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THE RELATIONSHIP BETWEEN PORTER'S GENERIC STRATEGIES AND COMPETITIVE ADVANTAGE

A CASE STUDY OF BUS COMPANIES PLYING THE KISUMU-NAIROBI ROUTE, KENYA

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Abstract

Porter's generic strategies namely cost leadership, differentiation and focus have become increasingly important for companies to gain valuable insights from customer needs and ultimately competitive advantage. This study aims at establishing the relationship between Porter's generic strategies used by bus companies plying the Kisumu Nairobi route and competitive advantage. The specific objectives of this study are: (i) to establish the relationship between cost leadership strategy and competitive advantage, (ii) to establish the relationship between differentiation strategy and competitive advantage, (iii) to establish the relationship between focus strategy and competitive advantage and (iv) to establish the relationship between combined (or integrated) Porter's generic strategies and competitive advantage. The population for this study consisted of all the 28 bus companies plying Kisumu – Nairobi route. Data was collected by use of survey questionnaires which were distributed to the Operation Managers (twenty eight number) and Route Managers (twenty eight number) of the various bus companies stationed in Kisumu. Data was analyzed by use of descriptive and inferential statistics through excel spread sheets. The study findings established that out of the 28 bus companies plying the Kisumu – Nairobi route, 34.82% adopted cost leadership strategy, 42.85%

adopted differentiation strategy, 42.52% focus strategy while 36.57% adopted integrated strategies. More bus companies adopted differentiation strategy than cost leadership strategy, focus strategy and integrated strategies. The study further established that there is a strong positive correlation between Porter's generic strategies and competitive advantage.

Keywords: Kenya Passenger Transport industry, Public transportation, Generic Strategies, Competitive Advantage

INTRODUCTION

There has been a growing intensity of competition in virtually all areas of business, whether at home or abroad, in markets upstream for raw materials, components, supplies, capital and technology as well as markets downstream for consumer goods and services (Wind and Robertson, 1983). This has resulted in greater attention to analyzing competitive behavior and competitive strategies under different environmental conditions. Transport is key to the development of a country's economy. It facilitates movement of people, goods and services from one part of the country to the other. Organized transport system is therefore necessary for the smooth and efficient movement of people, goods and services in an economy. In light of the rapid technological developments and intensifying competition in the transport markets, it becomes difficult for organizations which do not adopt effective competition strategies to survive in an environment with such complexities and consistent changes. This has led organizations to direct their attention towards developing competition strategies that guarantee their continuity and superiority over competitors (Stinson and Day, 1990). In a competitive market or industry, it is not advisable to have only one competitive strategy in place hence the adoption of integrated set of strategies sometimes referred to as "focus strategy". The focus strategy is an integrated set of actions designed to produce or deliver goods or services that serve the needs of a particular competitive segment (Porter, 1996).

A firm's relative position within its industry determines whether a firm's profitability is above or below the industry average. The fundamental basis of above average profitability in the long run is sustainable competitive advantage. There are two basic types of competitive advantage a firm can possess: low cost or differentiation. The two basic types of competitive advantage combined with the scope of activities for which a firm seeks to achieve them, lead to three generic strategies for achieving above average performance in an industry: cost leadership, differentiation, and focus (Porter, 1996). The focus strategy has two variants, cost focus and differentiation focus. Low cost and differentiation strategy may be compatible approaches in dealing with competitive forces (Allen & Helms, 2006; Miller, 1992; Spanos, et al.,2004), and postulated the pursuit of what has been termed 'hybrid', 'mixed', 'integrated', or 'combination' strategies (Kim et al., 2004; Spanos et al., 2004).

In the passenger transport industry where competition is stiff and dynamic, it is important to apply the hybrid or integrated competitive strategies in order to edge competition and achieve optimal sustained business returns. The relationship between Porter's generic strategies applied by bus companies plying the Kisumu – Nairobi route and competitive advantage is what this study aims to establish.

Transport Industry in Kenya

Kenya has an extensive network of long- and short-haul bus routes, with particularly good coverage of the areas around Nairobi, the Coast and the Western regions. Services thin out the further away from Nairobi you get. Buses are basically operated by a variety of private companies that offer varying levels of comfort, convenience and roadworthiness (Nzuve & Mbugua, 2011). They are considerably cheaper than flying, and as a rule, services are frequent, fast and often quite comfortable. A Kenyan bus trip is not always the most restful experience for the simple reason that hawkers can actually board most buses to thrust their wares in the face of travelers, and it is not unknown for roving preachers, herbalists and just about anyone else to spend entire journeys shouting the odds for the benefit of their fellow passengers. In the past, Kenya Bus Services (KBS), the government bus line, used to offer long-haul services to most major towns around the country. Its buses tended to be slower than those of the private companies, but were probably safer.

Of the private companies then, Akamba Bus had the most comprehensive network, and had a good, but not perfect, safety record. Several other companies have joined the industry with Easy Coach another private firm quickly establishing a solid reputation for efficiency and comfort. The following are the main bus companies plying the Kisumu - Nairobi route: Easy Coach, Kenya Bus, The Guardian Angel, Busways, Coastline Safaris, Mash Poa, Modern Coast, Kampala Coaches, Eldoret Express, Mbukinya, Express Safari, Western Express Coach, Transline Classic, GB Coach, Matunda Bus, Crown Bus, Starling Grand Bus, Otange Bus, Kisii Classic, Horizon Coach Services, Simba Coach, Western Prestige, Transmara Bus, Star Bus, Kawere Connections, Desire Coaches and Sentosa Coaches.

Unfortunately, the industry's vast growth is accompanied by increasing road traffic accidents that have threatened the safety of Kenyan travelers. In October 2003, the Ministry of Transport and Communications listed Legal Notice No. 161 sought to regulate the Public Service Vehicle (PSV) sub-sector. The objectives of the Legal Notice were to: reduce accidents caused by over speeding; enhance the safety of commuters; ensure responsibility, accountability and competency of drivers, conductors; eliminate illegal drivers, conductors and criminals that had infiltrated the industry; facilitate identification of vehicles and restrict their operation to authorized routes (MOTC, Transformation of Road Transport Report, 2004).

As a result of implementation of the provisions of Legal Notice No. 161, cartels have been eliminated or reduced and the new measures have reduced illegal groups and placed management of PSVs in the hands of their owners. New investors are coming into the industry owing to the conducive business environment that has been created. Following the reforms, other firms, Africa Merchant Assurance (AMACO), Direct Line Assurance and Lion of Kenya have started insuring PSVs. This encouraged risk averse investors to venture into the transport business and public sector business through lowering the entry barriers and improving administration. The entry of these new players has resulted to stiffer competition amongst transport providers.

Despite these reforms in the transport sector and the perceived lucrative nature of the transport industry, some transport companies have failed and closed shop i.e. Akamba Bus Service, others have been struggling to stay afloat i.e. Kenya Bus Service while others are succeeding very well i.e. Easy Coach. These extreme circumstances in a homogeneous industry is what has informed my interest in the study area.

Michael Porter's Generic Strategies

Porter's (1980) model of generic strategies addresses practitioners with an analytical technique for gaining understanding of industries and competitors. By "practitioners", Porter implies "managers seeking to improve the performance of their businesses, advisors to managers, teachers of management, security and analysts or other observers trying to understand and forecast business success or failure, or government officials seeking to understand competition in order to formulate public policy. The reason why strategic planning is a primary concern to business managers in particular but also other practitioners is that it may lead to significant benefits for a firm (Minarik, 2007). In effect, an explicit process of strategy formulation can determine a firm's long-run competitive strength and generate a persistently higher rate of profit than its rivals by creating a sustainable competitive advantage. However, in order to compete successfully in the long-run a firm must first choose an appropriate positioning.

All Porter's three strategies have the potential to result in above-average profits; however, all three strategies may not be equally suitable for a firm (Minarik, 2007). The reason is that the three strategies differ on a number of dimensions and pose different requirements, for example in terms of resources, skills, organizational arrangements, control procedures, incentive systems and management style. Profitability may vary depending on the wellness of fit between the firm and the selected strategy, which make the decision of which strategy to adopt key to the benefits of strategic planning and requires that the choice be well founded. The challenge lies in selecting the strategy that best suits the firm's strengths and resources and is least replicable by competitors and this in turn necessitates knowledge about the firm, its business environment and competitors. With an explicit technique for analyzing industry structure and competition, practitioner may gain better understanding and knowledge of both elements. Porter's (1980) model facilitates the decision making process and improves the probability for a firm that chooses an appropriate strategy.

