

**CHALLENGES OF IMPLEMENTATION OF DIVERSIFICATION
STRATEGIES IN PUBLIC UNIVERSITIES IN KENYA**

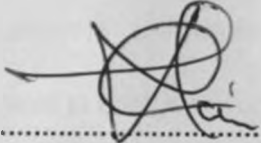
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**A Project Report Submitted in Partial Fulfillment of the Requirements for the award
of the Degree of Master of Business Administration (MBA) of the University Of Nairobi**

OCTOBER 2012

DECLARATION

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

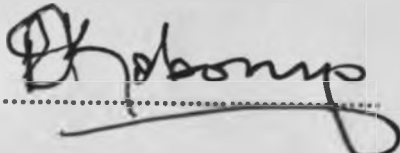
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Date 9/11/2012

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D61/63390 /2010

This management project report has been submitted for examination with my approval as a university supervisor.

Signed 

Date 13/11/2012

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DEDICATION

This project proposal is dedicated to my wife Judie and my children Wayne and Stacy for their understanding and encouragement during the period I was away from home. Their combined support and constant prayers gave me the much needed energy and encouragement to continue working very hard up to the completion of the course.

ACKNOWLEDGEMENT

My special thanks and appreciation go to my supervisor and moderator for their sincere and honest encouragement and guidance while doing this study.

My special thanks also go to my colleagues for their understanding and support that they gave in the course of our studies.

Finally I wish to acknowledge my indebtedness to all my lecturers, administrative and support staff of the MBA program of the school of business that made my pursuit for knowledge comfortable and fruitful at the university.

ABSTRACT

Since the mid 1980s government funding to public universities has declined in real terms. The causes have been many but generally have included changing donor priorities, changing government rules and regulations to cope with national economic turbulence, international economic trends, legislation and political trends in the country. In response to the changes public universities in Kenya have started some non academic income generating activities to remain financially stable. Hence several public universities have started related and non related income generating activities. This means that the universities have started diversifying their businesses to remain financially stable.

In an effort to start such businesses universities are faced by both internal and external challenges. The study was done to find out the internal and external challenges that public universities in Kenya face while implementing diversification strategies in non academic income generating activities. The study was conducted by conducting a census of all the public universities in Kenya. The researcher collected primary data using a structured questionnaire. Also a face to face interview was conducted on a few selected respondents to get some clarifications and any further explanations.

The study found out that, the non academic income generating activities face some internal challenges that may hinder growth and survival of such activities. The challenges include poor strategic planning, formulation and implementation of policies for such activities, using non professional managers, lack of commitment top from management and poor marketing. With proper policies and employment of professionally trained managers in non academic income generating activities, public universities can overcome such challenges and compete very well nationally and internationally like other well known universities worldwide.

TABLE OF CONTENTS

Declaration	i
Dedication	ii
Acknowledgement	iii
Abstract	iv
List of tables	vii
1.0 CHAPTER ONE: INTRODUCTION	01
1.1 Background to the study	01
1.2 Research problem	10
1.3 Research objective	14
1.4 Value of the study	14
2.0 CHAPTER TWO: LITERATURE REVIEW	16
2.1 Introduction	16
2.2 The concept of Strategy	18
2.3 Diversification strategies	21
2.4 Challenges of implementation of diversification strategies	26
3.0 CHAPTER THREE: RESEARCH METHODOLOGY	28
3.1 Introduction	28
3.2 Research design	28
3.3 Population	28

3.4	Data collection	28
3.5	Data analysis.....	29
4.0	CHAPTER FOUR: DATA ANALYSIS RESULTS AND DISCUSSION	30
4.1	Introduction.....	30
4.2	Response rate	30
4.3	Challenges of implementing diversification strategies	31
4.4	Internal challenges of diversification strategies.....	31
4.5	External challenges of diversification strategies.....	38
4.6	Other challenges.....	44
4.7	Discussion.....	45
5.0	CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS.....	46
5.1	Summary.....	46
5.2	Conclusions.....	46
5.3	Recommendations	47
5.4	Limitations of the study.....	47
	References.....	48
	Appendix.....	53

LIST OF TABLES

Table 4.4.1	Formulation of income generation activity	32
Table 4.2.2	Implementation of the activities	33
Table 4.4.3	support from top management.....	34
Table 4.4.4	Organizational culture.....	35
Table 4.4.5	Resistance to Change	36
Table 4.4.6	Staff Morale / Motivation.....	37
Table 4.4.7	Mode of Companastion from Generated Funds	38
Table 4.5.1	Financial resources.....	39
Table 4.5.2	Competition within the industry	40
Table 4.5.3	Economic Factors like interest rates	41
Table 4.5.4	Barriers of entry into new areas	42
Table 4.5.5	Legal Factors	43
Table 4.5.6	The Government Policies	44

CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

Since the mid 1980s government funding to public universities has declined in real terms. The causes have been many but generally have included changing donor priorities, changing government rules and regulations to cope with national economic turbulence, international economic trends, legislation and political trends in the country. In addition democratization, multiparty politics, fluctuation of local currencies, rising inflation, deregulation of economic sectors, privatization of government activities, unemployment, debt servicing and donor fatigue have had negative effects on the funding of universities in Kenya. These factors have made public institutions of higher education to have experienced an unsteady and stressful financial environment. State spending on public higher education did not keep pace with inflation, and the cost of higher education continues to outstrip the consumer price index. While inflation continued to increase, higher education has not received new funding, yet enrollments continued to increase (Onyango, 1996).

Despite their role in teaching, undertaking research and training of skilled manpower for economic development, public universities in developing nations especially those in Africa are facing financing crises. Over the past decade or so, these institutions have continued to receive less financial allocations from their governments than their estimated expenditure. Given the prevailing unfavorable economic conditions in developing countries, governments are unable to adequately finance the provision of public services including education. This means that trend of underfunding public education sector especially the university sub-sector is expected to persist in the foreseeable future. Pressed by the severity of inadequate government funding, Kenya's public

universities have been making efforts to diversify their sources of revenue. These institutions are reportedly carrying out a number of revenue diversification initiatives to supplement government funds (Riechi, 2005)

In an effort to generate additional funds to supplement inadequate public resources, national universities are diversifying their academic programmes in response to apparent social demand for higher education in the country and region. Kenya's public universities are therefore moving from elitist to mass institutions with an emphasis on teaching where students become more important actors as primary clients, consumers, and learners. These institutions have initiated self-sponsored academic programmes ranging from certificate, diploma to degree courses to generate funds so as to remain financially afloat. This is consistent with global trends where similar institutions are facing emerging challenges such as new education and training needs, increased competition and emergence of new providers such as long distance competition, franchise universities, corporate universities, media companies, libraries, museums and secondary schools and education brokers (UNESCO, 1998).

Higher Education institutions have reacted to the current financial uncertainty using a variety of strategies. Specific strategies adopted often depend on the perceived length of the fiscal shortfall, the degree of flexibility decision makers have for making fiscal decisions, and the diversity of the institution's revenue sources (Brinkman, 1991). Public Universities have depended more on tuition than other alternative revenue sources to cover increasing costs. But, increased dependence on tuition revenue, in and of itself, also brings a certain amount of financial stress, given the unknown level at which students will seek a less expensive alternative. Of late, endowments are also beginning to be considered much more extensively as a source of operating

funds if not directly, indirectly, through the provision of funds for student scholarships and faculty salaries (Johnston, 2004).

