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# Influence of Porters Generic Strategies on Performance of Private Chartered Universities in Kenya: A Case of Nairobi County

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## Abstract

As the numbers of private universities continue to grow, competition for market survival has intensified. Competition for survival has been the guiding force for existence and it has been associated with strategic management practices. Porter's Generic Strategies have been an epitome of any organization successful performance. The general objective of the study was to establish the influence of Porter's Generic Strategies have been an epitome of any organization successful performance on performance of private universities in Kenya. The specific objectives were influence of differentiation, market focus and cost leadership strategies on performance of private universities in Kenya. Porter's Generic Competitive Strategies, Theory of Dynamic capabilities and Resource based theories were used to inform the study. The study adopted a descriptive survey design. This study targeted registrars, directors, chairpersons of departments and finance officers of the 13-chartered private universities in Nairobi County. Due to the small population, this study adopted a census method approach. Primary data was collected through the administration of the questionnaires with a Likert scale. Cronbach's Alpha was used for the five point Likert scale items. This study used correlation and regression to link the relationship between the independent and dependent variables. Regression results showed that differentiation strategy ( $r=0.218$ ,  $p=0.000$ ), market focus strategy ( $r=0.094$ ,  $p=0.006$ ) and cost leadership strategy ( $r=0.116$ ,  $p=0.001$ ) were positively and significantly related to performance of private universities in Kenya. The study

concluded that differentiation strategies that can be adopted in universities are diverse ranging from quality in terms of qualified lecturers and teaching methods used. Value addition in terms of rand image and adoption of technology in universities; incentive programs in terms of availability of recreational facilities and diverse programs and students experience with reference to duration of learning and formulation of policies that are favorable to students in universities. The study recommended that the management of the private universities have an important role to offer advice, information and intelligence and thereby to think strategically for the future of the whole organization. They are expected to think and act strategically in their own areas of responsibility. This is particularly important if the educational and business environment is different for the departments of the educational institution. The study further recommended for unique higher education marketing strategies that help raise awareness of courses and programs while bringing in new students and resources needed to sustain online programs.

**Keywords:** *Porters Generic, Performance, Private Universities & Nairobi County, Kenya.*

### 1.1 Introduction

Porter (1980) introduced potentially successful competitive strategies, which are the overall cost leadership, differentiation and market focus. The aim of this study was to explore how the competitive strategies known in the business literature can be applied to market-oriented private university institutions. These generic strategies provide an interesting basis for the strategic management of subunits in higher education institutions.

Higher education institutions and the private universities face competition from universities, polytechnics, private training companies and consultants. They must respond to the complex factors making an impact on the demand for education. At the same time, they are constrained by state control of the methods in which they may operate. Their strategies are, therefore, planned in an environment which is a hybrid of commercial and public sector constituents. Strategic management can be seen a matter of essential economic analysis and planning. It can also be seen as a matter of organisational decision making, within a social, political and cultural process (Johnson and Scholes, 2013).

The strategic approach to management allows the heads of private university institutions to develop their organisations holistically and to integrate curriculum, staff, finance and external relations. Strategic planning is a continuous process in administration which links goal-setting, policy-making, short-term and long-term planning, budgeting and spans all levels of the organisation (Juha, 2013). The rapid pace of change means that strategy is an evolving, ongoing and uncertain process.

Organizations exist in an open system and they affect and are affected by external conditions that are largely beyond their control. A firm's external environment consists of all the conditions that affect its strategic options and define its competitive situation (Pearce and Robinson, 1997). Ansoff and McDonell (1990), asserts that all organizations are environment dependent. Organizations obtain their inputs from their environment and after transformation; they discharge their outputs into the same environment (Porter, 1985). Therefore for an organization to succeed in achieving its objectives, it must pay close attention to its external environment.

The performance of any business organization is affected by the strategies the organization has chosen (Mutuku, 2015). Porter's Generic Strategies that include differentiation, market focus, and cost leadership strategies defines the purpose of the organization and the plans and actions to

achieve performance. The performance in universities is measured with factors such as student turnover to completion, university high ranking, motivated workforce and quality of learning among others.

The adoption of Porter's Generic Strategies in terms of differentiation, market focus, and cost leadership strategies leads to high organization performance. Improper considerations in the process of implementation of strategy can also act as impediment to attaining optimal organization performance if not well managed. The effect strategic management practice also largely depends on the effectiveness of strategy formulation, implementation, and strategy evaluation (Ouma & Oloko, 2015). Strategic management further involves a set of managerial decisions and actions that determine the long term performance of an organization. It involves formulating and implementing strategies that will help in aligning the organization and its environment to achieve organizational goals. Strategic management provides overall direction to the organization. Organizations that pursue sustainable strategic management base the formulation implementation, and evaluation of their strategies on an analysis of the organizational issues they face (Pauline, 2017). A study by Rothaermel (2015) associated strategy management practices with performance, distinguishing between strategies associated with high and low performance. Strategies which result in high performance are identified with activities that generally lead to success in the organization; that is key success factors. These activities are associated with initiatives in organization. The initiatives in Porter's Generic Strategies include emphasis on product quality, product and service innovations, development of new operating technologies, and discovery of new markets (Pearce & Robinson, 2014). Activities associated with high performing strategies also include emphasis on customer service and support, extensive advertising, and effective adoption of cost leadership

In over the last four decades; there has been intensified social demand for higher education in Kenya. In parallel with the changes, transformations and extension in higher education and other fields in the world, the demand for higher education has also increased rapidly in Kenya as well (Muturi, 2014). A 2017 report by CUE shows that the number of chartered private universities has reached 13 in total. In order to meet ever-increasing expectations and achieve sustainable competitive advantage in Kenya, and in the world, private universities are adopting the implementation of management strategies, which are directly related to the concept of quality, human and technological infrastructures (Ngirwa, 2013).