Statement of the Problem

Road transport plays a significant role in the Kenyan economy encompassing 80% of the land transport demand (The World Bank, 2007a). The same report also states that as a result of steady economic growth over the last decade, traffic on the national highways has grown by 6 to 7.5% per year. In Europe, most public transport runs to a scheduled timetable with the most frequent services running to a headway (Chaudhary 2006). Bus services use buses on conventional roads to carry numerous passengers on shorter journeys. Coach services use coaches (long-distance buses) for suburb-to-CBD or longer-distance transportation. The vehicles are normally equipped with more comfortable seating, a separate luggage compartment, video and possibly also a toilet. They have higher standards than city buses, but a limited stopping pattern (Chaudhary, 2006).

In neighbouring Uganda, following the divestiture of the Uganda Transport Corporation in 1990, public passenger transport competition is among the private sector buses, mini-buses and cars that compete among themselves (The World Bank, 2007a). In East Africa, most public transport is still dominated by Kenyan transport companies (The World Bank, 2007a). In Kenya, Public transport services are available in all areas of the country with major towns having several private bus companies carrying passengers (The World Bank, 2007a).

Various studies have been done relating to the transport industry competitiveness (Nzuve & Mbugua, 2012; Kamau, 2006). The sector was also seen to be very active in employing marketing strategies to enhance competitiveness. The study by Nzuve recommended that the passenger transport sector increase innovative use of alternative means of transport. Kamau (2000) in his survey of operations strategies pursued by interurban Passenger Service Vehicle bus companies in Kenya established the following strategies on which bus companies compete on: timeliness, cost, reliability, quality, customer care, service quality, flexibility and fare Incentives.

The majority of research on generic business or competitive business strategy have been conducted in relation to US businesses. A limited number of studies have been conducted outside US, predominantly in Canada or European markets, following the classic structure, strategy, performance paradigm (Cowling, 1972, Scherer, 1980). In the industrial organization and business strategy literature, considerable interest has been centered on identifying generic business strategies or strategy types based on strategy components, such as the scope or domain of the business, resource deployment in the market, production and R&D, asset management or thriftiness, and degree of vertical integration (Miles, 1982; Miller, 1986; White, 1986). The primary emphasis has been on examining the link between strategy, environment and performance in an effort to achieve a position of competitive advantage. A number of typologies of business and competitive strategies have been identified, some based on priori conceptual frameworks, others on empirical studies. The number and precise nature of the strategy types identified varies considerably, depending on the specific components or variables included, as well as the exact methodology employed. This study aims at filling some of these gaps present in the research base.

Research Objectives

The general objective of this study was to establish the relationship between Porter's generic strategies and competitive advantage as adopted by the bus companies plying the Kisumu – Nairobi route, Kenya.The specific Objectives were:

i. To establish the relationship between cost leadership strategy and competitive advantage.
ii. To establish the relationship between differentiation strategy and competitive advantage.
iii. To establish the relationship between focus strategy and competitive advantage.
iv. To establish the relationship between combined generic strategies and competitive advantage.

Research Questions

The study was guided by the following research questions.

i. What is the relationship between cost leadership strategy and competitive advantage?
ii. What is the relationship between differentiation strategy and competitive advantage?
iii. What is the relationship between focus strategy and competitive advantage?
iv. What is the relationship between the combined generic strategies and competitive advantage?

Justification of the Study

The transport sector, in particular passenger transport plays a major important role in the economy of Kenya. Different transport providers need information on how to satisfactorily serve the needs of their customers. The travelers also need information on the available transport services in terms of cost and quality. The results of this study will offer benchmark information to new players in the transport industry and the best competitive strategies needed for their success. In addition to solving the challenges in the transport industry namely low quality of service, inefficient services, haphazard operations and unreliability by the service providers, it will also add to the theory of knowledge in the transport sector.

The policy makers and regulators all require latest and first-hand information of what is transpiring in the transport industry. The results of this study will offer good industry information that the policy makers will use to make informed and useful industry regulations.

There is also need to add to the theory of knowledge in the academic field. This being an area that has not been extensively researched on, will therefore contribute to the theory of academic knowledge in the transport sector and will also be an academic reference to those carrying out studies in the transport industry.

Scope of the Study

The study was limited to Kisumu and hence data obtained may not have been conclusive enough as most of these bus companies have their Head Offices in Nairobi. For fear of disclosing important competitive positions, some respondents did not fully cooperate and hence did not disclose all information required by the researcher.

LITERATURE REVIEW

Theoretical Review

Michael Porter's Generic Strategies

According to Porter (2002), the three generic strategies can be used by a firm to counter the market forces and gain competitive advantage in an industry. There are two basic types of competitive advantage: cost leadership and differentiation (Porter, 1985)Porter defines the choices of "generic strategy" a firm can follow. A firm's relative position within an industry is given by its choice of *competitive advantage* (cost leadership vs. differentiation) and its choice of *competitive scope*. Competitive scope distinguishes between firms targeting broad industry segments and firms focusing on a narrow segment. Generic strategies are useful because they characterize strategic positions at *the simplest and broadest level*. Porter maintains that achieving competitive advantage requires a firm to make a choice about the type and scope of its competitive advantage.

The study will analyze the various theories and concepts that touch on Porter's generic strategies and competitive advantage.

Theory of Monopolistic Competition

Imperfect competition covers all situations where there is neither pure competition nor pure monopoly. Both perfect competition and pure monopoly are very unlikely to be found in the real world. In the real world, it is the imperfect competition lying between perfect competition and pure monopoly. The fundamental distinguishing characteristic of imperfect competition is that average revenue curve slopes downwards throughout its length, but it slopes downwards at different rates in different categories of imperfect competition. The monopolistic competition is one form of imperfect competition (Chamberlin, 1993). Monopolistic competition refers to the market situation in which many producers produce goods which are close substitutes of one another. Two important distinguishing features of monopolistic competition are: Product differentiation, and existence of many firms supplying the market (Chamberlin, 1993).

Product Differentiation: In contrary to perfect competition where there is only one homogeneous commodity, in monopolistic competition there is differentiation of products. In monopolistic competition, products are not homogenous nor are they only remote substitutes. These are the products produced by competing monopolists that have separate identity, brand, logos, patents, quality and such other product features. Product differentiation does not mean that goods are completely different. Rather it means that products are different in some ways, but not altogether so. These imaginary differences are created through advertising, marketing, packaging and the use of trademarks and brand names (Chamberlin, 1993).

Existence of Many Firms: Under monopolistic competition, there is fairly large number of sellers, let say 25 to 70. Each individual firm has relatively small part of the total market so that each has a very limited control over the price of the product. And, each firm determines its own price-output policy without considering the reactions of existing rival firms in the market (Chamberlin, 1993).

In monopolistic competition, in the long run, there is freedom of entry and exit. The commodity sold in a monopolistic competitive market is not a standardized product but a differentiated product. Hence competition is no longer exclusive on price basis. Buyers are buying a combination of physical product and the services which go with it in integerated manner (Chamberlin, 1993).

Low Price offering

This can also be referred to as strategic pricing. The INSEAD research suggest that successful innovation is also characterized by strategic prices that create demand and win customers not just from within the current industry but also from other industries. Successful companies focus on the costs of alternatives and substitutes, not just prevailing prices in their own industries.

According to Easy Jet annual report of 2006, by providing low prices the Airline had grown from initially six hired aircrafts in 1995 working in one route to owning 122 aircrafts in 2006 flying to 74 airports carrying over 33 million passengers per annum (Johnson, Scholes and Whittington, 2008). Yet the aircraft continued to give customers care and convenience just as other premium airlines. According to the organization's annual reports some of the strategies used to reduce cost were ticket- less travel, no free lunch, reduction on ground handling costs and efficient use of airports (Johnson, Scholes and Whittington, 2008).

Price- based strategy can take two routes which are No frills and Low pricing strategy as explained below.

(a) 'No frills' Strategy

This strategy combines a low price, low perceived product or service benefits and a focus on price sensitive market segment (Johnson, Scholes and Whittington, 2008). These segments may exist for a number of reasons. The products or services are commodity like. Customers do not discern or value differences in the offering of different suppliers. So price becomes the key competitive issue.

(b) Low- Price Strategy

This strategy seeks to achieve a lower price than competitors whilst trying to maintain similar perceived products or service benefits to those offered by competitors (Johnson, Scholes and Whittington 2008). A case study of Japanese cars observes that, during the 1960s and 1970s the Japanese car manufacturers entered the European market by targeting the low cost/Tow-added-value sector, which they believed would not be defended by European manufacturers. Their no frills products were seen as cheap and bought with few added value expectations (Johnson, Scholes and Whittington ,2008). The sales volume that this produced and the experience gained from this market entry strategy allowed them to form a bridgehead into Europe and develop other more profitable, strategies.