1.1.1 Diversification Strategy

Firms diversify through growth and expansion of firms by entering related fields and new businesses. Firms are considered diversified if they concurrently are active in more than one business. Diversification strategy can be described by the extent of participation in different businesses and the underlying pattern of relationships among various businesses of firms. Contemporary measures of diversification strategy, therefore, attempt to reflect the extent of firm diversity and relatedness among the various businesses of diversifies firms (Rumelt, 1974, 1982; Montgomery, 1979, 1982; Nathan and Cassano, 1982; Pitts and Hopkins, 1982; Palepu, 1985; Varadarajan and Ramanujam 1987).

Businesses within diversifies firms can be related in at least one of two ways. They could be related either because they share markets, distribution systems, product and process technologies, or manufacturing facilities (Ansoff, 1965; Rumelt, 1974; Teece, 1980) or because they rely on common technologies, managerial capabilities and routines and repertoires (Grant, 1988; Nelson and Winter, 1982; Prahalad and Bettis, 1986; Winter, 1987). Sharing resources offers potential economies of scope. Economies of scope, a widely accepted motive for related diversification, arise when the joint cost of producing two or more outputs, including all costs incurred from transforming raw materials to delivering the final products to customers, is less than the sum of the production costs of each output by itself (Teece, 1980; Panzar and Willig, 1981)

In contrast to sharing resources, diversified firms also benefit from leveraging their core competences across multiple businesses (Prahalad and Hamel, 1990). Technology is often not shared among businesses but is used in multiple businesses. Common technologies are however, used in multiple businesses. Similarly, managerial capabilities which are distinctive competences of some diversified firms are seldom shared. Also routines and repertoires used to manage the firm cannot be considered as shared among businesses (Nelson and Winter, 1982; Winter, 1987). Instead, their use in multiple businesses results in benefits for diversified firms (Ginsberg, 1990; Grant, 1988, Prahalad, and Bettis 1986, Prahalad and Hamel, 1990).

1.1.2 Challenges of Implementation of Diversification Strategies

Implementing strategies successfully is vital for any organization, either public or private. Without implementation, even the most superior strategy is useless. A strategy is first formulated and then implemented. Organizations seem to have difficulties in implementing their strategies. Researchers have revealed a number of problems in strategy implementation ; weak management roles in implementation, lack of communication, lacking a commitment to the strategy, unawareness or misunderstanding of the strategy, unaligned organization systems and resources, poor coordination and sharing responsibilities, inadequate capabilities, competing activities and uncontrollable environmental factors (Alexander, 1991; Giles,1991; Galpin 1998; Lares-mankki,1994;Beer and Eisenstat,2000) .

Despite the increase in student numbers, governments have continued to reduce budgets. In Kenya public universities are under funded by 40 percent (Kamotho, 2001). Public universities in Kenya have therefore taken steps in addressing today's fiscal realities and uncertainties. In the past universities relied heavily on tuition increases to make up the differences for shortfalls in

higher education funding. Tuition, which can often be increased quickly and have an immediate impact, increased steadily as a proportion of total educational revenue. A strategy that appears to be working very well is the idea of innovation and entrepreneurship. The most vibrant universities of the future will be institutions with faculties who are directly engaged by the academy in the economics of education or financing public higher education. Along these lines, many leaders of public universities are trying to break the cycle and reduce their dependence on state appropriations by developing alternative sources of funding through entrepreneurship. A more diverse portfolio is seen as not only essential to building and sustaining the quality of the institution, but also as essential to providing the flexibility to ride out the inevitable downturns in state support (Duderstadt & Womack, 2003).

1.1.3 The Kenyan Public Universities

The history of university education in Kenya can be traced back to Makerere University in Uganda, founded in 1922 during British colonial rule as a technical college for African students from the East African countries of Uganda, Kenya and Tanganyika. The college offered post-School Certificate courses in various fields including teacher training, carpentry, building technology, motor mechanics, medical care, agriculture and veterinary services and in 1949 the Makerere University Act was passed, giving the institution the legal status of a university. Makerere was thus established as the University of East Africa that was to offer degrees of the University of London, and admitted its first undergraduate students in 1950 (Ngome, 2003).

The first Kenyan higher-education institution was the Royal Technical College of East Africa, established in Nairobi in 1956 to provide instruction in courses leading to the higher national certificate offered in Britain and to prepare matriculated students through full-time study for

university degrees in engineering and commercial courses not offered by Makerere. As it admitted its first students, the need was felt for expert advice on the pattern of higher education in East Africa (Ngome, 2003). This led to the appointment of a working party in 1958, which recommended that the Royal Technical College be transformed into an international university college in East Africa. In 1961, it was renamed the Royal College of Nairobi and turned into a university college, offering Bachelor of Arts and Bachelor of Science degrees in engineering of the University of London. In 1963, when Kenya attained its independence, Royal College became the University College of Nairobi and joined Makerere and Dar es Salaam Colleges to form the Federal University of East Africa.

Due to nationalist pressure mainly from Kenya and Tanzania, the University of East Africa was dissolved in 1970, with each of the three countries (Kenya, Uganda and Tanzania) establishing their own national universities under their respective Acts of Parliament. The University College of Nairobi was therefore renamed the University of Nairobi, and in the same year was expanded by the addition of new faculties and departments. The University of Nairobi has since grown to be the largest university in Eastern and Central Africa with over 30,000 students, the highest concentration of scholars and academic programmes housed in 14 faculties, 7 institutes, over 100 Departments and one school, managed through 6 campus colleges headed by principals. Since then, the government has established several other public universities and university colleges. Since then, the government has established five other public universities. Moi University was the second public university to be established in Kenya following a recommendation by a presidential working committee – the Mackay Report (Republic of Kenya, 1981). Kenyatta

University was inaugurated in 1985 as the third public university in Kenya. The university offers degree courses in physical sciences, social sciences, business studies and environmental sciences. Jomo Kenyatta University of Agriculture and Technology (JKUAT) became a fully-fledged university in 1994. The university offers a variety of degrees in engineering, computer science, food science and agriculture.

In an effort to make up the financial shortfalls and enhance their missions, the public universities have mounted innovative income generating activities (IGAs). These are organized around self-sponsored academic programmes, business and productive ventures (nonacademic commercial units), consultancy services, study-abroad programmes and hiring out university facilities to external users. Non-academic IGAs include running guesthouses, farms, bakeries, cyber-cafés, bookshops, restaurants and mortuaries. New study programmes and courses have also been initiated in response to public demand, on the basis of charging full-cost fees plus overheads.

The introduction of these courses has not only increased access to university education programmes during evenings and weekends but has also contributed to generating valuable income for these institutions. In 1994, the University of Nairobi appointed a committee to look into income-generating activities in the university and make appropriate recommendations (Mwiria et al 2006).

In its report, the committee came to the conclusion that, through the use of experts and business-like management styles, the institution could generate substantial revenue in a sustainable manner. Consequently, it recommended the formation of the University of Nairobi Enterprise Services (UNES), whose responsibility was to promote, manage and co-ordinate income-

generating activities and consultancies. Maseno University initiated similar measures in 1995 when its Academic Board and Council established the Investment and Economic Enterprises Unit to co-ordinate and manage all non-teaching income-generating units, including the university farm, bookshop, catering services, guesthouse, tree nursery and staff housing (Mwiria et al 2006).