The private universities offer both undergraduate and postgraduate programs and CUE is mandated with responsibility of ensuring that private universities adhere to the standards of a university (CUE, 2017). It is considered that implementation process of the increasing expectations from private universities can be made possible by good management of these institutions, and this can be achieved when private universities adapt and implement a more professional management style along with the concept of strategic management.

## **1.2 Statement of the Problem**

Kenya has experienced a rapid expansion of university education as a spontaneous response to the higher education demand. The increasing large flows of students from high schools has further led to popular demand for higher education. Due to the limited number of public universities and their inability to absorb additional students, private universities have emerged and increased in the country to absorb the high numbers. The rapid increase of private universities and their satellite branches has further led to competition for the best quality research and innovation in the education

sector (Gitau, 2015). Consequently, the high competition and resource constraints have become more intense and therefore addressing specific student needs has become even more demanding in private universities. This therefore calls for strategic management in order to cope with the education sector demands whilst attaining their institutional goals.

Some of the studies conducted in this area include; Kamau (2015) carried out a study on the competitive strategies adopted by private universities in Kenya. The strategies included corporate growth strategies, concentrated growth strategies, market development strategy, and product development strategy and diversification strategy. This study presents a contextual gap as the current study used the porter generic strategies namely differentiation, cost leadership and market focus. Omae (2015) who conducted a study that focused on strategic planning in a broad perspective of public and private universities in Kenya but did not focus on the influence Porter's Generic Strategies have on the performance of these institutions. Pauline (2017) conducted a similar study on influence of strategic management on the performance of private universities in Kenya but used different variables for the study.

Muogbo (2013) in USA studied the impact of strategic management on organizational growth and development of universities and the results indicated that lack of resources was a major drawback for successful strategic management. Hunger (2013) conducted an empirical study focusing on education profession in South Africa and found a significant correlation between positioning strategies and profession growth. The studies present a geographical gap as this study focused on the influence of Porter's Generic Strategies on performance of private universities in Kenya.

These mixed studies done across different exchanges, located in diverse geographical places form the research gap and basis of undertaking this study. Therefore, this study was conducted to bridge the gap on the influence of Porter's Generic Strategies on performance of private universities in Kenya.

### 1.3 Research Objectives

The general objective of the study was to establish the influence of Porter's Generic Strategies on performance of private universities in Kenya.

The specific objectives were;

- i. To determine the effect of differentiation strategy on performance of private universities in Kenya.
- ii. To examine the effect of market focus strategy on performance of private universities in Kenya.
- iii. To establish the impact of cost leadership strategy on performance of private universities in Kenya.

### 1.4 Research Hypotheses

**H<sub>01</sub>:** Differentiation strategy does not have a significant effect on performance of private universities in Kenya.

**H<sub>02</sub>:** Market focus strategy does not have a significant effect on performance of private universities in Kenya.

**H<sub>03</sub>:** Cost leadership strategy does not have a significant effect on performance of private universities in Kenya.



## 2.1 Literature Review

### 2.1.1 Theoretical Review: Porter's Generic Competitive Strategies

Porter (1980) developed this theory and he hypothesises that the level of competitiveness within an industry is dictated by a complex interaction of suppliers, customers, substitute products and the threat of new competitive entry onto the market. This paper further hypothesizes that the need and level for commitment to the practice of strategic planning in any particular segment of the industry is dictated by the level of existing competitiveness. Companies in a highly competitive environment are forced to find competitive edge to survive. Porter (1985) claims that companies competing in a given industry must fulfil many different activities that form cost and create value for the customers. By using the competitive strategy, a company targets to position itself in a sustainable and profitable position against the forces shaping the industry

Porter (1985) asserts that there are basic business strategies – differentiation, cost leadership, and focus – and a company performs best by choosing one strategy on which to concentrate. Many researchers are however of the divergent view that a combination of these strategies may offer a company the best chance to achieve a competitive advantage (Karnani, 1984; Miller and Friesen, 1986; White, 1986; Hill, 1988). Whatever strategy a business chooses, it must fit with the company and its goals and objectives to gain a competitive advantage (Parker and Helms, 1992; Kippenberger, 1996; Surowiecki, 1999; Ross, 1999).