Resource Based View Theory

The Resource-Based View (RBV) rose from realization that competitive advantage depends on doing things differently, rather than matching some prescriptive best practice (Armstrong & Baron, 2004). The RBV framework combines the internal (core competence) and external (industry structure) perspectives on strategy. Like the frameworks of core competence and capabilities, firms have very different collections of physical and intangible assets and capabilities, which RBV calls resources. Competitive advantage is ultimately attributed to the ownership of a valuable resource. Resources are more broadly defined to be physical (e.g. property rights, capital), intangible (e.g. brand names, technological know-how), or organizational (e.g. routines or processes like lean manufacturing). No two companies have the same resources because no two companies have had the same set of experience, acquired the same assets and skills, or built the same organizational culture. The RBV assumes that managers' chief concern, or one of them, is to obtain a sustained competitive advantage (Taylor, 2002). Embedded in this fundamental premise are other assumptions, including that managers have benchmarks against which they measure competitiveness, that they know who their competitors are, and that they operate in a defined market (Hall, 2002).

The RBV also contends that sustained competitive advantage will accrue from access to resources that are rare, valuable, inimitable and incapable of substitution (Armstrong & Duncan, 2004). This proposition depends on certain unstated assumptions, one being that the organization's environment is sufficiently stable to allow characteristics like rarity and value to be consistently significant and another being that a firm knows what resources competitors possess and consciously tries to imitate or find substitutes for resources perceived as giving another firm a competitive advantage (Armstrong & Duncan, 2004).

The RBV's point of departure from earlier approaches to strategy studies arises from its focus on the firm's internal resources as the source of its strategic thrust, whereas other perspectives regarded the firm's resources as things that could be acquired or modified at will to accommodate the external requirements of the environment in which the firm operated. To That is, the RBV shifts the emphasis in strategic decision-making from market positioning considerations to internal (Taylor & Hall, 2002). The RBV is one of the most widely accepted theoretical perspectives in the strategic management field and has played an increasingly important role in scholarly consideration of Strategic Human Resource Management

Empirical Literature Review

Cost Leadership

Wal-Mart Stores Inc. has been successful using its strategy of everyday low prices to attract customers (Scilly, 2011). The idea of everyday low prices is to offer products at a cheaper rate than competitors on a consistent basis, rather than relying on sales. Wal-Mart is able to achieve this due to its large scale and efficient supply chain. They source products from cheap domestic suppliers and from low-wage foreign markets. This allows the company to sell their items at low prices and to profit off thin margins at a high volume.

McDonald's in the restaurant industry is known for yielding low margins that can make it difficult to compete with a cost leadership marketing strategy (Scilly, 2011). McDonald's has been extremely successful with this strategy by offering basic fast-food meals at low prices. They are able to keep prices low through a division of labor that allows it to hire and train inexperienced employees rather than trained cooks. It also relies on few managers who typically earn higher wages. These staff savings allow the company to offer its foods for bargain prices.

Southwest Airlines in the airline industry has typically been an industry where profits are hard to come by without charging high ticket prices. Southwest Airlines challenged this concept by marketing itself as a cost leader (Scilly, 2011). Southwest attempts to offer the lowest prices possible by being more efficient than traditional airlines. They minimize the time that their planes spend on the tarmac in order to keep them flying and to keep profits up. They also offer little in the way of additional thrills to customers, but pass the cost savings on to them.

The focus of firms implementing a cost leadership strategy is on stringent cost control and efficiency in all areas of operation (Porter, 1980). A company that decides to follow a cost leadership strategy has the objective of being able to realize its offer at lowest possible cost. The competitive advantage of cost leadership is achieved by performing important value chain activities at lower cost than competitors (Porter, 1985). Cost Leadership tends to be more competitors oriented rather than customer oriented (Frambach, et. al, 2003). Cost leadership requires a strong focus on the supply side as opposed to the demand side of the market, as this requires a high level of competitor orientation (Day & Wendley, 1988). Therefore, firms pursuing a cost leadership strategy must continuously benchmark themselves against other competing firms in order to assess their relative cost (and therefore profitability) position in market place. A firm that pursues cost leadership strategy achieves a low-cost position by emphasizing on "aggressive construction of efficient-scale facilities, vigorous pursuit of cost reductions from experience, tight cost and overhead control, avoidance of marginal customer accounts, and cost minimization in areas like research and development (R&D), services, sales force, advertising (Porter, 1980).

The cost leadership strategy is the basis for the long-run, sustainable competitive strategy compared to the price competition strategy. The price competition strategy is easily duplicated (Porter, 1980; Ellis & Kelley, 1992). In the retail business industry, for example (Giant supermarket and Carrefour), companies strive for cost leadership strategy; all sources related to cost reduction must be exploited. A retail business company must minimize cost throughout its value chain (and possible intercompany chain) activities. Therefore, the most important issue for the retail business company is to pinpoint the sources which are related to the Cost of Goods Sold (COGS). Large retail business companies usually achieve cost leadership more easily than smaller retail companies, because large retail business companies usually have power over suppliers which enable them to secure low procurement prices for purchased goods (Ellis & Kelley, 1992; Anderer, 1997).

For bus companies with a large fleet of buses, the owners can bargain on input costs namely; fuel prices, cost of lubricants, and cost of spares for maintenance in order to reduce operating costs and increase their profit margins. Datuk Tony Fernandez as CEO of Air Asia Berhad said his philosophy is very clear: before a business can grow, it needs to have its costs under control. It must be cost-efficient, reliable and profitable, and it must create value. Air Asia is currently a market leader in Low Cost Carrier (LCC) in Malaysia, Thailand, and Indonesia.

Differentiation Strategy

According to Pearce & Robinson (2011), differentiation strategy is a business strategy that seeks to build competitive advantage with its product or service by having it “different” from other available competitive products based on features, performance, or other factors not directly related to cost and price. The difference would be one that would be hard to create and/or difficult to copy or imitate.

A survey done by Kamau (2006) on operations strategies pursued by interurban PSV bus companies in Kenya established that, PSV bus firms acknowledge that operations based strategies enhance the competitive capability of the firms by contributing to the long term business performance and success. The study also found that, the competitive priorities on which PSV bus firms compete in their order of rank were: (1) Timeliness, (2) Cost, (3) Reliability, (4) Quality (6) Customer care, (7) Service quality, (8) Flexibility and (9) Fare Incentives.

The generic of differentiation strategy involves creating a market position that is perceived as being unique industry-wide and that is sustainable over the long run (Porter, 1980). Such differentiation can be based upon design or brand image, distribution, and so forth (Frambach et. al, 2003). In particular, differentiator firms create customer value by offering high-quality products supported by good service at premium prices (Walker & Ruekerts, 1987). The effectiveness of differentiation strategy depends on how well the firm can balance product benefits and product costs for the customer, relative to competitive offerings (Slater & Olson, 2001). Companies following a differentiation strategy strive to create and market unique products for varied customer groups. They aim to create a superior fulfilment of customer needs in one or several product attributes in order to develop customer satisfaction and loyalty, which can often in turn be used to charge a minimum price for the products (Morshett et al., 2006).

A firm that pursues a differentiation strategy seeks to create a perception in the minds of customers that their products or services possess superior characteristics that are unique from those of its competitors in terms of image and reputation, reliability, design features and quality (Dean & Evans, 1994; Sashi & Stern, 1995). A firm creates this perception by incorporating real qualitative difference in its products and services, engaging in advertising programs, marketing techniques, and charging premium prices (Miller, 1986). According to Acquaah & Ardekani (2006), differentiation firms are able to achieve competitive advantage over their rivals because of the perceived uniqueness of their products and services. Porter (1980) stated that, competitive strategies deal with the development of attributes that characterize a company and differentiate the value it creates and offers in comparison to its competitors in the market place.

Focus Strategy

The generic strategy of focus rests on the choice of a narrow competitive scope within an industry. The focuser selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others (Porter, 1985).The focus strategy has two variants: - in cost focus a firm seeks a cost advantage in its target segment, while in differentiation focus a firm seeks differentiation in its target segment. Both variants of the focus strategy rest on differences between a focuser's target segment and other segments in the industry (Porter, 1985). The target segments must either have buyers with unusual needs or else the production and delivery system that best serves the target segment must differ from that of other industry segments (Porter, 1985). Cost focus exploits differences in cost behavior in some segments, while differentiation focus exploits the special needs of buyers in certain segments (Porter, 1985).

According to Porter (1985), the firm focuses its marketing effort on serving a defined, focused market segments with a narrow scope by tailoring its marketing mix to these specialized markets, it can better meet the needs of that target market. The firm typically looks to gain a competitive advantage through product innovation and/or brand marketing rather than efficiency. It is most suitable for relatively small firms but can be used by any company.