At the University of Nairobi's 27th graduation ceremony in November 1999, the then chancellor reiterated the need for universities to become self-reliant by saying: "Indeed, I have on a number of occasions advised public universities to work out mechanisms of raising additional income through income-generating activities. In this respect, I am pleased to note that you have addressed this issue seriously and have formed a university company to enable you to enhance and co-ordinate income-generation activities" (Mwiria et al 2006 pp 84).

Kenyatta University has likewise launched a number of income-generating activities: the bookshop in 1992, the Child Care Unit in 1993, the Bureau of Training and Consultancy in 1993 and a Postgraduate Diploma in Education programme in 1995, among others. Moi University responded by forming the Moi University Holdings Company Limited to run non-teaching income-generating activities such as mortuary services, transport, a bookshop, farms and staff housing. Jomo Kenyatta University of Science and Technology (JKUAT) adopted a different approach from the other public universities. Under the auspices of the Continuing Education Programme, it has been accrediting middle-level institutions where Jomo Kenyatta University of Science and Technology (JKUAT) programmes are offered. Egerton University has also ventured more recently into income-generating activities. These various activities, especially the self-sponsored programmes, have been successful in generating significant income for the public

universities. During the 1998/9 and part of 1999/2000 fiscal years, the University of Nairobi earned a total of Kshs.224 million and Kshs.240 million respectively from parallel degree programmes. Indeed, it is expected that in five years' time these programmes will bring in an estimated gross revenue of close to Kshs.1 billion a year (University of Nairobi, 1999). Currently, the university raises about 20 per cent of its budget from the parallel-degree programmes and pays close to 60 per cent of its utilities bill from its own internal resources. At Moi University the revenue from student fees in the Privately Sponsored Students Programmes (PSSP) was approximately Kshs.103 million in the 2000/01 financial year.

1.1.4 Government Financing of Public Universities in Kenya

The depth of the financial crisis afflicting Kenya's public universities is reflected in the chronic deficits. The brief reprieve of the 1994/5 academic year notwithstanding, the deficits keep rising, due to the fact that essential services have to be kept afloat despite increased costs. At Kenyatta University, the deficits have increased from approximately 2 per cent in the mid- 1990s to the current level of about 14 per cent. The University of Nairobi, which has a gross monthly payroll and operational expenditure of Kshs.195 million with a monthly capitation of only Kshs.119 million records a deficit of 39 per cent annually. Moi University's debt portfolio had approached Kshs.155 million by 2000. The table below shows the cumulative deficits of public universities;

Table 1 : Cumulative recurrent deficits for all public universities

<u>Year</u>	<u>Deficits in Kshs.</u>	<u>Deficits in US\$</u>
1991	22,705,554	315,355
1992	310,858,544	4,317,480
1993	216,326,145	3,004,530
1994	147,715,640	2,051,606
1995	135,313,271	1,877,963
1996	<u>503,280,783</u>	<u>6,990,011</u>
Total	<u>1,336,099,937</u>	<u>18,556,948</u>

Source: Ministry of Education, Science and Technology annual report, Planning Division, 2002.

From independence in 1963 until the 1970s, public University education in Kenya was free of cost to students. Cost-sharing in Kenya's public universities dates back to the mid-1970s when the government introduced a student loan scheme. In spite of that, many students and parents continued to regard university education as free; hence the low recovery levels of these loans. In June 1991, the government introduced the current cost-sharing scheme that requires students to pay in full or in part through a direct charge depending on their perceived need for tuition, food and accommodation

Despite this stressful financial situation, the public universities seem unable to collect fees from their students. The pay-as-you-eat (PAYE) cost sharing system in the catering services has aggravated the financial situation of the public universities, in that students find it expensive and therefore opt to cook in their hostels, which in turn inflates the cost of running the hostels due to high electricity bills.

1.2 Research Problem

Strategy is a rational decision-making process by which the organization's resources are matched with opportunities arising from the competitive environment. The environment has a very strong deterministic influence on the strategy-making processes in organizations. On the other hand, proponents of the resource-based view argue that it is not the environment but the resources of the organization which form the foundation of firm strategy. All these frameworks have one thing in common which is that they all aim at maximizing the performance of an organization by improving its position in relation to other organizations operating in the same competitive environment. Strategy is the direction and scope of an organization over the long term. It ideally

matches its resources to its changing environment, and in particular its markets, customers or clients so as to meet stakeholder expectations(Johnson and Scholes 1993).

Strategy formulation can no longer be separated from strategy implementation because of the speed which is necessary to exploit opportunities in the competitive environment. Successful strategies are therefore driven by the possibilities of the future rather than the restrictions of the past. This cannot be achieved by sequential inductive/deductive approaches to strategy formulation and implementation. Managers should therefore continuously adjust their objectives and processes to new emerging issues that are relevant to the real business needs of their organizations for successful implementation of strategy.

Budgets allocations to public universities from the government have been decreasing year after year. Budget cuts to universities have had negative ramifications for institutions of higher learning causing concern to the public, students, and academics. In response to this public universities in Kenya have started commercial activities in order to bridge the financial gap. Several public universities are engaged in various activities to generate extra finances to the universities. These various activities include self-sponsored programmes, productive ventures (nonacademic commercial units), consultancy services, and study-abroad programmes, hiring out university facilities to external users, bookshops, catering services, guesthouses, tree nurseries, staff housing, running guesthouses, farms, bakeries, cyber-cafés, and mortuaries. These various activities have been successful in generating significant income to various public universities in Kenya.

Universities continue to admit many students on government orders, despite declining funding from the exchequer. The presidential directives to the public universities to double their intakes in the late 1980s are notable examples. Along with these directives came the pronouncement that no eligible student should be denied university education because of inability to pay fees. The dilemma arising from this action was that the majority of the students could not pay fees, yet the institutions were not able to send them home for fear of repercussions from the government. Coupled with the inadequate funding in relation to their student populations and methods of operation and encouraged by the government to look for alternative sources of funding, the public universities are moving to create innovative means of generating income to finance their programmes. The government started exerting pressure on the universities through the Kamunge Report (Republic of Kenya, 1988), which recommended that the public universities should increase their revenue bases as well as raising money from the public and private sectors to strengthen their programmes. The requirement that students pay for their accommodation and food as a cost-sharing measure, together with the initiative to recruit holders of master's degrees to substantive teaching posts, arose from the recommendations of this report.

Chege (2006). The public universities are also being urged to borrow from the restructuring strategies that were applied in businesses faced with shrinking revenues and rising costs between the 1980s and 1990s. During this period, corporations re-examined their missions and reduced their less essential activities. In this context, the public universities are considering hiring out services that are marginal to their core missions, such as management of estates, security, and transport and catering (Daily Nation, 30 November 1999). The major role of Public universities is teaching, undertaking research and training of skilled manpower for economic development of

the country. As noted these institutions have diversified their activities into related and unrelated commercial businesses.