Differentiation is also one of Porter's key business strategies (Reilly, 2002). When using this strategy, a company focuses its efforts on providing a unique product or service (Porter, 1996; Cross, 1999; Hlavacka *et al.*, 2001). Since the product or service is unique, this strategy provides high customer loyalty (Porter, 1985; Ross, 1999; Hlavacka *et al.*, 2001). Product differentiation fulfils a customer need and involves tailoring the product or service to the customer. This allows organizations to charge a premium price to capture market share. Aaker (1984) further argues that a differentiation strategy is often but not always associated with a higher price because it usually

The focuser firm chooses a specific segment or group of segments in the industry. A firm that does not have an overall competitive advantage optimizes its strategy in order to serve the needs of the target segments and achieve a competitive advantage in them. Cost focus and differentiation focus rely on the differences of the given segment from the other segments in the industry, that is, differences in cost behavior or the unique needs of a segment. It means that tailoring the activities to a specific segment exclusively which is not served properly by broadly targeted competitors. However, sometimes firms choose to create separate business units under the same corporate entity (Porter, 1985).

Porter's Generic Competitive Strategies theory is relevant as it informs the study on competition strategies adopted for organizational survival. Organizations in a highly competitive environment are forced to find competitive edge to survive. Organizations competing in a given industry must fulfil many different activities that form cost and create value for the customers. By using the competitive strategy, an organization targets to position itself in a sustainable and profitable position against the forces shaping the industry.

## 2.1 Empirical Review

### 2.2.1 Differentiation Strategy and Performance

Reilly (2012) stated that differentiation is also one of Porter's key business strategies. When using this strategy; a company focuses its efforts on providing a unique product or service. Since the

product or service is unique, this strategy provides high customer loyalty. Product differentiation fulfils a customer need and involves tailoring the product or service to the customer. This allows organizations to charge a premium price to capture market share. He further argues that a differentiation strategy is often but not always associated with a higher price because it usually makes price less critical.

Alva & Paul (2011) conducted a case study of the focus-differentiation strategy implemented by the University of Puget Sound. The study examined strategic differentiation changes initiated and implemented by two consecutive presidents of the University of Puget Sound in 2003–2015. The transformation of this century-old institution from an also-ran local university to a nationally ranked liberal arts college provides an extremely rare case that demonstrates the applicability of Michael Porter’s paradigm of generic strategies in the field of higher education. The study noted that critical success factors for the implementation of a focus strategy that seeks to differentiate a university from its peer institutions.

Conrad (2014) asserts that the essence of differentiation is to be unique in ways that are valuable to customers and that can be sustained by the firm. It needs a critical study of buyer needs and preferences to consider what is important to them and what value are they willing to pay for this. Porter (1980) strengthens the position by indicating that the advantage of uniqueness may be in the form of customer service, design, brand image or technology. He further advises that differentiation extends beyond the characteristics of the product or service, to include every possible interaction between the firm and its customers. However, Grant (2013) adds that differentiation strategies are not about pursuing uniqueness for the sake of being different but is about understanding the product or service and the customer.

Pauline (2017) conducted a study on the influence of strategic management practices on the performance of public universities in Kenya. The specific objectives of the study were to examine the relationship between differentiation strategy and organisational performance; to determine the relationship between internal business process and organisational performance and to establish the relationship between employee growth and organisational performance. The study applied correlational research design. The author used judgmental procedure to select 120 representatives from the following categories of individuals in the private universities; vice chancellors, deputy vice chancellors, deans of schools and heads of sections. Applying multiple regression model and content analysis tools, the study analysed quantitative and qualitative data respectively. Results showed that service culture, service quality, customer experience and feedback are key determinants of performance in the sampled private universities in Kenya. The study established that organisation structure of many public universities does not match the internal business processes.

### **2.2.2 Market Focus Strategy and Performance**

Grahan (2016) conducted a study on market focus strategy and the internationalizations of universities. The study explored the relationship between having a complete strategic focus and the extent of the internationalization of university business schools and the level of desire for the future internationalization and to further validate the model of internationalization. Data were collected for business schools and business facilities using the Elkin, Devjee model of internationalizations concerning the current and desired levels of internationalizations of the business schools. In addition, schools were asked six key questions about strategic focus. It was observed that those schools with complete strategic focus had higher levels of current

internationalizations and greater aspirations for even higher levels of internationalizations than schools without a complete strategic focus. It was also found that there may be a connection between research intensity and internationalizations. The use of the model of internationalizations was further validated and the model was used for the first time in conjunction with strategic focus to illustrate strategy in practice.

Klein (2015) conducted a study on Segmenting Marketing in Urban Higher Education. He noted that in recent years, as competition among universities has increased and as resource constraints have become more intense, addressing specific student needs has become even more important. The target marketing approach involves the market segmentation process and offers considerable opportunity for success within the higher education market. Consequently, most universities favor a marketing focus strategy. A number of different dimensions can be used to divide the aggregate market for educational services into relatively homogeneous subsets. Demographics have traditionally been popular segmentation bases, especially the geographic dimension, and psychographic variables and other approaches for identifying groups with variant needs also aid the targeting mission. As universities explore these options, they should keep in mind that all market segments should be judged on accessibility, substantiality and actionability.

Kolding (2013) asserts that small companies usually thrive because they serve narrow market niches. Market focus allows some businesses to compete on the basis of low cost, differentiation and rapid response against much larger businesses with greater resources because focus lets a business “learn” its target customers, their needs, special considerations they want accommodated and establish personal relationships in ways that “differentiate” the smaller firm or make it more valuable to the target customer. According to Roxy (2010), focus strategy implies that a firm concentrates on a particular buyer group, segment of product line or geographic market. The focus strategy can be based on broad or narrow market scope, where broad refers to the overall market and narrow refers to one market segment only.