A focused strategy should target market segments that are less vulnerable to substitutes or where a competition is weakest to earn above-average return on investment. According to Kotler (1997), the focus strategy has two variants: (a) In cost focus, a firm seeks a cost advantage in its target segment, It exploits differences in cost behavior in some segments. For instance, Southwest Airlines, famous for its low cost focus follows basically a linear route structure. It only flies one type of airplane and it wants to stay in high-density markets and has been highly efficient. (b) Differentiation focus a firm seeks differentiation in its target segment. It exploits the special needs of buyers in certain segments. Ferrari, targets high performance sports car segment and due to differentiation based on design, high performance and grand prix records which allows it to charge a premium price.

Combination of Generic Strategies

A hybrid strategy seeks simultaneously to achieve differentiation and low price relative to competitors. This success strategy depends on the ability to deliver enhanced benefits to the customers with low price while achieving sufficient margins for reinvestment to maintain and develop bases of differentiation. This is, in fact, the strategy Tesco is trying to follow (Explorer, 2010).

A best –cost provider strategy: giving customer more value for the money by offering upscale product attributes at a lower cost than rivals. Being the best cost producer of an upscale product allows a company to underprice rivals whose products have similar upscale attributes. This option is a hybrid strategy that blends elements of differentiation and low-cost in a unique way (Thompson et. al, 2012). According to Ireland (2011), most consumers have high expectations when purchasing a good or service. In general, it seems that most consumers want to pay a low price for products with somewhat highly differentiated features. Because of these customer expectations, a number of firms engage in primary and support activities that allow them to simultaneously pursue low cost and differentiation. Firm seeking of using this use the integrated cost leadership/differentiation strategy (Ireland et.al, 2011).

Differentiation enables the company to charge premium prices and *cost leadership* enables the company to charge the lowest competitive price. Thus, the company is able to achieve a competitive advantage by delivering value to customers based on both product features and low price (Learning, 2009).

Acquaah & Ardekani (2006) justified that the implementation of a combined competitive strategy is not only feasible, but will also generate superior incremental performance over the implementation of single competitive strategies. The implementation of a combined competitive strategy results in multiple sources of competitive advantage (e.g., economies of scale and brand/customer loyalty) as compared to advantages gained through pursuit of single competitive strategies. Moreover, the pursuit of a combined competitive strategy, and each of the single competitive strategies will generate superior incremental performance over the inability to successfully pursue any of the singular competitive strategies (i.e., stuck in the middle).

Furthermore, firms that pursue a differentiation strategy may also be able to achieve a low-cost position by emphasizing efficiency in their value creating activities, thereby further strengthening their competitive position vis-a-vis their rivals. The success of Japanese companies such as Toyota, Canon, and Honda has been attributed to the simultaneous pursuit of cost leadership and differentiation strategies (Ishikura, 1983).

An example of hybrid cost leadership/differentiation strategies is when Ray Kroch started McDonald's, he started with small, walk-up stores located in suburban areas. The stores, staffed by 3-4 people and open from 11:00 AM to 11:00 PM, offered only a very limited menu (hamburgers, cheeseburgers, French fries, shakes, and soft drinks). His target customers were primarily young people and young families. To attract customers, McDonald's offered low prices. Their hamburgers cost 10 cents. At that time, a hamburger in most restaurants cost between 25 and 50 cents. They also differentiated themselves by offering fast service (immediate availability of product). Rather than having customers wait while the food was prepared, it was always ready at McDonald's. Once you place your order, there was almost zero wait-time. This in contrast to their competition, where you had to place an order, wait while the food was prepared, wait to be served, and wait for your check. Thus McDonald's used a classic strategy. They focused on a specific type of customer, in a specific type of location, with a limited product line, minimizing their costs, and competing on the basis of price and fast service.

Competitive Advantage

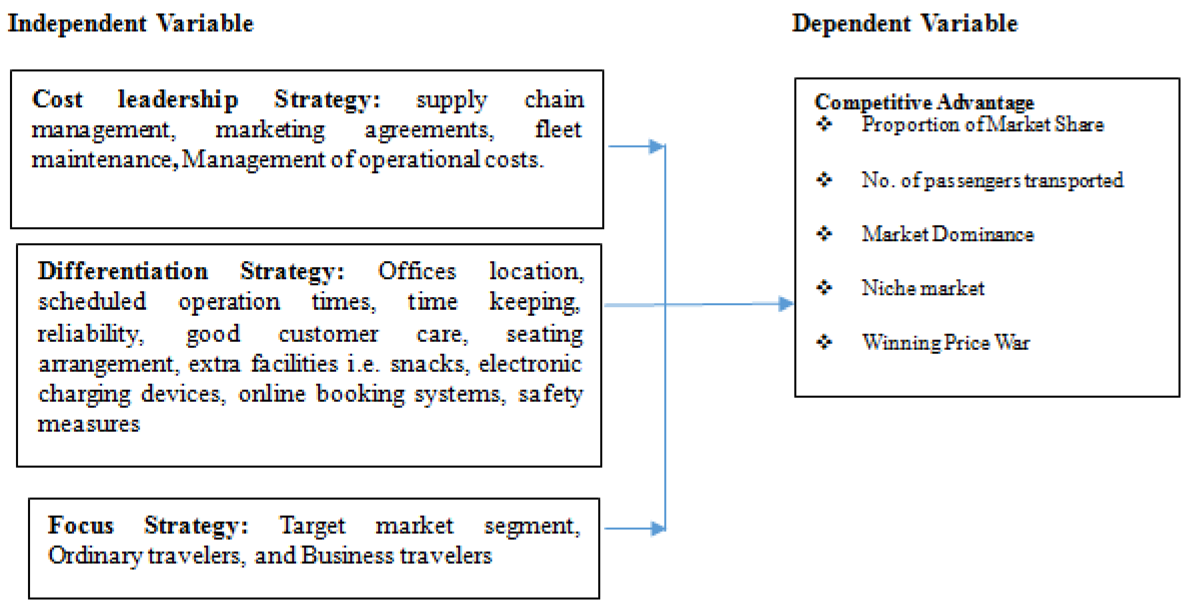
According to Simister (2011) competitive advantage is an advantage over competitors gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and service that justifies higher prices. A study of sources of competitive advantage for small independent neighborhood drugstore retailers was done by McGee and Love, (1999) and lessons derived. The retailers in this group focused primarily on developing and maintaining capabilities in cost control and tight control over pricing. These pharmacies can be said to compete with a cost-leadership generic strategy. The other capabilities received considerably less emphasis. The pharmacies were clustered in different categories which were; Cluster one representing small retailers who attempted to develop and maintain strengths in each of the four areas of distinctive competencies. These "well-rounded" retailers might be said to leave little to chance and did not ignore any major competency. Cluster two represented retailers who were the polar opposite of those in cluster one. Pharmacies labeled "lacks capabilities" do not make any concerted effort to develop or maintain any of the patterns of distinctive competencies. In cluster three-"promotion and presentation," firms placed a relatively greater emphasis on advertising, public relations activities, and store layout. Finally, the pharmacies in the fourth cluster, "control and cost containment," focused primarily on competencies involving cost containment and tight control over the store. These firms tended to compete primarily on price.

According to Aduda (2012), on his study on competitive strategies adopted by Petroleum Retail Stations in Mombasa, Kenya, all stations are applying some strategies for competition but most of them combine both the cost leadership and differentiation strategies at the same time, most of which are the multinationals due to their favorable financial capabilities. A few local companies and the independent owners mainly focus on price strategy and sell at lower prices.

Conceptual Framework

The purpose of this study is to develop a model to show the relationship between Porter's generic strategies and competitive advantage of a firm. Porter's generic strategies are the independent variables that influences the firm's competitive advantage which is the dependent variable in this study. This is diagrammatically illustrated in Figure 1.

Figure 1. Conceptual Framework



RESEARCH METHODOLOGY

Research Design

Mouton (1996) defines research design as a set of guidelines and instructions to be followed in addressing the research problem; the rationale for a research design is thus to help the researcher to plan and structure a research project in such a way that the eventual validity of the research findings is maximized through either minimizing or where possible, eliminating potential error. In addition, Mouton (1996) emphasizes that the overriding principle in the choice of the various techniques is that they must be appropriate for the task at hand.

The study was conducted by employing the descriptive method i.e. through collection of data in order to answer questions concerning the current status of the subjects in the study. Kotler and Armstrong (2001), observe that this method is the best suited for gathering information where the researcher wants to know about people's feelings, attitudes or preferences concerning one or more variables through direct questioning.