Several studies have been done in the field of implementation of diversification strategies as a source of growth, profitability and stability in different industries, sectors and organizations in Kenya. Mwangi (2010) conducted a study on implementation of the diversification strategy at the Standard group (K) Ltd. He found that the Standard group adopts the diversification strategies to maximize and compete effectively in the media market. The group also uses diversification strategies to consolidate the company's market share and ward off competition from its rivals so as to spread the risks occasioned by unit cost of operation and to maximize profits by use of idle capacity.

Lole (2009) conducted a study on diversification strategies in the banking industry in Kenya. He found that the banking industry in Kenya use mainly three types of strategies namely horizontal diversification, vertical diversification and geographical diversification strategies to compete effectively in the market. The most used strategy was the horizontal diversification followed by geographical diversification. Musila (2009) did a study on the application of the diversification strategy at the Anglican church of Kenya. She found that the church uses the related diversification strategies to sustain its core mission, generate sufficient profits for supporting the church activities and for future growth.

Gachithi (2010) did a case study of the University of Nairobi on the challenges of budget implementation in public institutions. He found that the University of Nairobi's budget depends mainly on government funding more especially on development projects and also on internally

generated funds through income generating activities. The university has several commercial income generating activities that include parallel degree programmes, Bookstore, Cafeteria, Farming, Mortuary, and others which generate some income. Busienei (2010) conducted a study on the impact of performance contracting on the financial performance of public universities in Kenya. He found that those universities that have diversified to other commercial activities are able to meet their financial obligations. Situma (2009) did a study on strategies used to enhance teamwork among employees in the school of business, University of Nairobi. Ayuya (2010) did a case study on the University of Nairobi on the influence of strategic Planning on performance of public universities in Kenya

To the best knowledge of this researcher, no known studies have been done on the challenges of diversification strategies used by public universities in Kenya to get extra financing. This study therefore is intended bridge up the gap on implementation of diversification strategies used public universities in Kenya to get extra financing.

This study is intended to answer the research questions, “What are the challenges of implementation of diversification strategies by public universities in Kenya?”

1.3 Research Objective

This project’s objective was to find out the challenges of implementation of diversification strategies by public universities in Kenya.

1.4 Value of the Study

This study is expected to be important as highlighted below;

The study will also help the Kenyan public universities to not only adopt the different diversification strategies but also understand the areas of diversification to increase their stability and financial position.

The study will help scholars understand the challenges of implementation of diversification strategies as an important tool of strategic management

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

When most countries in eastern and southern Africa attained independence, there was heavy investment in education at all levels in order to develop adequate manpower for national development and provide solutions to problems facing society. Consequently higher budgets were allocated to education to realize these goals. In Kenya, for example, the recurrent expenditure on education at all levels rose at independence in 1963/64 from 22.5 percent of the national recurrent budget to 37.5 percent in 1987/88 with university education taking 19 percent of this allocation (Kenya, 1993). With pressure from the World Bank and the International Monetary Fund, budgets for education in many countries in the region have been reduced so that other key national sectors such as health, housing, transport, agriculture and communications can be given attention. There has been a move towards market driven approaches in the financing of higher education as donors continue to pressure national governments to sharply decrease the proportion of national budget given to public universities (Kenya, 1993, Maina, 1989).

The region has also been affected by democratization, multiparty politics, fluctuation of local currencies, rising inflation, deregulation of economic sectors, privatization of government activities, unemployment, debt servicing and donor fatigue. These changes have made national governments shift focus further away from the universities. The universities now have put in place different ways for survival because government subsidies have been decreased or discontinued. Despite the changed circumstances for the universities, they have continued to increase enrolments. Public universities in Kenya had a total student population of 37,000 in 1990 and this number increased to 46,201 in 1998/99. Despite the increase in student numbers,

governments have continued to reduce budgets. In Kenya public universities are under funded by 40 percent (Kamotho, 2001).

The environment under which universities are operating in eastern and southern Africa has undergone remarkable changes during the last decade. THE universities are operating with the following problems: political meddling by governments (through appointment of key administrators and members of the university council, deciding the number of students to be admitted, ordering closures in the event of riots, determining conditions of service for staff, etc.), poor quality of students, a paucity of contemporary programmes, poor leadership and an inadequate supply of research and development personnel. Lack of staff houses, land for expansion and research, and poor roads are some of the problems affecting the institution and this applies to other universities in the region. Duplication of programmes in public universities is quite common (Aduda, 2001). State universities are suffering from increased enrolment, low funding and gender inequality.

Public universities in eastern and southern Africa have for a long time depended largely on grants from national governments for most of their recurrent and capital budgets. Statutes of various universities also allow them to get external aid and donations mainly for capital developments, technical assistance and staff training. In the last decade, there has been pressure on public universities in the region to cut back on their budgets as a result of declining government grants occasioned largely by political and economic structural changes. Universities are responding by putting in place a wide range of programmes to generate their own income to augment the dwindling allocation from national governments.

2.2 The Concept of Strategy

Strategies are formulated by organizations in order to achieve a more favorable position. Over the years a large number of concepts and techniques have been proposed on how organizations should develop a suitable strategy. Some of these concepts and techniques concentrate on matching an organization's resources and skills with the opportunities and risks created by its external environment while others focus on the organization's resources and capabilities as drivers of competitive advantage. All these concepts and techniques imply that it is possible to determine a strategic direction for an organization on a systematic basis. However, it is increasingly being realized that such a notion can only be applied if the underlying assumptions are not changing fast and if the goals of an organization are well defined (Mintzberg, 1990)

In today's highly dynamic business environments, however, organizations must constantly adapt to the fast changing circumstances. Strategy formulation should become a cognitive process as opposed to a process of conception. It is in this light that organization learning has become a main focus of attention for research and the ability to learn has been recognized as the only source of sustainable competitive advantage. Strategy formulation should therefore be regarded as a continuous learning process. Such a learning process, however, is very complex as it encompasses individual learning mechanisms as well as those of group learning and organization learning. Despite the large amount of research carried out to date, little guidance is provided on how to translate organization learning into the formulation of business strategies (Revens, 1982). There is therefore a need to establish the relationship that exists between strategy formulation and the process of organization learning and determine how organizations can improve their

learning potential. The prerequisite for this is to provide a clear definition for the relationship that exists between strategy and learning.

There is a general recognition that competitive environments are changing at an accelerating rate culminating in a high level of uncertainty. As a result, the critical success factors are constantly being challenged. This calls for a constant change in competitive strategies. Subsequently, organizations can no longer afford to adopt a unidirectional or step-by-step approach to strategy development which entails several stages including data collection, development of strategic options, evaluation, selection and implementation. In the face of a high level of uncertainty and change there is a need for a dynamic approach in which strategy formulation and implementation are carried out simultaneously. This represents an ongoing process of analyzing the competitive environments and developing strategic options together with their evaluation. This process should take into account the required implementation time-frame and the span of the strategic gap (Feurer and Chaharbaghi, 1993)

Dynamic strategy formulation and implementation are realized when they are no longer regarded as centrally performed processes but as part of a continuous learning process such that the overall operations and supporting strategies are constantly aligned. The fact that organizations worldwide are abandoning their central planning departments and dispersing the ownership of strategy formulation throughout their organizations is a clear indication of the significance of the dynamic approach. While the cascading of strategy ownership throughout the organization speeds up the formulation and implementation process there is also the danger of organizations losing their focus and engaging in a wide range of activities which may result in the dilution of

competitive advantages and a sub-optimal usage of the organization's capabilities and resources. It is therefore necessary to find the right balance between establishing an overall strategic direction for the whole organization and maintaining flexibility to ensure swift reaction to changes in the competitive environment. This can only be achieved through a high level of communication and coordination within the organization and the availability of common tools for strategy formulation and implementation. Furthermore, it requires the existence of a structure and culture in which constant change is regarded as necessary rather than being an exception (Feurer, and Chaharbaghi, 1995).