Lewison *et al.* (2014) on their study on student target marketing strategies stated that as colleges and universities adopt marketing orientations to an ever-increasing extent; the relative merits of mass marketing and target marketing must also be explored. Researchers identify buyer types as potential students focused on quality, value or economy. On the other axis, learner types are described as those who focus on career, socio-improvement and leisure, or those who are ambivalent learners.

### **2.2.3 Cost Leadership Strategy and Performance**

Juha (2012) on his study on competitive strategies in higher education argued that the strategy of overall cost leadership is achieved through a set of functional policies aimed at this basic objective. Cost leadership requires the construction of efficient-scale facilities and a vigorous pursuit of cost reductions in areas such as research and development, service and marketing. A great deal of managerial attention is necessary in order to achieve cost efficiency. A low-cost position provides substantial entry barriers in terms of cost advantages or scale economies. A low-cost position defends the organisation against powerful buyers. A strategy of overall cost leadership is an appropriate choice in markets where the price level is relatively low defined by the public sector funding bodies or due to a hard competition in the market. Low cost also provides a defence against input cost increases. Achieving a low overall cost position often requires favourable access to input.



Strickland (2014) observes that in cost leadership, a firm sets out to become the low cost producer in its industry for a given level of quality. This can be at an average industry price to earn a profit higher than the competition or below the average price to grow market share. This becomes handy in a price war environment where the firm may retain some profits and the competition booking loses. Porter (1980) advises that cost leadership requires aggressive construction of efficient scale facilities, vigorous cost reductions from experience, tight cost curve control and cost maximization in various functions. While pursuing low cost leadership, the firms must ensure to include features and services that the consumers consider essential. This strategy benefits the firm in withstanding intense price competition. Introduction of the South African School Act, 2002 led to university self-management and therefore strategic management has become an important issue in South African universities (Niekerk, 2015). This shift required a proactive leadership approach by the university principal. After elucidating the relationship between strategic management, strategy implementation and leadership, a model of long-term leadership was applied to the strategic leadership role of the university management. From this emanated new insight into the strategic leadership role of the university management.

Gitau (2015) conducted a descriptive survey that sought to assess the adoption of cost leadership in strategic management practices in Kenyatta University. The study found out that Kenyatta University was faced with various challenges in the strategic management at the different levels. The study also found that commitment of top management affects strategic management in Kenyatta University. The study concluded that organizational structure influenced strategic management at Kenyatta University. Similarly, a cross-sectional survey conducted by Jossiah (2014) aimed to establish the impact of customer processes in the banking sector in Kenya. Findings showed that organisations do not care about both internal and external customers. Additionally, the study concluded that trying to meet the needs of different stakeholders' interests can lead to managers being unaccountably for their actions.

### **2.3 Conceptual Framework**

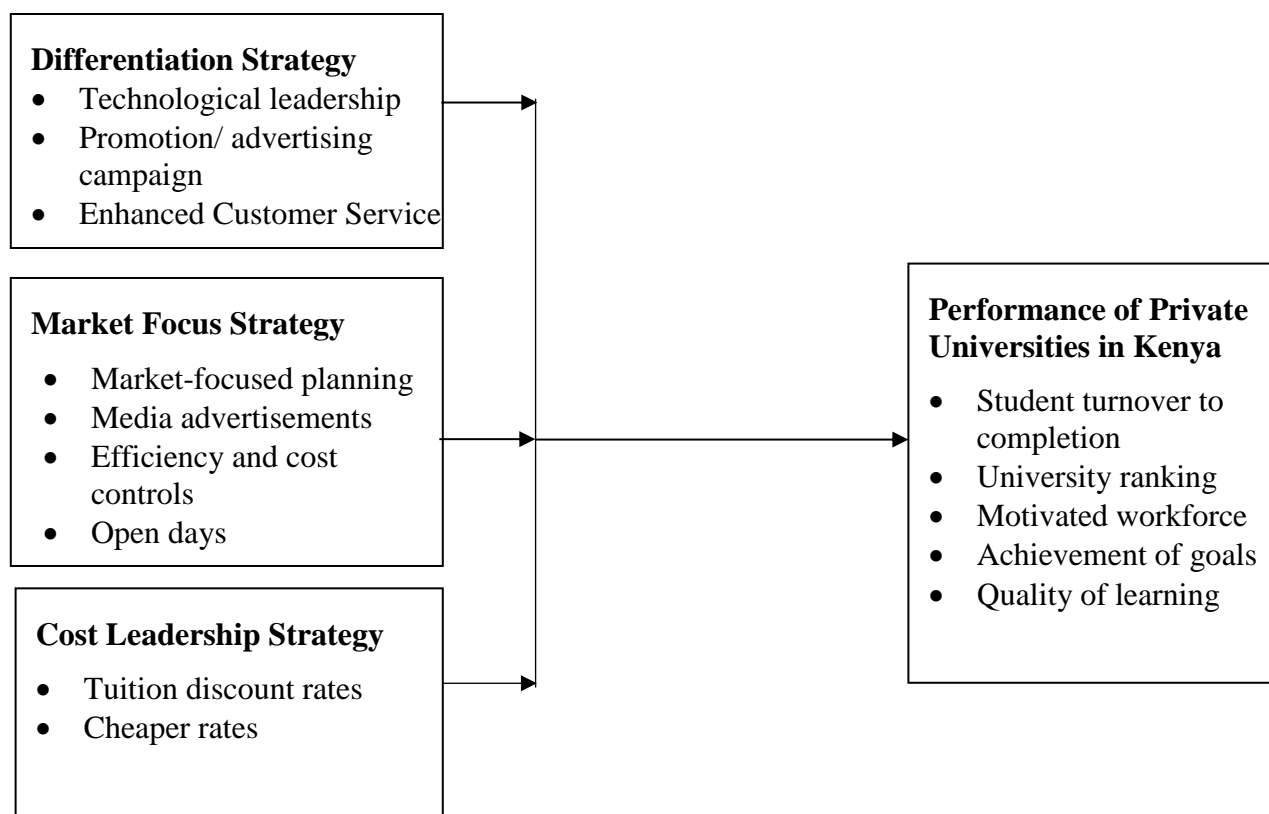
Tromp & Kombo (2009) defined a concept as a theoretical or universal thought construed or acquired after certain occurrences. A conceptual basis is an arrangement of wide thoughts and standards derived from significant areas of examination and used to build a resulting introduction. Figure 1 is a presentation of the factors that are investigated by this study.