The model concept for the study was:

CA=f [IS=f (CLS, DS, FS)]. Where **CA** is the competitive advantage, **IS** is the integrated competitive strategies, **CLS** is the cost leadership strategy, **DS** is the differentiation strategy and **FS** is the focus strategy thereby implying that competitive advantage is a function of Porter's generic strategies.

Study Population

The population of the study consisted of all the 28 bus companies plying the Kisumu – Nairobi route. Since this was a census in which the entire population (56 in number) was covered, no sampling was required. All the route and operations managers for the bus companies were interviewed.

Data Collection

The primary data was obtained through questionnaires that were distributed to the respondents who will be the Operation Managers and Route Managers of the various bus companies charged with the responsibilities of identifying new routes and implementing strategies to increase turnover and profitability. Pilot testing was done through advance questionnaires distributed to Operation and Route Managers of leading bus companies namely; Easy Coach, Coastline Safari, Modern Coast, Guardian Angel and Mash Poa. The piloting was also done to pretest the survey questionnaire before using it to collect data. This helped me to identify questions that did not make sense to participants, or problems with the questionnaire that might led to biased answers. This guide explains how to conduct basic pretesting and piloting for a survey. The questionnaires were both open and close-ended questions and were administered to the respondents using hard copies delivered by hand.

Validity and Reliability

For a research study to be accurate, its findings must be reliable and valid. Reliability means that the findings would be consistently the same if the study were done over again. Validity refers to the truthfulness of findings.Construct Validity test which is a type of statistical validity that ensures that the actual experimentation and data collection conforms to the theory that is being studied will be used to test validity of the results. In particular, convergent validity test which ensures that if the required theory predicts that one measure be correlated with the other, then the statistics confirm this will be used to prove that all the independent variables in the study are correlated with the dependent variable.

A pilot study conducted before the actual survey confirmed that all the independent variables were positively correlated with the dependent variable thereby conforming to the theory under study. This is shown in the tables 1 to 4.

Table 1. Correlation between CLS and CA

Bus Co.	CLS (X)	CA(Y)	X2	Y2
Easy Coach	80	13	6400	169
K. Bus	80	2	6400	4
G. Angel	80	6	6400	36
Busways	0	3	0	9
C. Safaris	80	5	6400	25
Mash	80	4	6400	16
M. Coast	80	6	6400	36
	480	39	38400	295
		61920	6739	75452.68
	R	0.820647		

Table 2. Correlation between DS and CA

Bus Co.	DS (X)	CA(Y)	XY	X2	Y2
Easy Coach	91.67		1191.67	8402.78	169
K. Bus	16.67		33.33	277.78	4
G. Angel	75		450	5625	36
Busways	8.33		25	69.44	9
C. Safaris	91.67		458.33	8402.78	25
Mash	75		300	5625	16
M. Coast	100		600	10000	36
	458.33		3058.33	38402.78	295
			67758.33	6739	76385.62
	R		0.88737		

Table 3. Correlation between FS and CA

Bus Co.	IS (X)	XY	X2	Y2
Easy Coach	85.83	1115.83	7367.36	169
K. Bus	48.33	96.67	2336.11	4
G. Angel	77.5	465	6006.25	36
Busways	4.17	12.5	17.36	9
C. Safaris	85.83	429.17	7367.36	25
Mash	77.5	310	6006.25	16
M. Coast	90	540	8100	36
	469.17	39	37200.69	295
		64839.17	6739	74404.99
	r	0.871436		

Table 4. Correlation between IS and CA

Bus Co.	FS (X)	CA(Y)	XY	X2	Y2
Easy Coach	66.7	13	867.1	4448.89	169
K. Bus	33.3	2	66.6	1108.89	4
G. Angel	66.7	6	400.2	4448.89	36
Busways	33.3	3	99.9	1108.89	9
C.Safaris	66.7	5	333.5	4448.89	25
Mash	66.7	4	266.8	4448.89	16
M. Coast	66.7	6	400.2	4448.89	36
	400.1	39	2434.3		295
		52556.5	524862.4		59473.09
	r	0.883702			

The Pilot study yielded correlation coefficients of 0.821, 0.887, 0.871 and 0.884 for CLS & CA, DS &CA, FS & CA and IS & CA. The full data that was later collected from all the bus companies also confirmed the relationship as indicated in the experimental data that was collected through pilot study.

Data Analysis Approach

Data collected was analyzed using descriptive and inferential statistics to provide simple summaries about the observations that were made. This was done through use of means values, standard deviations, and frequencies. According to Mugenda and Mugenda (1999) descriptive statistics enable meaningful description of a distribution of scores or measurements using a few indices or statistics. Correlation analysis was used to prove that there exists a strong positive relationship between independent and dependent variables.

ANALYSIS AND DISCUSSION OF FINDINGS

Response Rate

The study sought to obtain data from a total of 28 bus companies plying the Kisumu – Nairobi route in particular the Operation Managers and Route Managers managing the various branch offices in Kisumu, Kenya. By the end of the study all the 28 bus company offices were visited, questionnaires distributed, interviews carried out with the targeted bus company staff and all the questionnaires completed and returned. The various branch Operation Managers and Route Managers indicated that they had served their companies in similar position for time lengths varying from one and ten years as further detailed in Table 5.

Table 5. Respondents Work Experience

Experience (Years)	Frequency	Percent	Cumulative Percent
0 – 2	14	25.0	25.0
3 – 5	19	33.9	58.9
6 – 8	17	30.4	89.3
8 – 10	6	10.7	100.0
Over 10	0	0	
Total	**56**	**100.0**	

Table 5 illustrates that majority of the branch Operation Managers had accumulated between 3 – 5 years of experience (33.9%). Another group of managers had accumulated 0 – 2 years (25.0%), 6 -8 years (30.4%) and 8 – 10 years (10.7%) of experience. The least group had worked for 8-10 years (10.7%), while none of the managers had worked for more than 10 years. Averagely, the work life experience in the units of analysis was found to be 4.6 years and this was considered sufficient to facilitate quality dissemination and informed topical opinion. This further shows that the average years of work experience fall in the cluster between 3-5 years age bracket.

Number of Passengers Transported during the Survey Period

The number of passengers transported by each bus company was analyzed to indicate the market share of each bus company. Market share signifies the strength of a company within the market it operates with regards to how much of the market clients or customers the company has in comparison to the competitors. It is the percentage of an industry or market's total sales that is earned by a particular company over a specified time period. Market share is calculated by taking the company's sales over the period and dividing it by the total sales of the industry over the same period. This metric is used to give a general idea of the size of a company to its market and its competitors.

Reibstein (2010) opines that market share is a key indicator of market competitiveness—that is, how well a firm is doing against its competitors. It helps managers evaluate both primary and selective demand in their market. That is, it enables them to judge not only total market growth or decline but also trends in customers' selections among competitors. Generally, sales growth resulting from primary demand (total market growth) is less costly and more profitable than that achieved by capturing share from competitors. Conversely, losses in market share can signal serious long-term problems that require strategic adjustments. Research has also shown that market share is a desired asset among competing firms, Greene (2007).

For the survey period, the various bus companies plying the Kisumu – Nairobi route have their market shares as detailed in Table 6.

Table 6. Market Share for Different Bus Companies

Bus Company	**Total No. of Passengers for Period (Oct.13 – May 14)**	**%age of Total No.**
Easy Coach	57448	13.1
Kenya Bus	8030	1.8
Guardian Angel	27797	6.3
Busways	11914	2.7
Coastline Safaris	19900	4.5
Mash Poa	19286	4.4
Modern Coast	26136	6.0
Kampala Coaches	13052	3.0
Eldoret Express	18132	4.1
Mbukinya	19034	4.3
Express Safari	17660	4.0
Western Express Coach	12784	2.9
Transline Classic	14232	3.3
GB Coach	15060	3.4
Matunda Bus	12732	2.9

Bus Company	Total No. of Passengers for Period (Oct.13 – May 14)	%age of Total No.
Crown Bus	15652	3.6
Starling Grand Bus	10316	2.4
Otange Bus	5284	1.2
Kisii Classic	6742	1.5
Horizon Coach Services	7596	1.7
Simba Coach	15652	3.6
Western Prestige	4944	1.1
Transmara Bus	17108	3.9
Star Bus	9988	2.3
Kawere Connections	15168	3.4
Desire Coaches	8820	2.0
Sentosa Coaches	15332	3.5
Sony Classic	12388	2.8
Total	**438187**	**100**

From Table 6, a total of 438,187 passengers commuted during the period under study. Easy Coach, Guardian Angel, Modern Coast, Coastline Safaris, and Mash Poa had the highest number of passengers at 13.1%, 6.3%, 6.0%, 4.5% and 4.4% of the total passengers respectively. Western Prestige, Otange Bus, Horizon Coaches, Kisii Classic and Kenya Bus had the lowest number of passengers at 1.1%, 1.2%, 1.5%, 1.7%, and 1.8% of the total passengers respectively.