Whereas Kenya's public universities have academic programmes in which they appear to have comparative advantage over others, these universities are characterized by duplications in the academic programmes they offer, which gives students the opportunity to select their preferred public universities. It would be prudent if there was a framework for coordinating academic programmes offered in Kenya's public universities so as to encourage specialization and avoid competition, which leads to unjustified waste of resources. By each one of these institutions creating a niche in their training and research programmes, they would be more efficient (Mwiria, 2007). However, owing to inadequate capitation from government, universities diversified their academic programmes as a strategy of generating additional funds so as to remain financially afloat

With these institutions receiving inadequate funding, they have diversified their academic programmes so as to attract self-sponsored programmes and thereby raise fee revenues. There has been a huge demand for university degrees with a number of graduates remaining

unemployed for a long time. With graduates of degrees in hitherto high premium fields such as engineering, veterinary medicine, and law going without jobs for sometime, school going children feel discouraged as they visualize a bleak future in terms of career development (Mwanje et al. 2008).

2.3 Diversification Strategies

Diversification strategies are used to expand firms' operations by adding markets, products, services, or stages of production to the existing business. The purpose of diversification is to allow the company to enter lines of business that are different from current operations. When the new venture is strategically related to the existing lines of business, it is called concentric diversification. Conglomerate diversification occurs when there is no common thread of strategic fit or relationship between the new and old lines of business; the new and old businesses are unrelated. Diversification is a form of growth strategy. Growth strategies involve a significant increase in performance objectives (usually sales or market share) beyond past levels of performance. Many organizations pursue one or more types of growth strategies. One of the primary reasons is the view held by many investors and executives that "bigger is better." Growth in sales is often used as a measure of performance. Even if profits remain stable or decline, an increase in sales satisfies many people. The assumption is often made that if sales increase, profits will eventually follow (Luxenber, 2004).

2.3.1 Concentric Diversification Strategy

Concentric diversification occurs when a firm adds related products or markets. The goal of such diversification is to achieve strategic fit. Strategic fit allows an organization to achieve synergy. In essence, synergy is the ability of two or more parts of an organization to achieve greater total

effectiveness together than would be experienced if the efforts of the independent parts were summed. Synergy may be achieved by combining firms with complementary marketing, financial, operating, or management efforts. Breweries have been able to achieve marketing synergy through national advertising and distribution. By combining a number of regional breweries into a national network, beer producers have been able to produce and sell more beer than had independent regional breweries. The technology used in the industry remains the same, while the marketing plan changes to a significant extent. Hence this strategy requires technological similarities between the two business ventures (Ramirez, 1995)

2.3.2 Conglomerate Diversification Strategy

Conglomerate diversification occurs when a firm diversifies into areas that are unrelated to its current line of business. Synergy may result through the application of management expertise or financial resources, but the primary purpose of conglomerate diversification is improved profitability of the acquiring firm. Little, if any, concern is given to achieving marketing or production synergy with conglomerate diversification.

One of the most common reasons for pursuing a conglomerate growth strategy is that opportunities in a firm's current line of business are limited. Finding an attractive investment opportunity requires the firm to consider alternatives in other types of business. Firms may also pursue a conglomerate diversification strategy as a means of increasing the firm's growth rate. Growth in sales may make the company more attractive to investors. Growth may also increase the power and prestige of the firm's executives. Conglomerate growth may be effective if the new area has growth opportunities greater than those available in the existing line of business. Probably the biggest disadvantage of a conglomerate diversification strategy is the increase in

administrative problems associated with operating unrelated businesses. Managers from different divisions may have different backgrounds and may be unable to work together effectively. Competition between strategic business units for resources may entail shifting resources away from one division to another. Such a move may create rivalry and administrative problems between the units (Amit, and Livnat, 1988)

2.3.3 Internal Diversification Strategy

One form of internal diversification is to market existing products in new markets. A firm may elect to broaden its geographic base to include new customers, either within its home country or in international markets. A business could also pursue an internal diversification strategy by finding new users for its current product. Firms may attempt to change markets by increasing or decreasing the price of products to make them appeal to consumers of different income levels. Another form of internal diversification is to market new products in existing markets. Generally this strategy involves using existing channels of distribution to market new products. Retailers often change product lines to include new items that appear to have good market potential (Fluck and Lynch 1999).

It is also possible to have conglomerate growth through internal diversification. This strategy would entail marketing new and unrelated products to new markets. This strategy is the least used among the internal diversification strategies, as it is the most risky. It requires the company to enter a new market where it is not established. The firm is also developing and introducing a new product. Research and development costs, as well as advertising costs, will likely be higher than if existing products were marketed. In effect, the investment and the probability of failure are much greater when both the product and market are new.

2.3.4 External Diversification Strategy

External diversification occurs when a firm looks outside of its current operations and buys access to new products or markets. Mergers are one common form of external diversification. Mergers occur when two or more firms combine operations to form one corporation, perhaps with a new name. These firms are usually of similar size. One goal of a merger is to achieve management synergy by creating a stronger management team. This can be achieved in a merger by combining the management teams from the merged firms (Khan and Palepu (1997).

Acquisitions, a second form of external growth, occur when the purchased corporation loses its identity. The acquiring company absorbs it. The acquired company and its assets may be absorbed into an existing business unit or remain intact as an independent subsidiary within the parent company. Acquisitions usually occur when a larger firm purchases a smaller company. Acquisitions are called friendly if the firm being purchased is receptive to the acquisition. (Mergers are usually "friendly.") Unfriendly mergers or hostile takeovers occur when the management of the firm targeted for acquisition resists being purchased (Coase, 1987).

2.3.5 Vertical and Horizontal Diversification Strategies

Diversification strategies can also be classified by the direction of the diversification. Vertical integration occurs when firms undertake operations at different stages of production. Involvement in the different stages of production can be developed inside the company (internal diversification) or by acquiring another firm (external diversification). Horizontal integration or diversification involves the firm moving into operations at the same stage of production. Vertical integration is usually related to existing operations and would be considered concentric

diversification. Horizontal integration can be either a concentric or a conglomerate form of diversification (Lins and Servaes 2002).

The steps that a product goes through in being transformed from raw materials to a finished product in the possession of the customer constitute the various stages of production. When a firm diversifies closer to the sources of raw materials in the stages of production, it is following a backward vertical integration strategy. Forward diversification occurs when firms move closer to the consumer in terms of the production stages. Backward integration allows the diversifying firm to exercise more control over the quality of the supplies being purchased. Backward integration also may be undertaken to provide a more dependable source of needed raw materials. Forward integration allows a manufacturing company to assure itself of an outlet for its products. Forward integration also allows a firm more control over how its products are sold and serviced. Furthermore, a company may be better able to differentiate its products from those of its competitors by forward integration. By opening its own retail outlets, a firm is often better able to control and train the personnel selling and servicing its equipment (Fisman and Khanna 2004).