**Independent Variables**

**Dependent Variable**

**Porter’s Generic Strategies**

**Performance of Private Universities**



**Figure 1: Conceptual Framework**

Differentiation strategy is a management practice approach where an organization takes to develop a unique product or service that customers will find better than or in another way distinctive from products or services offered by competitors. Differentiation strategy is a way for an organization to distinguish itself from the competition through technology leadership, enhanced customer delivery and product promotional. Market focus strategy is a management practice where an organization concentrates its resources on entering or expanding in a narrow market or industry segment. A focus strategy is usually employed where the organization knows its segment and has products to competitively satisfy its needs. Market focus can be facilitated through market focused planning and efficiency controls.

Cost leadership strategy is used by organizations to create a low cost of operation within their niche. The use of this strategy is primarily to gain an advantage over competitors by reducing operation costs below that of others in the same industry. Cost leadership requires the construction of efficient-scale facilities and a vigorous pursuit of cost reductions in areas such as research and development, service and marketing. Some of the cost leadership factors in universities can include discounted tuition and cheaper rates for services to accommodate more students.

### 3.1 Methodology

The research design that was employed in this study is descriptive research design. Cooper and Schindler (2008) demonstrate that the essential features of descriptive design lies in the objectives Target population represents the collection of cases the researcher is interested in and from which they intend to generalize (Sim & Wright, 2000). This study targeted the 13-chartered private universities in Nairobi County. Since the target population is small, the study adopted a census approach and therefore all the universities. The 164 respondents who include director's registrars, chairpersons of departments and finance officers was used as a unit of analysis

Primary data was collected through the administration of the questionnaires. Structured questions was used to capture the opinion of the respondent. Likert-type questions are useful because the respondents are not restricted to a common way of answering the questions. The likert scale was coded as follows, 1=strongly disagree, 2=Disagree, 3=Neutral, 4=Agree and 5=strongly agree.

The data was collected during the month of May 2018. The statistics generated was descriptive statistics and inferential statistics. The specific descriptive statistics included percentages and frequencies while the inferential statistics included a multiple linear regression model and Pearson correlation. The multiple linear regression models was used to measure the relationship between the independent variables and the dependent variable that are explained in the model.

The regression model was as follows

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Where:

Y = Performance of Private Universities in Kenya

{ $\beta_i$ ;  $i=1,2,3&4$ } = The coefficients for the various independent variables

$X_1$  = Differentiation Strategy

$X_2$  = Focus Strategy

$X_3$  = Cost Leadership

e = Margin of Error

Data analysis leads to production of graphs, tables, descriptive statistics and inferential statistics. The analyzed data was presented in form of tables, charts and graphs.

### 4.1 Descriptive Statistics

This section presents the descriptive results on differentiation strategy, market focus strategy, cost leadership strategy and performance of private universities in Kenya. Numbers 4 & 5 (Agree and strongly agree) were grouped together as agree, 1 & 2 (strongly disagree and disagree) were grouped as disagree while 3 was undecided

#### 4.1.1 Differentiation Strategy

The first objective of the study was to determine the effect of differentiation strategy on performance of private universities in Kenya. The respondents were asked to respond to the statements on differentiation strategy. The results of this study are as depicted in Table 1.