Cost Leadership Strategy and Competitive advantage

From the study, the following Cost Leadership Strategies have been adopted by bus companies plying Kisumu – Nairobi route: Supply cost management through bulk purchase of maintenance spare parts, prior negotiated oil and fuel prices, marketing agreements with suppliers in which the bus companies market different products and in turn get rebated prices for the items (i.e. tires, oil), having own garages for maintenance of fleet, having service level agreements with auto garages for maintenance of fleet, fuelling at specific gas stations and in turn getting free and secure overnight parking space for the fleet.

The responses on cost leadership strategy is demonstrated in Table 7 for the various bus companies.

Table 7. Respondents feedback on Cost Leadership Strategy Employed

Cost Leadership Strategy	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Has put in place measures to contain operational costs.	26.8%	5.4%	23.2%	33.9%	10.7%
Bargains on fuel in advance and has fueling agreements with petrol stations.	25.0%	5.4%	21.4%	33.9%	14.3%
Buys spares in bulk and avoids off the counter purchase of spares	25.0%	7.1%	17.9%	28.6%	21.4%
Has own garages for fleet maintenance	25.0%	8.9%	17.9%	23.2%	25.0%
Carries out supply management practices	25.0%	7.1%	14.3%	26.8%	26.8%
Has marketing agreements with suppliers	23.2%	5.3%	17.9%	25.0%	28.6%
Average	**25.0%**	**6.5%**	**18.8%**	**28.6%**	**21.1%**

The study aimed at finding out cost leadership strategies the bus companies were utilizing. Through use of questionnaire and interview questionnaires administered to the research subjects, the researcher was able to collect data on various cost leadership strategies employed by these bus companies. The respondents were required to subscribe to one of each strategy by indicating the degree to which each strategy was being employed in their respective companies. The degree at which the strategy applied to individual company was indicated by answers such as-strongly agree, agree, neutral, disagree and strongly disagree and are displayed in table 7.

On average, 25% of the respondents strongly agreed that their companies adopted cost leadership strategy, 6.3% agreed, 18.8% remained neutral, 28.6% disagreed while 21.3% strongly disagreed. Table 8 shows the mean of bus companies using cost leadership strategy:

Table 8. Mean of Bus companies applying cost leadership strategy

Range	%age (P)	Mid-Point of range (M)	P*M
0 – 25	64.3	12.5	803.75
25 – 50	7.1	37.5	266.25
50 -75	3.6	62.5	225.0
75 -100	25.0	87.5	2187.5
Total	**100**		**3482.5**
Mean			**34.825**

From Table 8, the mean of bus companies that adopted cost leadership strategies was 34.82 %.

A low number of bus companies apply cost leadership strategy which is attributable to the fact that not so many managers in this industry appreciate the use of this strategy in their businesses. It also shows that most managers associate cost leadership strategy to inferior services hence it low acceptance rate. This conforms to the several potential drawbacks when competing on price as stated by Johnson, Scholes and Whittington (2008). The buses companies that adopted cost leadership strategy managed to contain their cost of operation which in turn enabled them to apply a wide range of differentiation strategy thereby making them more attractive than their competitors who had not adopted cost leadership strategy.

Differentiation Strategy and Competitive Advantage

From the study, the following Differentiation Strategies have been adopted by bus companies plying Kisumu – Nairobi route; accessible and secure office locations, scheduled operation times, time keeping and staying on schedule, reliability through ensuring availability of the buses at the scheduled time and location, good customer care through courteous handling of customers, updating customers on the new developments, having brand name, introducing 1x1 and 2x2 seat arrangement plans hence comfort to passengers, no hawking inside buses, serving snacks and drinks to customers, having sockets for charging electronic devices, introducing comfortable and adjustable seats, online booking system, putting safety measures in place. The responses on differentiation strategies is demonstrated in Table 9 for the various bus companies.

Table 9. Respondents feedback on Differentiation Strategy Employed

Differentiation Strategies	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Our offices are in secure and accessible locations.	19.6%	12.5%	46.4%	12.5%	9.0%
Our customers like our offices.	21.4%	10.7%	34.0%	23.2%	10.7%
We have seat arrangements that suits our customer needs	32.1%	0	16.1%	35.7%	16.1%
Our buses have extra services i.e. electronic charging sockets, internet, VCDS, snacks, online booking	12.5%	8.9%	12.5%	3.6%	62.5%
Our buses follow regular time schedules	32.1%	0	8.9%	3.6%	55.4%
Our staff are well trained on good customer relations	26.7%	5.4%	10.7%	17.9%	39.3%
Our fleet management has put passenger safety measures in place.	25.0%	5.4%	10.7%	14.3%	44.6%

On the application of differentiation strategies, Table 9, the respondents were required to subscribe to one of each strategy by indicating the degree to which each strategy was being employed in their respective companies. The degree at which the strategy applied to individual company was indicated by answers such as-strongly agree, agree, neutral, disagree and strongly disagree and the results displayed in Table 9.

The mean number of bus companies using differentiation strategy is shown in Table 10.

Table 10. Mean Number of Bus companies applying differentiation strategy

Range	**%age (P)**	**Mid-Point of range (M)**	**P*M**
0 – 25	50.0	12.5	625.0
25 – 50	14.3	37.5	536.25
50 -75	0	62.5	0
75 -100	35.7	87.5	3123.75
Total	**100**		**4285.0**
Mean			**4285.0/100 = 42.85**

From Table 10, the mean of bus companies that adopted differentiation strategy was 42.85%. Companies following a differentiation strategy strive to create and market unique products for varied customer groups. They aim to create a superior fulfilment of customer needs in one or several product attributes in order to develop customer satisfaction and loyalty, which can often in turn be used to charge a minimum price for the products (Morshett et al., 2006). The 3.6% bus companies that adopted all the differentiation strategies managed to create a superior fulfillment of their customer needs and they were all charging a premium prices for these for which their customers were willing to pay. By doing this, they managed to attract more passengers than their competitors plying the same route.

A firm that pursues a differentiation strategy seeks to create a perception in the minds of customers that their products or services possess superior characteristics that are unique from those of its competitors in terms of image and reputation, reliability, design features and quality (Dean & Evans, 1994; Sashi & Stern, 1995). A firm creates this perception by incorporating real qualitative difference in its products and services, engaging in advertising programs, marketing techniques, and charging premium prices (Miller, 1986).

According to Acquaah & Ardekani (2006), differentiation firms are able to achieve competitive advantage over their rivals because of the perceived uniqueness of their products and services. Porter (1980) stated that, competitive strategies deal with the development of attributes that characterize a company and differentiate the value it creates and offers in comparison to its competitors in the market place. It is worth noting that a segment of customers mainly business people form the majority of passengers. Bus companies adopted differentiation strategies targeted this segment and the survey has established that most of these passengers were convinced to pay the premium that came with the differentiated products.

Focus Strategy and Competitive Advantage

From the study, the following Focus Strategies have been adopted by bus companies plying Kisumu – Nairobi route; competition based on fare incentives, competition based on charging constant fare throughout the year, targeting particular class of customers. The responses on focus strategies is demonstrated in Table 11 for the various bus companies.

Table 11. Respondents feedback on Focus Strategy Employed

Focus Strategies	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Our companies compete with others based on fare incentives.	62.5%	5.4%	0	0	32.1%
Our company charges fare constant throughout the year.	30.4%	1.8%	0	1.8%	66.0%
Our company targets a particular class of travelers	23.2%	10.7%	3.6%	3.6%	58.9%

On the application of focus strategies, Table 11, the respondents were required to subscribe to one of each strategy by indicating the degree to which each strategy was being employed in their respective companies. The degree at which the strategy applied to individual company was indicated by answers such as-strongly agree, agree, neutral, disagree and strongly disagree.

The mean number of bus companies using focus strategy is shown in Table 12.

Table 12. Mean Number of Bus companies applying focus strategies

Range	%age (P)	Mid-Point of range (M)	P*M
0 - 25	0	12.5	0
25 - 50	67.9	37.5	2546.25
50 -75	32.1	62.5	2006.25
75 -100	0	87.5	0
Total	**100**		**4552.5**
Mean			**4552.25/100 = 45.525**

From Table 12, the mean of bus companies that adopted focus strategies was 45.525%.

Integrated Strategies and Competitive Advantage

The study established that a number of bus companies integrated Porter's generic strategies. Only 32.1% of the buses plying the Kisumu Nairobi route have adopted the integrated Porters' strategies in carrying out their business, while 67.9% of the buses have not. The mean number of bus companies using integrated strategies is shown in Table 13.