Horizontal integration occurs when a firm enters a new business (either related or unrelated) at the same stage of production as its current operations. It is a strategy of adding related or similar product/service lines to existing core business, either through acquisition of competitors or through internal development of new products/services. Horizontal or related diversification has the advantages that opportunities to achieve economies of scale and scope and Opportunities to expand product offerings or expand into new geographical areas. It has the Disadvantages of

complexity and difficulty of coordinating different but related businesses (Lins and Servaes 2002)

2.4 Challenges of Implementation of Diversification Strategies

Effective strategy implementation and execution relies on maintaining a balance between preventing failures and promoting success simultaneously. When there is a proper alignment between strategy, administrative mechanisms and organizational capabilities, it will be easier to implement and execute the strategy and to achieve the desired objectives (Okumus, 2003). However, a well-developed service strategy does not automatically mean well implemented (Al-Ghamdi, 1998). Strategic management gradually is shifting from paying 90 per cent attention to strategy formulation and 10 per cent to strategy implementation, to paying equal attention to both (Grundy, 1998). Traditionally, it is believed that strategy implementation and execution is less glamorous than strategy formulation, and that anyone can implement and execute a well-formulated service strategy. Therefore, implementation and execution has attracted much less attention than strategy formulation or strategic planning (Alexander, 1991; Bigler, 2001).

In the service strategy implementation process, resources are allocated and an organization is designed and built to make it possible to carry out the strategic plan (Mintzberg, 1978). Alexander (1991) points out that “strategy implementation addresses the issue of how to put a formulated strategy into effect – with defined time constraint, within budget, and human resources, and its capabilities”. In the service strategy execution process, the organization utilizes the resources to deliver the services, and to carry out the strategic plan on a continuous basis throughout the predetermined life cycle. “Without an executable plan – and the resources needed to implement that plan – even the most innovative strategy is merely words on paper” (Wery and

Waco, 2004). Service strategy implementation and execution is a complex, crucial and challenging part of the service delivery process.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

A research design is a work plan that details what has to be done to ensure that the evidence obtained enables one to answer the research question as unambiguously as possible. Hence research design deals with determining the type of evidence or data that is needed to answer the research question (or test the theory) in a convincing way.

3.2 Research Design

This study adopted a survey as a research design that involved the total population (census). The survey design was used because of the comparative analysis across the public Universities.

3.3 Population

The target population consisted of all the seven Kenyan public universities. Therefore this was a census study.

3.4 Data Collection

The researcher collected primary data using a structured questionnaire most of which was sent using either electronic mail or hand delivered to the respondents who filled the questionnaire for later collection. The questionnaire consisted of two parts namely; the introductory part and the part on diversification strategies. The questionnaire was used to collect data from, Finance Officers, Deputy Finance Officers and Senior Accounting Staff who receive the revenues, Planning Officers, Deans of Schools and Faculties, Principals and Deputy Principals of colleges, Directors of Institutes, Deputy Vice Chancellors, the Vice Chancellors, Managers of income generating businesses like UNES (University of Nairobi Enterprises and Services Ltd).

Also a face to face interview was conducted on a few selected respondents to get some clarifications and any further explanations. The researcher also made a follow up using e-mail and telephone conversation to increase the number of returned questionnaires.

3.5 Data Analysis

All the returned questionnaires were thoroughly checked for any inconsistencies and errors which may have occurred during the process of data collection. Any such errors were corrected before analysis was done. The data was analyzed using descriptive statistics such as mean scores and percentages in answering the research questions. The descriptive statistics mainly included the arithmetic mean and was used to give the picture or the general patterns of the diversification strategies which public universities use in response to financial constraints.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This study involved a census on challenges of implementation of diversification strategies by public universities in Kenya. The study analyzed and interpreted responses to questions asked respondents on issues relating to the challenges of implementation of diversification strategies by public universities in Kenya. The responses were obtained from the different categories of staff who work in all public universities in Kenya. Their responses were analyzed and discussed under the various headings in this chapter.

The questionnaire asked questions related to the Formulation of the income generating activity/program, Implementation of the activities/ programs, Support by the top management, Organizational culture, Resistance to change, Staff morale/ motivation and Mode of compensation from the generated funds.

4.2 Survey Response Rate

Out of a total number of 100 respondents targeted for this study, only 36 completed the survey instrument. This is because most of the respondents were located very far away from Nairobi, and were most likely very busy with their daily operations and so did not see the need for answering the questions. The others who are based around Nairobi, were also busy and therefore saw no benefit of answering the questionnaire. Some of the respondents informed us that they were busy on their daily duties and also attending to their students.

4.3 Challenges of implementing diversification strategies

Respondents were asked questions relating to both internal challenges and external challenges of implementing diversification strategies in non income generating activities in public universities in Kenya. Their responses were recorded and discussed in the following paragraphs

4.4 Internal Challenges of Implementation of Diversification Strategies

Respondents were asked questions relating to internal challenges that included formulation of income generating activities, implementation of the activities, and support by top management, organization culture, and resistance to change, staff morale and the mode of compensation from the generated funds. Their responses were recorded and discussed in the following paragraphs.

4.4.1 Formulation of the income generating activity/program

Respondents were asked to indicate on a scale of 1-5 (where 1 means to a minimal extent, 2 means to a less extent, 3 means to a moderate extent, 4 means to a great extent and 5 means to a very great extent.) with statements relating to the formulation of the income generating activity/program as a challenge. Their responses were recorded and mean scores calculated. The mean scores of their responses are summarized in table 4.4.1 below.

Table 4.4.1 Formulation of income generation activity

Extent of challenge	No. of respondents	Percentage
To a minimal extent	4	11.1
To a less extent	6	16.7
To a moderate extent	8	22.2
To a great extent	10	27.8
To a very great extent	8	22.2
Total	36	100
Mean average score $120/36 = 3.3$		

Source: Research data

It is evident that from the analysis in the table that the formulation of non academic income generating activities is a challenge to moderate extent

4.4.2 Implementation of the activities/ programs

Respondents were asked to indicate on a scale of 1-5 (where 1 means to a minimal extent, 2 means to a less extent, 3 means to a moderate extent, 4 means to a great extent and 5 means to a very great extent) with statements relating to Implementation of the activities/ programs as a challenge. Their responses were recorded and mean scores calculated. The mean scores of their responses are summarized in table 4.4.2.

Table 4.4.2. Implementation of the activities

Extent of challenge	No. of respondents	Percentage
To a minimal extent	4	11.1
To a less extent	5	13.9
To a moderate extent	6	16.7
To a great extent	9	25.0
To a very great extent	12	33.3
Total	36	100
Mean average score $128/36 = 3.6$		

Source: Research data

From the analysis it is very clear that the implementation of non academic income generating activities is a challenge to a big extent.

4.4.3 Support by the top management

Respondents were asked to indicate on a scale of 1-5 (where 1 means to a minimal extent, 2 means to a less extent, 3 means to a moderate extent, 4 means to a great extent and 5 means to a very great extent) with statements relating to Support by the top management Their responses were recorded and mean scores calculated. The mean scores of their responses are summarized in table 4.4.3.