**Table 1: Differentiation Strategy**

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std. Dev.
The university offers products/services that are different from its competitors	10.6%	17.3%	5.8%	44.2%	22.1%	3.50	1.30
The university has a promotion and advertising campaign on its product and services.	2.9%	17.3%	5.8%	50.0%	24.0%	3.75	1.10
The university adopts technological leadership in its learning operations.	5.8%	16.3%	2.9%	52.9%	22.1%	3.69	1.16
The university maintains learning service quality that sustains it to remain ahead of competitors.	10.6%	21.2%	4.8%	46.2%	17.3%	3.38	1.29
The university has a desired brand position differentiated enough to compete in a saturated market	3.8%	13.5%	3.8%	61.5%	17.3%	3.75	1.02
Average						3.61	1.17

The respondents were asked whether the university offers products/services that are different from its competitors. The results show that a majority of 66.3% (44.2% + 22.1%) with the statement. On whether the university has a promotion and advertising campaign on its product and services, majority of the respondents agreed with 74%. The respondents were asked if the university adopts technological leadership in its learning operations and a majority with 75% agreed with the statement. Further, the respondents were asked if the university maintains learning service quality that sustains it to remain ahead of competitors and a majority with 63.5% agreed to the statement. Finally, the respondents were asked whether the university had a desired brand position differentiated enough to compete in a saturated market and the majority with 78.8% agreed to the statement. Using a five-point scale Likert mean, the normal mean of the reactions was 3.61 that implies that most of the respondents were concurring with a large portion of the statements; responses were varied as shown by a standard deviation of 1.17.

#### 4.1.2 Market Focus Strategy

The second objective of the study was to determine the effect of market focus strategy on performance of private universities in Kenya. The respondents were asked to respond to the statements on market focus strategy. The results of this study are as depicted in Table 2.

**Table 2: Market Focus Strategy**

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std. Dev
Courses offered in this university are aligned with the interests of the students and general public	7.7%	24.0%	2.9%	41.3%	24.0%	3.5	1.3
The university conducts regular media advisements and open days that enlighten the public of it services and products.	3.8%	16.3%	1.9%	58.7%	19.2%	3.7	1.1
The university has a focus on local and international students and their preferences	9.6%	22.1%	0.0%	46.2%	22.1%	3.5	1.3
The university discovers and adopts new market trends as they emerge	10.6%	23.1%	2.9%	46.2%	17.3%	3.4	1.3
The university has close contact to students with social media.	7.7%	23.1%	0.0%	55.8%	13.5%	3.4	1.2
Average						3.5	1.2

The respondents were asked whether Courses offered in this university are aligned with the interests of the students and public and a majority of the respondents with 65.3% agreed to the statement. On whether the university conducts regular media advisements and open days that enlighten the public of it services and products, a majority of 77.9% agreed to the statement. Further, the respondents were asked if the university has a focus on local and international students and their preferences and a majority of 68.3% agreed to the statement. The respondents were asked if the university discovers and adopts new market trends as they emerge and a majority of 63.5% agreed to the statement. Finally, the respondents were asked if the university has close contact to students with social media and a majority of 69.3% agreed to the statement. Using a five-point scale Likert mean, the normal mean of the reactions was 3.5 that implies that most of the respondents were concurring with a large portion of the statements; responses were varied as shown by a standard deviation of 1.2.

#### 4.1.4 Cost Leadership Strategy

The third objective of the study was to determine the effect of cost leadership strategy on performance of private universities in Kenya. The respondents were asked to respond to the statements on cost leadership strategy. The results of this study are as depicted in Table 3.



**Table 3: Cost Leadership Strategy**

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std. Dev
The university lowers prices for courses in order to maintain cost leadership and maintain a high student turnover	4.80%	30.80%	3.80%	47.10%	13.50%	3.3	1.2
This university has a well-established programme that offers of scholarships to students	11.50%	14.40%	2.90%	53.80%	17.30%	3.5	1.3
This university continuously seeks to reduce prices without sacrificing its learning services essential features or acceptable quality	2.90%	24.00%	1.90%	53.80%	17.30%	3.6	1.1
This university offers price sensitive solutions towards student's academic needs.	9.60%	18.30%	7.70%	51.00%	13.50%	3.4	1.2
By serving segmented markets ,this university minimizes their cost of operations as prices match the different segments	4.80%	26.00%	1.00%	49.00%	19.20%	3.5	1.2
Average						3.5	1.2

The respondents were asked if the university lowers prices for courses in order to maintain cost leadership and maintain a high student turnover and a majority of the respondents with 60.6% agreed to the statement. On whether the university has a well-established programme that offers of scholarships to students, a majority of the respondents with 71.1% agreed to the statement. Further, the respondents were asked if the university continuously seeks to reduce prices without sacrificing its learning services essential features or acceptable quality and a majority of 71.1% agreed to the statement. The respondents were asked if the university offers price sensitive solutions towards student's academic needs and a majority with 64.5% agreed to the statement. Finally, the respondents were asked if by serving segmented markets, the university minimizes their cost of operations as prices match the different segments and a majority of the respondents agreed with 68.2%. Using a five-point scale Likert mean, the normal mean of the reactions was 3.5, which implies that most of the respondents were concurring with the statements; responses were varied as shown by a standard deviation of 1.2.

#### 4.1.5 Performance of Private Universities

The last objective of the study was to determine the performance of private universities in Kenya. The respondents were asked to respond to the statements on performance. The results of this study are as depicted in Table 4.