Table 13. Mean Number of Bus companies applying integrated strategies

Range	%age (P)	Mid-Point of range (M)	P*M
0 - 25	67.9	12.5	848.75
25 - 50	0	37.5	0
50 -75	0	62.5	0
75 -100	32.1	87.5	2808.75
Total	**100**		**3657.5**
Mean			**3657.5/100 = 36.575**

From Table 13, the mean of bus companies that adopted integrated generic strategies was 36.57 %. A combination (or integrated) competitive strategy involving high level of emphasis on both cost-leadership and differentiation strategies simultaneously should be distinguished from "stuck-in-the-middle" strategy where a firm fails to successfully pursue both cost-leadership and differentiation strategies (Acquaah & Ardekani, 2006). A combination strategy has been shown to be viable and profitable (Kim et al., 2004; Miller & Dess, 1993; Wright et al., 1991). Since cost-based and differentiation-based advantages are difficult to sustain, firms that pursue a combination strategy may achieve higher performance than those firms that pursue a singular strategy. Pursuit of a differentiation strategy for low-cost firms will help minimize their vulnerability due to reliance on cost-based advantages only (Ardekani & Nystrom, 1996).

Bus companies which adopted integrated strategies aimed at giving their customers more value for money by offering upscale product attributes at costs which marched the services. The survey established that from a total of 438,056 passengers who commuted during the period under study, Easy Coach, Guardian Angel, Modern Coast, Coastline Safaris, and Mash Poa had the highest number of passengers at 13.1%, 6.3%, 6.0%, 4.5% and 4.4% of the total passengers respectively. These bus companies adopted integrated strategies. Western Prestige, Otange Bus, Horizon Coaches, Kisii Classic and Kenya Bus had the lowest number of passengers at 1.1%, 1.2%, 1.5%, 1.7%, and 1.8% of the total passengers respectively. These bus companies that posted the lowest number of passengers were in the category of those that did not apply any of the strategies. It therefore implies that the adoption of integrated strategies gives one a competitive advantage over the rivals.

Correlation Analysis

This study aimed to prove that there exists strong positive correlation between the generic strategies put in place by the bus companies and competitive advantage.

Correlation between Cost Leadership Strategy and Competitive Advantage

This study used proportions obtained from survey results to analyze the correlation between cost leadership strategy and competitive advantage. This is presented in table 14. Regression analysis established the relationship between cost leadership strategy (CLS) and competitive advantage (CA) as CA=2.97+0.03CLS (B_i=0.03, B_o=2.97).

Table 14. Correlation between Cost Leadership Strategy and Competitive Advantage

	CLS (X)	CA(Y)	XY	X^2	Y^2
Easy Coach	80	13	1040	6400	169
Kenya Bus	80	2	160	6400	4
Guardian Angel	80	6	480	6400	36
Busways	0	3	0	0	9
Coastline Safaris	80	5	400	6400	25
Mash Poa	80	4	320	6400	16
Modern Coast	80	6	480	6400	36
Kampala Coaches	0	3	0	0	9
Eldoret Express	0	4	0	0	16
Mbukinya	0	4	0	0	16
Express Safari	40	4	160	1600	16
Western Express Coach	60	3	180	3600	9
Transline Classic	0	3	0	0	9
GB Coach	0	3	0	0	9
Matunda Bus	0	3	0	0	9
Crown Bus	80	4	320	6400	16
Starling Grand Bus	0	2	0	0	4
Otange Bus	0	1	0	0	1
Kisii Classic	0	2	0	0	4
Horizon Coach Services	0	2	0	0	4
Simba Coach	0	4	0	0	16
Western Prestige	0	1	0	0	1
Transmara Bus	0	4	0	0	16
Star Bus	0	2	0	0	4
Kawere Connections	0	3	0	0	9
Desire Coaches	0	2	0	0	4
Sentosa Coaches	0	4	0	0	16
Sony Classic	0	3	0	0	9
∑	660	100	3540	50000	492
r 0.549		33120	964400	3776	60345

The correlation coefficient between cost leadership strategy and competitive advantage is 0.549. This implies that there is a strong positive correlation between cost leadership strategy and competitive advantage thereby proving that having cost leadership strategy in place does give a firm competitive advantage. McDonald's has been extremely successful with this strategy by offering basic fast-food meals at low prices. They are able to keep prices low through a division of labor that allows it to hire and train inexperienced employees rather than trained cooks. It also relies on few managers who typically earn higher wages. These staff savings allow the company to offer its foods for bargain prices. This is consistent with Low Price Strategy in which a firm seeks to achieve a lower price than competitors whilst trying to maintain similar perceived products or service benefits to those offered by competitors hence able to attract customers as is the case with Equity Bank (Mukiri, 2012).

Correlation between Differentiation Strategy and Competitive Advantage

This study has used proportions obtained from survey results to analyze the correlation between differentiation strategy and competitive advantage. This is presented in table 15. Regression analysis established the relationship between differentiation strategy (DS) and competitive advantage (CA) as CA=3.42+0.01DS (B_i=0.01, B_o=3.42).

Table 15. Correlation between Differentiation Strategy and Competitive Advantage

Respondent	**DS (X)**	**CA(Y)**	**XY**	**X^2**	**Y^2**
Easy Coach	91.667	13	1191.7	8402.78	169
Kenya Bus	16.667	2	33.333	277.778	4
Guardian Angel	75	6	450	5625	36
Busways	8.3333	3	25	69.4444	9
Coastline Safaris	91.667	5	458.33	8402.78	25
Mash Poa	75	4	300	5625	16
Modern Coast	100	6	600	10000	36
Kampala Coaches	25	3	75	625	9
Eldoret Express	0	4	0	0	16
Mbukinya	0	4	0	0	16
Express Safari	83.333	4	333.33	6944.44	16
Western Express Coach	83.333	3	250	6944.44	9
Transline Classic	0	3	0	0	9
GB Coach	0	3	0	0	9
Matunda Bus	0	3	0	0	9
Crown Bus	75	4	300	5625	16
Starling Grand Bus	0	2	0	0	4
Otange Bus	0	1	0	0	1
Kisii Classic	0	2	0	0	4

Respondent	DS (X)	CA(Y)	XY	X^2	Y^2
Horizon Coach Services	0	2	0	0	4
Simba Coach	0	4	0	0	16
Western Prestige	25	1	25	625	1
Transmara Bus	0	4	0	0	16
Star Bus	0	2	0	0	4
Kawere Connections	0	3	0	0	9
Desire Coaches	0	2	0	0	4
Sentosa Coaches	0	4	0	0	16
Sony Classic	0	3	0	0	9
∑	750	100	4041.7	59166.7	492
		38167	1E+06	3776	64277
	r	0.594			

The correlation coefficient between differentiation strategies and competitive advantage is 0.594. This implies that there is a strong positive correlation between differentiation strategy and competitive advantage thereby proving that having differentiation strategy in place does give a firm competitive advantage. An example is Leslie Wexner, who offered a limited selection of clothes, so he called it the Limited. Leslie Wexner knows what women want (Fortune, August 1985). Since opening his first Limited in Columbus, Ohio in 1963, Les Wexner has refined the concept of identifying niche markets and serving them with differentiated products. This is consistent with RBV theory which is based on competitive advantage being derived from doing things differently, rather than matching some prescriptive best practice as is the case of Equity Bank (Mukiri, 2012). The results are also consistent with the empirical study of Phillips et al. (1983) indicating that there is a significant and positive relationship between relative product quality and relative market position. In other words, Phillips et al. found a positive relationship between differentiation and market share hence competitive advantage. There is further empirical evidence to support the differentiation strategy (Pearson, 1999). Hall (1980) investigated sixty-four American companies and the findings of the study revealed that companies following a differentiation strategy had superior performance compared to those companies that were not following the same.

Correlation between Focus Strategy and Competitive Advantage

This study has used proportions obtained from survey results to analyze the correlation between focus strategies and competitive advantage. This is presented in table 16. Regression analysis established the relationship between focus strategy (FS) and competitive advantage (CA) as CA=3.13+0.01FS (B_i=0.01, B_o=3.13).