Table 4.4.3 support from top management

Extent of challenge	No. of respondents	Percentage
To a minimal extent	1	2.8
To a less extent	2	5.5
To a moderate extent	3	8.3
To a great extent	10	27.8
To a very great extent	20	55.6
Total	36	100
Mean average score $154/36 = 4.3$		

Source: Research data

The statistics in the table show that support by top management is a challenge to a very large extent. Some respondents indicated that some members top management have no interest in such non academic income generating activities. They think that it is one method of diverting attention from the core business of universities of training, teaching and doing research. Some professors think that universities should not engage outside their core business of teaching, training and doing research.

4.4.4 Organizational culture

Respondents were asked to indicate on a scale of 1-5 (where 1 means to a minimal extent, 2 means to a less extent, 3 means to a moderate extent, 4 means to a great extent and 5 means to a very great extent) with statements relating to Organizational culture. Their responses were recorded and mean scores calculated. The mean scores of their responses are summarized in table 4.4.4.

Table 4.4.4 Organizational culture

Extent of challenge	No. of respondents	Percentage
To a minimal extent	1	2.8
To a less extent	1	2.8
To a moderate extent	4	11.1
To a great extent	9	25.0
To a very great extent	21	58.3
Total	36	100
Mean average score $156/36 = 4.3$		

The data shows very clearly that organization culture is a challenge in the non academic income generating activities in public universities in Kenya. Some respondents indicted that the culture of the university is to train, teach and do research and this has made some of the non academic activities to be neglected. Some other activities have been abandoned because of the culture.

4.4.5 Resistance to change

Respondents were asked to indicate on a scale of 1-5 (where 1 means to a minimal extent, 2 means to a less extent, 3 means to a moderate extent, 4 means to a great extent and 5 means to a very great extent) with statements relating to Resistance to change. Their responses were recorded and mean scores calculated. The mean scores of their responses are summarized in table 4.4.5.

Table 4.4.5 Resistance to change

Extent of challenge	No. of respondents	Percentage
To a minimal extent	4	11.1
To a less extent	6	16.7
To a moderate extent	9	25.0
To a great extent	7	19.4
To a very great extent	10	27.8
Total	36	100
Mean average score 121/36 = 3.3		

Source: Research data

Resistance to change is a moderate challenge in non academic income generating activities. This because some of the university staff see such activities as a source of aextra income to them.

4.4.6 Staff morale/ motivation

Respondents were asked to indicate on a scale of 1-5 (where 1 means to a minimal extent, 2 means to a less extent, 3 means to a moderate extent, 4 means to a great extent and 5 means to a very great extent) with statements relating to Staff morale/ motivation. Their responses were recorded and mean scores calculated. The mean scores of their responses are summarized in table 4.4.6

Table 4.4.6 Staff morale / motivation

Extent of challenge	No. of respondents	Percentage
To a minimal extent	4	11.1
To a less extent	6	16.7
To a moderate extent	9	25.0
To a great extent	8	22.2
To a very great extent	9	25.0
Total	36	100
Mean average score 120/36 = 3.3		

Source: Research data

Staff morale/motivation is a minimal challenge in non academic income generating activities. This is mainly because some staff benefit from such activitie and this therefore becomes a motivator to them. However those who never benefit from such activities are never motivated from such activities.

4.4.7 Mode of compensation from generated funds

Respondents were asked to indicate on a scale of 1-5 (where 1 means to a minimal extent, 2 means to a less extent, 3 means to a moderate extent, 4 means to a great extent and 5 means to a very great extent) with statements relating to Mode of compensation from generated funds. Their responses were recorded and mean scores calculated. The mean scores of their responses are summarized in table 4 4.7.

Table 4.4.7 mode of companionation from generated funds

Extent of challenge	No. of respondents	Percentage
To a minimal extent	2	5.5
To a less extent	1	2.8
To a moderate extent	4	11.1
To a great extent	10	27.8
To a very great extent	19	52.8
Total	36	100
Mean average score $150/36 = 4.2$		

Source: Research data

4.5 External Challenges of Implementation Of Diversification Strategies

Respondents were asked questions relating to external challenges that included financial resources, economic factors, competition within the industry, and barriers of entry into new business, legal factors and government policies. Their respondents were recorded and discussed in the following paragraphs.

4.5.1 Financial Resources

Respondents were asked to indicate on a scale of 1-5 (where 1 means to a minimal extent, 2 means to a less extent, 3 means to a moderate extent, 4 means to a great extent and 5 means to a very great extent.) with statements relating to as a cha Financial resources as a challenge

Their responses were recorded and mean scores calculated. The mean scores of their responses are summarized in table 4.5.1.

Table 4.5.1 Financial resources

Extent of challenge	No. of respondents	Percentage
To a minimal extent	1	2.8
To a less extent	1	2.8
To a moderate extent	4	11.1
To a great extent	10	27.8
To a very great extent	20	55.5
Total	36	100
Mean average score $155/36 = 4.3$		

Source: Research data

It is evident that from the findings in table 4.5.1 that the financial resources are one of the greatest challenges in the implementation of non income generating activities. Such income generation activities require a lot of financial resources which may be lacking in the universities. This is because such activities compete with the academic programs which are the core business for the scarce resources. Core businesses are given preference in such circumstances.

4.5.2 Competition within the industry

Respondents were asked to indicate on a scale of 1-5 (where 1 means to a minimal extent, 2 means to a less extent, 3 means to a moderate extent, 4 means to a great extent and 5 means to a very great extent) with statements relating to Competition within the industry. Their responses

were recorded and mean scores calculated. The mean scores of their responses are summarized in table 4.5.2.

Table 4.5.2 competition within the industry

Extent of challenge	No. of respondents	Percentage
To a minimal extent	9	25.0
To a less extent	8	22.2
To a moderate extent	6	16.7
To a great extent	8	22.2
To a very great extent	5	13.9
Total	36	100
Mean average score $82/36= 2.3$		

Source: Research data

From the analysis it is very clear that the competition within the industries may not be a challenge in non academic income generating activities in public universities in Kenya.

4.5.3 Economic factors like interest and rate of inflation

Respondents were asked to indicate on a scale of 1-5 (where 1 means to a minimal extent, 2 means to a less extent, 3 means to a moderate extent, 4 means to a great extent and 5 means to a very great extent) with statements relating to Economic factors like interest and rate of inflation.

Their responses were recorded and mean scores calculated. The mean scores of their responses are summarized in table 4.5.3.

Table 4.5.3 Economic factors like interest rates

Extent of challenge	No. of respondents	Percentage
To a minimal extent	5	13.9
To a less extent	6	16.7
To a moderate extent	8	22.2
To a great extent	9	25.0
To a very great extent	8	22.2
total	36	100
Mean average score $117 / 36 = 3.25$		

Source: Research data

The statistics show that economic factors like interest rates and rates of inflation is a challenge to a very a moderate large extent.

4.5.4 Barriers of entry into new business areas such as consultancy

Respondents were asked to indicate on a scale of 1-5 (where 1 means to a minimal extent, 2 means to a less extent, 3 means to a moderate extent, 4 means to a great extent and 5 means to a very great extent) with statements relating to Barriers of entry into new business areas such as consultancy. Their responses were recorded and mean scorescalculated. The mean scores of their responses are summarized in table 4.5.4.