**Table 4: Performance of Private Universities**

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std. Dev
The university has improved in ranking.	6.70%	14.40%	2.90%	56.70%	19.20%	3.7	1.14
Students turnover to completion has increased over the last three years	6.70%	21.20%	3.80%	44.20%	24.00%	3.6	1.25
As a staff , I feel highly motivated at working in the university	5.80%	20.20%	2.90%	47.10%	24.00%	3.6	1.22
The university has been achieving most of its goals	5.80%	26.00%	1.90%	38.50%	27.90%	3.6	1.30
The university has achieved its financial targets in the last three years	8.70%	22.10%	0.00%	42.30%	26.90%	3.6	1.33
Average						3.6	1.25

The respondents were asked if the university had improved in ranking and a majority of the respondents agreed with 75.9%. On whether students’ turnover to completion has increased over the last three years, a majority of the respondents agreed with 68.2%. Further, the respondents were asked if as a staff, they feel highly motivated at working in the university and a majority of the respondents agreed with 71.1%. Further, the respondents were asked if the university has been achieving most of its goals and a majority of the respondents agreed with 66.4%. Finally, the respondents were asked if the university has achieved its financial targets in the last three years and a majority of the respondents agreed with 69.2%. Using a five-point scale Likert mean, the normal mean of the reactions was 3.6, which implies that most of the respondents were concurring with a large portion of the statements; responses were varied as shown by a standard deviation of 1.25.

#### 4.2 Inferential Statistics

Inferential analysis was conducted to generate correlation results, model of fitness, and analysis of the variance and regression coefficients.

#### 4.2.1 Correlation Analysis

**Table 5: Correlation Matrix**

		Performance	Differentiation	Market Focus	Cost Leadership
Performance	Pearson Correlation Sig. (2-tailed)	1.000			
Differentiation	Pearson Correlation Sig. (2-tailed)	.705**	1.000		
Market Focus	Pearson Correlation Sig. (2-tailed)	.558**	.536**	1.000	
Cost Leadership	Pearson Correlation Sig. (2-tailed)	.520**	.412**	.334**	1.000
		0.000	0.000	0.000	0.000

\*\* Correlation is significant at the 0.01 level (2-tailed).

The results revealed that differentiation strategy and performance of private universities is positively and significantly related ( $r=0.705$ ,  $p=0.000$ ). The table further indicated that market focus strategy and performance of private universities are positively and significantly related ( $r=0.558$ ,  $p=0.000$ ). Similarly, results showed that cost leadership strategy and performance of private universities were positively and significantly related ( $r=0.520$ ,  $p=0.000$ ). This implies that an increase in differentiation strategy, market focus strategy and cost leadership strategy led to an improvement in performance of private universities.

#### 4.2.2 Regression Analysis

The results presented in table 6 present the fitness of model used of the regression model in explaining the study phenomena. Differentiation strategy, market focus strategy, product innovation strategy and cost leadership strategy were found to be satisfactory variables in explaining performance of private universities. This is supported by coefficient of determination also known as the R square of 0.592%. This means that Differentiation strategy, market focus strategy and cost leadership strategy 59.2% of the variations in the dependent variable, which is performance of private universities in Kenya.

This results further means that the model applied to link the relationship of the variables was satisfactory.

**Table 6: Model Fitness**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.769a	0.592	0.580	0.3888

a Predictors: (Constant), Cost Leadership, Market Focus and Differentiation

In statistics, significance testing the p-value indicates the level of relation of the independent variable to the dependent variable. If the significance number found were less than the critical value also known as the probability value (p) which is statistically set at 0.05, then the conclusion would be that the model is significant in explaining the relationship; else, the model would be regarded as non-significant.

Table 7 gives the outcomes on the examination of the difference (ANOVA). The outcomes show that the general model was statistically significant. Further, the outcomes suggest that the independent variables are good indicators of performance. This was supported by an F statistic of 48.39 and the reported p value (0.000) which was less than the conventional probability of 0.05 significance level.

**Table 7: Analysis of Variance**

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	21.945	3	7.315	48.390	.000b
	Residual	15.116	100	0.151		
	Total	37.061	103			

a Dependent Variable: Performance

b Predictors: (Constant), Cost Leadership, Market Focus, Differentiation and Product Innovation

Regression of coefficients results in Table 8 shows that differentiation strategy and performance of private universities are positively and significant related ( $r=0.218$ ,  $p=0.000$ ). The table further indicated that market focus strategy and performance of private universities are positively and significantly related ( $r=0.094$ ,  $p=0.006$ ). Similarly, results showed that cost leadership strategy and performance of private universities were positively and significantly related ( $r=0.116$ ,  $p=0.001$ ). This implies that an increase in differentiation strategy ( $r=0.218$ ,  $p=0.000$ ), market focus strategy ( $r=0.094$ ,  $p=0.006$ ) and cost leadership strategy ( $r=0.116$ ,  $p=0.001$ ) led to an improvement in performance of private universities.