Table 16. Correlation between Focus Strategy and Competitive Advantage

Bus Company	**FS (X)**	**CA(Y)**	**XY**	**X^2**	**Y^2**
Easy Coach	66.7	13	867.1	4448.89	169
Kenya Bus	33.3	2	66.6	1108.89	4
Guardian Angel	66.7	6	400.2	4448.89	36
Busways	33.3	3	99.9	1108.89	9
Coastline Safaris	66.7	5	333.5	4448.89	25
Mash Poa	66.7	4	266.8	4448.89	16
Modern Coast	66.7	6	400.2	4448.89	36
Kampala Coaches	33.3	3	99.9	1108.89	9
Eldoret Express	33.3	4	133.2	1108.89	16
Mbukinya	33.3	4	133.2	1108.89	16
Express Safari	66.7	4	266.8	4448.89	16
Western Express Coach	66.7	3	200.1	4448.89	9
Transline Classic	66.7	3	200.1	4448.89	9
GB Coach	33.3	3	99.9	1108.89	9
Matunda Bus	33.3	3	99.9	1108.89	9
Crown Bus	66.7	4	266.8	4448.89	16
Starling Grand Bus	33.3	2	66.6	1108.89	4
Otange Bus	33.3	1	33.3	1108.89	1
Kisii Classic	33.3	2	66.6	1108.89	4
Horizon Coach Services	33.3	2	66.6	1108.89	4
Simba Coach	33.3	4	133.2	1108.89	16
Western Prestige	33.3	1	33.3	1108.89	1
Transmara Bus	33.3	4	133.2	1108.89	16
Star Bus	33.3	2	66.6	1108.89	4
Kawere Connections	33.3	3	99.9	1108.89	9
Desire Coaches	33.3	2	66.6	1108.89	4
Sentosa Coaches	33.3	4	133.2	1108.89	16
Sony Classic	33.3	3	99.9	1108.89	9
∑	1233	100	4933.2	61108.9	492
		14830	190760.8	3776	26839
	r	0.553			

The correlation coefficient between focus strategies and competitive advantage is 0.553. This implies that there is a strong positive correlation between focus strategy and competitive advantage thereby proving that having focus strategy in place does give a firm competitive advantage. Les Wexner's primary target customer for the Limited has been a fashion-conscious woman (frequently a business woman) who has a variety of needs in her wardrobe. The key term is fashion-conscious. The Limited has targeted women who want the latest designer looks, but at a price the working woman can afford. The Limited sells private label clothes with the most contemporary look (Wexner dislikes the term knock-offs) at a fraction of the prices charged by the designer shops. Speed is the critical element in Wexner's strategy. Locally, Equity Bank initially relied on low end customers to build its customer base thereby giving it competitive advantage over rivals. This is also consistent with Porter's theory of focusing on a target segment where a firm's services would be valued by the customers, a theory applied by Equity Bank to build a large customer base (Mukiri, 2012). This strategy provides the company the possibility to charge a premium price for superior quality (differentiation focus) or by offering a low price product to a small and specialized group of buyers (cost focus). Ferrari and Rolls-Royce are classic examples of niche players in the automobile industry.

Correlation between Integrated Strategies and Competitive Advantage

This study has used proportions obtained from survey results to analyze the correlation between integrated strategies and competitive advantage. This is presented in table 17. Regression analysis established the relationship between integrated strategies (IS) and competitive advantage (CA) as CA=2.65+0.04IS (B_i=0.04, B_o=2.65).

Table 17. Correlation between IS and CA

Respondent	**ICLS (X)**	**CA(Y)**	**XY**	**X^2**	**Y^2**
Easy Coach	85.833	13	1115.833	7367.36	169
Kenya Bus	48.333	2	96.66667	2336.11	4
Guardian Angel	77.5	6	465	6006.25	36
Busways	4.1667	3	12.5	17.3611	9
Coastline Safaris	85.833	5	429.1667	7367.36	25
Mash Poa	77.5	4	310	6006.25	16
Modern Coast	90	6	540	8100	36
Kampala Coaches	12.5	3	37.5	156.25	9
Eldoret Express	0	4	0	0	16
Mbukinya	0	4	0	0	16
Express Safari	61.667	4	246.6667	3802.78	16
Western Express Coach	71.667	3	215	5136.11	9
Transline Classic	0	3	0	0	9
GB Coach	0	3	0	0	9
Matunda Bus	0	3	0	0	9
Crown Bus	77.5	4	310	6006.25	16
Starling Grand Bus	0	2	0	0	4
Otange Bus	0	1	0	0	1
Kisii Classic	0	2	0	0	4

Respondent	ICLS (X)	CA(Y)	XY	X^2	Y^2
Horizon Coach Services	0	2	0	0	4
Simba Coach	0	4	0	0	16
Western Prestige	12.5	1	12.5	156.25	1
Transmara Bus	0	4	0	0	16
Star Bus	0	2	0	0	4
Kawere Connections	0	3	0	0	9
Desire Coaches	0	2	0	0	4
Sentosa Coaches	0	4	0	0	16
Sony Classic	0	3	0	0	9
∑	705	100	3790.833	52458.3	492
		35643	971808.3	3776	60577
	r	0.588			

The correlation coefficient between integrated strategies and competitive advantage is 0.588. This implies that there is a strong positive correlation between Porter's integrated strategies and competitive advantage. Equity Bank has leveraged the integration of Porter's generic strategies to gain competitive advantage by allowing free opening of bank accounts, making it services unique and targeting various segments of the customers.

CONCLUSION

The survey established that there is a strong positive correlation between Porter's generic strategies and competitive advantage with coefficients of 0.549, 0.594, 0.553 and 0.588 for Cost Leadership Strategy & Competitive Advantage, Differentiation Strategy & Competitive Advantage, Focus Strategy &Competitive Advantage and Integrated Strategies & Competitive Advantage respectively. This implies the adoption of these strategies gave the bus companies competitive advantage over their rivals as confirmed by the high number of passengers attracted to the companies with these strategies in place. Out of the 438,187 passengers who commuted during the survey period, 150,567 of them travelled using four of the buses that adopted integrated strategies. A further 32.2% (141,054) commuted with buses which adopted either cost leadership or differentiation strategies. Half of the bus companies, 14 in number which did not adopt either of strategies or combination of the strategies shared the remaining 33.4% (146,566) of the passengers.

From the findings, the survey established that out of the 28 bus companies plying the Kisumu – Nairobi route, 34.825% adopted cost leadership strategy only, 42.85% adopted differentiation strategy only, 45.525% adopted focus strategy only while 36.575% adopted integrated strategy only. From the survey findings, more bus companies adopted differentiation strategy than cost leadership strategy, focus strategy and integrated strategies.

The outcome of the study supports Miller and Friesen (1986) empirical taxonomy of business level strategies in which they also found out that the cluster of business units that show distinct competencies in the areas of differentiation, cost leadership and focus dramatically outperform all the others. Porter's generic strategies are positively related to competitive advantage so that if a firm employs the use of these strategies in managing its business, it will gain competitive advantage over its rivals as confirmed by the results of the study. Pursuing cost leadership strategy through cost reduction sometimes leads to customers' perception of associating low price to low quality. However the study has proved that putting in place an effective cost leadership strategy in place attracts customers thereby leading to competitive advantage. This applies to the other generic studies as well. Equity Bank leveraged on Porter's generic strategies to attract numbers thereby making the bank one of the leading banks in the market in Kenya.

RECOMMENDATIONS OF THE STUDY

In order to gain competitive advantage over rivals in a business environment, companies have to put in place well thought out strategies. These strategies must conform to the industry in which the company operates.

Over half of the bus companies plying Kisumu – Nairobi route have no single strategy in place to attract passengers. They operated with the season by charging very high fares during high seasons and low fares during low seasons. These companies concentrate only on fare incentive which is basically the demand side of competition which in turn cannot give one a competitive edge over their rivals as it is easily imitated or can easily be copied by rivals.

The study established that by aggressively pursuing integrated Porter's generic strategies, companies save cost thereby giving them leverage to introduce a wide range of differentiated services. The introduction of a wide range of differentiated services makes them more attractive hence giving them competitive edge over their rivals.

The study therefore recommends that bus companies should adopt Porter's generic strategies in order to attract high number of passengers and make the road passenger transport industry more attractive and competitive.

LIMITATIONS & FURTHER RESEARCH

The study was conducted among the 28 bus companies plying the Kisumu – Nairobi route but was largely limited to the data, views and opinions from the Operation Managers based in

Kisumu. This participation left out quite a number of stakeholders like the commuters themselves and head office staff of the various bus companies. In addition, this industry being problematic requiring proper streamlining, it needs a long period of time to conduct in-depth survey/study covering all the different service providers in the industry, establishing various strategies used and developing broad based strategies that would help the road passenger transport industry comparable with the others like rail and airline industry.

The study further recommends that a more comprehensive study be done to link integrated strategies to the performance of bus companies and the long term sustainability of their businesses. The study also recommends that a research be done to establish why more bus companies prefer to use differentiation strategy than cost leadership strategy and integrated strategies.

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