1.000	.821
1.000	.819

APPENDIX III FACTOR ANALYSIS

COMMUNALITIES

	Initial	Extraction
Technology	1.000	.814
Cost Cutting	1.000	.904
Retrenchment	1.000	.763
Rationalisation	1.000	.813
Automation of Operations	1.000	.763
New Product Development	1.000	.856
Customer Service	1.000	.826
Provision of Product Information	1.000	.780
Training	1.000	.870
Increased Advertising	1.000	.742
Branding	1.000	.702
Lucrative Routes	1.000	.689
Route Focusing	1.000	.871
Segmentation	1.000	.683
Identification of Customer Needs	1.000	.790
Reduction in Customer Complaint	1.000	.893
Ticket Discounts	1.000	.785
Matching Competitors Fare	1.000	.779
More Outlets	1.000	.821
Developing New Routes	1.000	.819

Extraction Method: Principal Component Analysis

Source: Interviews

APPENDIX IV

TOTAL VARIANCE EXPLAINED

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% Variance	of Cumulative %	Total	% Variance	of Cumulative %	Total	% Variance	of Cumulative %
1	3.277	16.386	16.386	3.277	16.386	16.386	2.517	12.586	12.586
2	2.846	14.229	30.615	2.846	14.229	30.615	2.494	12.472	25.058
3	2.412	12.061	42.676	2.412	12.061	42.676	2.338	11.691	36.749
4	1.984	9.918	52.594	1.984	9.918	52.594	2.168	10.84	47.59
5	1.508	7.538	60.132	1.508	7.538	60.132	1.662	8.308	55.897
6	1.472	7.358	67.49	1.472	7.358	67.49	1.619	8.096	63.993
7	1.396	6.98	74.47	1.396	6.98	74.47	1.613	8.066	72.06
8	1.067	5.335	79.805	1.067	5.335	79.805	1.549	7.745	79.805
9	0.969	4.847	84.652						
10	0.669	3.347	88						
11	0.572	2.858	90.857						
12	0.396	1.982	92.839						
13	0.375	1.876	94.715						
14	0.281	1.405	96.12						
15	0.254	1.272	97.391						
16	0.19	0.952	98.344						
17	0.122	0.608	98.951						
18	9.96E-02	0.498	99.449						
19	7.98E-02	0.399	99.848						
20	3.03E-02	0.152	100						

Extraction Method: Principal Component Analysis.

Source: Interviews

APPENDIX V

ROTATED COMPONENT MATRIX

	Component							
	1	2	3	4	5	6	7	8
AUTOMATION OF OPERATIONS	0.811	6.93E-02	-0.183	0.186	-0.142	2.98E-02	9.14E-02	-5.69E-02
BRANDING	0.802	7.14E-02	0.124	-3.28E-02	-7.32E-02	-7.51E-02	8.73E-02	0.135
MATCHING COMPETITORS FARE	4.50E-02	0.86	7.52E-02	-1.18E-02	0.12	2.47E-02	-0.117	4.72E-02
MORE OUTLETS	7.70E-02	0.783	-1.89E-02	0.139	-0.193	0.282	0.256	1.15E-03
PROVISION OF PRODUCT INFORMATION	-8.79E-02	0.626	1.86E-02	0.299	0.421	-0.232	-0.119	-0.214
REDUCTION IN CUSTOMER COMPLAINT	3.12E-02	4.62E-02	0.883	-5.17E-02	4.84E-02	-0.29	-1.54E-02	-0.144
TECHNOLOGY	-0.107	2.18E-02	0.772	0.277	3.19E-02	0.343	-3.73E-02	-9.37E-02
IDENTIFICATION OF CUSTOMER NEEDS	0.327	-0.205	0.565	-0.555	-5.87E-02	3.77E-02	7.70E-02	5.00E-02
COST CUTTING	-0.445	0.344	0.548	8.01E-02	-0.195	-0.229	-0.218	0.377
DEVELOPING NEW ROUTES	9.56E-02	0.213	0.219	0.812	-6.71E-02	0.19	-0.123	2.03E-02
TICKET DISCOUNTS	6.29E-02	0.1	4.28E-02	0.622	8.85E-02	-0.323	0.507	0.116
CUSTOMER SERVICE	-0.483	0.408	0.266	-0.58	-3.27E-03	-1.45E-02	0.124	-6.71E-02
RATIONALISATION	0.115	-5.88E-03	-3.23E-02	-3.44E-02	0.819	0.235	0.231	0.135
RETRENCHMENT	-0.375	9.71E-02	4.82E-02	2.14E-02	0.775	-1.48E-02	4.43E-02	-8.10E-02
LUCRATIVE ROUTES	-0.104	7.73E-02	-8.87E-02	-2.33E-02	0.113	0.804	-9.68E-03	-6.51E-02
SEGMENTATION	0.359	0.254	0.232	0.359	0.131	0.497	-0.121	0.165
TRAINING	9.91E-02	-7.65E-02	5.81E-03	-0.189	0.206	-6.72E-02	0.875	-7.98E-02
INCREASED ADVERTISING	3.69E-02	0.493	-0.235	0.245	2.52E-02	0.293	0.541	-4.94E-02
ROUTE FOCUSING	0.2	-9.89E-02	-5.54E-02	2.67E-03	5.41E-02	-0.103	-0.112	0.89
NEW PRODUCT DEVELOPMENT	0.541	-0.124	0.208	-0.142	3.67E-02	-0.18	-0.141	-0.656

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a Rotation converged in 13 iterations.

Source: Interviews

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