**Table 8: Regression of Coefficients**

Variables	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	1.850	0.116		15.965	0.000
Differentiation Strategy	0.218	0.035	0.488	6.170	0.000
Market Focus Strategy	0.094	0.034	0.214	2.792	0.006
Cost Leadership Strategy	0.116	0.033	0.247	3.492	0.001

a Dependent Variable: Performance

The optimal model was therefore;  
The multiple regression model was laid as below.  
$$Y = 0.218X_1 + 0.94X_2 + 0.116X_3 + e$$

Where:

Y = Performance of Private Universities

X<sub>1</sub> = Differentiation

X<sub>2</sub> = Market Focus

X<sub>3</sub> = Cost Leadership

## 4.6 Hypothesis Testing

### 4.6.1 Differentiation Strategy

The first objective of the study was to determine the effect of differentiation strategy on performance of private universities in Kenya.

The first hypothesis to be tested was:

*H<sub>01</sub>: Differentiation strategy does not have a significant effect on performance of private universities in Kenya.*

The hypothesis was tested by using multiple linear regression and determined using p-value. The acceptance/rejection criteria was that, if the p value is less than 0.05, we reject the H<sub>01</sub> but if it is more than 0.05, the H<sub>01</sub> is rejected. Therefore, the null hypothesis is differentiation strategy does not have a significant effect on performance of private universities in Kenya. Results in Table 4.9 shows that the p-value was 0.000. This was supported by a calculated t-statistic of 6.170 that is larger than the critical t-statistic of 1.96. The null hypothesis was therefore rejected. The study therefore adopted the alternative hypothesis that differentiation strategy has a significant effect on performance of private universities in Kenya.

### 4.6.2 Market Focus Strategy

The second objective of the study was to determine the effect of market focus strategy on performance of private universities in Kenya.

The second hypothesis to be tested was:

*H<sub>02</sub>: Market strategy does not have a significant effect on performance of private universities in Kenya.*

The hypothesis was tested by using multiple linear regression and determined using p-value. The acceptance/rejection criteria was that, if the p value is less than 0.05, we reject the H<sub>02</sub> but if it is more than 0.05, the H<sub>02</sub> is rejected. Therefore, the null hypothesis is market focus strategy does not have a significant effect on performance of private universities in Kenya. Results in Table 4.9 shows that the p-value was 0.006. This was supported by a calculated t-statistic of 2.792 that is larger than the critical t-statistic of 1.96. The null hypothesis was therefore rejected. The study therefore adopted the alternative hypothesis that market focus strategy has a significant effect on performance of private universities in Kenya.

### 4.6.3 Cost Leadership Strategy

The third objective of the study was to determine the effect of cost leadership strategy on performance of private universities in Kenya.

The third hypothesis to be tested was:

*H<sub>03</sub>: Cost Leadership Strategy does not have a significant effect on performance of private universities in Kenya.*



The hypothesis was tested by using multiple linear regression and determined using p-value. The acceptance/rejection criteria was that, if the p value is less than 0.05, we reject the  $H_{03}$  but if it is more than 0.05, the  $H_{03}$  is rejected. Therefore, the null hypothesis is cost leadership strategy does not have a significant effect on performance of private universities in Kenya. Results in Table 4.9 shows that the p-value was 0.001. This was supported by a calculated t-statistic of 3.492 that is larger than the critical t-statistic of 1.96. The null hypothesis was therefore rejected. The study therefore adopted the alternative hypothesis that cost leadership strategy has a significant effect on performance of private universities in Kenya.

## **5.1 Conclusion**

The study concluded that a major hindrance in the management private universities is the development of approaches to strategies both at whole institution and at subunit levels. The educational objectives should lead the process of strategic management, which ensures these purposes and not the other way round. The overall strategy should be broad enough to allow the definition of different competitive strategies for subunits to meet the different educational objectives.

Based on the findings, the study concluded that differentiation strategy was positively and significantly associated to performance of private universities. Therefore, differentiation strategies that can be adopted in universities are diverse ranging from quality in terms of qualified lecturers and teaching methods used. Value addition in terms of brand image and adoption of technology in universities; incentive programs in terms of availability of recreational facilities and diverse programs and students experience with reference to duration of learning and formulation of policies that are favorable to students in universities. Further, there should be learner centered teaching methods, availability of recreational facilities, formulation of policies that are student friendly and availability of diverse programs in universities. The strategies of overall cost leadership, differentiation, focus and innovation which have been presented in business literature, provide a good basis for the strategic management of subunits.

## **6.1. Recommendations**

The study recommends that the management of the private universities have an important role to offer advice, information and intelligence and thereby to think strategically for the future of the whole organization. They are expected to think and act strategically in their own areas of responsibility. This is particularly important if the educational and business environment is different for the departments of the educational institution. There is need for a coherent organizational structure for enrolment management to elevate its importance within the university and highlight the need for improved coordination to achieve long-term enrolment goals.

The study recommends for unique higher education marketing strategies that help raise awareness of courses and programs while bringing in new students and resources needed to sustain online programs. On innovation, institutions are moving beyond the traditional brochures, magazines and billboards and are instead pushing resources towards appealing to the constantly evolving digital marketing landscape. There, they can have wider reach and greater potential in rapidly increasing their program's visibility.

Finally, the study recommends that a great deal of managerial attention is necessary in order to achieve cost efficiency. Cost leadership requires the construction of efficient-scale facilities and a vigorous pursuit of cost reduction in areas such as research and development, service and

marketing. A low-cost strategy should involve developing an educational products that is simple to produce and has a low price and finally a high market share.

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