Table 4.5.4 barriers of entry into new areas

Extent of challenge	No. of respondents	Percentage
To a minimal extent	4	11.1
To a less extent	3	8.3
To a moderate extent	10	27.8
To a great extent	9	25.0
To a very great extent	10	27.8
Total	36	100
Mean average score $126 / 36 = 3.5$		

Source: Research data

The data in table 4.5.4 shows very clearly that barriers of entry are a challenge to a moderate extent in the non academic income generating activities in public universities in Kenya. Some respondents indicated that some activities are very easy to enter while others require a lot and hence very difficult to enter. Hence it depends on the type of activity and industry that one considers to enter.

4.5.5 Legal factors

Respondents were asked to indicate on a scale of 1-5 (where 1 means to a minimal extent, 2 means to a less extent, 3 means to a moderate extent, 4 means to a great extent and 5 means to a very great extent) with statements relating to Legal factors Their responses were recorded and mean scores calculated. The mean scores of their responses are summarized in table 4.5.5.

Table 4.5.5 legal factors

Extent of challenge	No. of respondents	Percentage
To a minimal extent	3	8.3
To a less extent	6	16.7
To a moderate extent	9	25.0
To a great extent	7	19.4
To a very great extent	11	30.6
Total	36	100
Mean average score $125 / 36 = 3.4$		

Source: Research data

Legal factors that may include the requirements for registration of the business, registraion of the business name or names, tradind g names, meeting the basic minimum quality requirement, licensing of the businesses, is a challenge to a large extent in non academic income generating activities.

4.5.6 The government policies

Respondents were asked to indicate on a scale of 1-5 (where 1 means to a minimal extent, 2 means to a less extent, 3 means to a moderate extent, 4 means to a great extent and 5 means to a very great extent) with statements relating to The government policies Their responses were recorded and mean scores calculated. The mean scores of their responses are summarized in table 4.5.6.

Table 4.5.6 The government policies

Extent of challenge	No. of respondents	Percentage
To a minimal extent	7	19.4
To a less extent	6	16.7
To a moderate extent	9	25.0
To a great extent	8	22.2
To a very great extent	6	16.7
Total	36	100
Mean average score 108 / 36 = 3		

Source: Research data

Government policies is a minimal or moderate challenge in non academic income generating activities. This is mainly because it is the government that encouraged public universities to start income generating activities so that they can be self reliant. Hence the same government cannot frustrate such efforts and therefore is not a serious challenge.

4.6 Other Challenges

Respondents were also asked to state other challenges that may have been omitted in the questionnaire. The respondents who responded in this area cited challenges such as pricing of university products, marketing, distribution and poor planning. They stated that as universities are non profit making organizations the pricing of their products is very low and they don't market their products like their competitors in the same industry. Remuneration for the employees of such activities is also tied up to the university scales. Hence attracting some other professionally trained staff is a big challenge.

4.7 Discussion

The financial resources are one of the greatest challenges in the implementation of non income generating activities as is evident from the findings in table 4.5.1. Such income generation activities require a lot of financial resources which may be lacking in the universities. This is because such activities compete with the academic programs which are the core business for the scarce resources. Core businesses are given preference in such circumstances

The statistics in the table show that support by top management is a challenge to a very large extent. Some respondents indicated that some members top management have no interest in such non academic income generating activities. They think that it is one method of diverting attention from the core business of universities of training, teaching and doing reserch. Some professors think that universities should not engage outside their core business of teaching, training and doing research.

CHAPTER FIVE: SUMMARY, CONCLUSIONS & RECOMMENDATIONS

5.1 Summary

The study considered the challenges of implementation of non academic activities in public universities in Kenya. It was found that there are both internal and external challenges in the non academic income generating activities. The internal challenges include poor planning and formulation and implementation of policies on such programs, lack of support from top management, resistance to change and mode of sharing the generated funds. Some professors in some universities who are also in top management do not realize the need for diverting from the core business of training, teaching and doing research to doing business in the name of non academic income generating activities. Hence low pricing and very little or no marketing of such activities.

5.2 Conclusions

The study concluded that the non academic income generating activities face some internal challenges that may hinder growth and survival of such activities. One such challenge is poor strategic planning, formulation and implementation of policies for such activities. In some instances professional managers have not been employed to run such businesses. Lack of top management is also a challenge as some of the top professors especially from science related areas do not see the need for non academic income generating activities. Hence the pricing of products is low and marketing is not properly done. They argue that universities are not profit making organizations and hence should not compete with other businesses in the same industry.

5.3 Recommendations

This study recommends to the government of Kenya through the ministry of higher education to formulate policies on non academic income generating activities by public universities so that such activities can provide additional funds. The study also recommends that private universities should emulate public universities in introducing non income generating activities so that they become financially stable.

This study recommends public universities with non academic income generating activities should address the internal and external challenges to make those activities grow and become competitive in the markets. They should employ professionally trained manager who will plan and market the business on behalf on the universities. Such managers will also determine the appropriate prices for the products/ services offered and not the universities themselves.

5.4 Limitations of the study

The number of questionnaires that filled and were returned by respondents was generally less than the expected number and hence this may have had some impact on the data collected. The responses of some of the respondents may be personal and therefore may not represent the actual picture of the challenges of non academic income generating activities.

This study involved only public universities in Kenya and therefore all the private universities were left out. Some private universities may be having non academic income generating activities which are doing very well. However this study did not involve the private universities.

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APPENDIX

SAMPLE QUESTIONNAIRE

Dear respondent,

You are kindly requested to assist in filling this questionnaire on the study of the challenges of implementation of diversification strategies by public universities in Kenya. Any information that you give will be treated in the strictest confidence and will not be used for any other purposes than for this research study.

PART I

Kindly spare a few minutes of your time to go through the questionnaire and answer the following questions as objectively as possible.

1. Name of the respondent –(Optional)-----
2. Title/ position of the respondent
3. Kindly indicate the category of your qualifications (tick those that apply)
i. Diploma ii. Degree iii. Post graduate iv. Other.....
4. Name of the employer (university)
5. For how long have you worked for this university-----

PART II

INTERNAL CHALLENGES

In the following set of questions, the ranks, 1 means to a minimal extent, 2 means to a less extent, 3 means to a moderate extent, 4 means to a great extent and 5 means to a very great extent.

Based on the above, rate the extent to which each of the statements presented below give accurate description of the challenges your University has or is facing in the management/implementation of non-academic income generation activities/programs (tick as appropriate)

	1	2	3	4	5
8 Formulation of the income generating activity/program					
9 Implementation of the activities/ programs					
10. Support by the top management					
11 Organizational culture					
12. Resistance to change					
13. Staff morale/ motivation					
14. Mode of compensation from generated funds					

PART III

EXTERNAL CHALLENGES

In the following set of questions, the ranks, 1 means to a minimal extent, 2 means to a less extent, 3 means to a moderate extent, 4 means to a great extent and 5 means to a very great extent.

Based on the above, rate the extent to which each of the statements presented below give accurate description of the challenges your University has or is facing in the management/implementation of non-academic income generation activities/programs: (tick as appropriate)

	1	2	3	4	5
15 Financial resources					
16. Economic factors like interest and rate of inflation					
17 Competition within the industry					
18. Barriers of entry into new business areas such as consultancy					
19. Legal factors					
20. The government policies					

21. Please list and rate any other challenges not covered in this questionnaire

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Thank you very much for spending some of your valuable time in answering this questionnaire

**MELLY L. T
RESEARCHER**