

COMPETITIVE STRATEGIES AND THE PERFORMANCE OF MATATUS IN THE PUBLIC SERVICE TRANSPORT SECTOR IN NAIROBI CITY COUNTY, KENYA

Obondi Evans Malit

Master of Business Administration (Strategic Management), Kenyatta University,
Kenya

Shadrack Bett

Department of Business Administration School of Business, Kenyatta University,
Kenya

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ABSTRACT

The transport sector in Kenya is characterized by non-conformance to regulations, poor infrastructure, high costs, poor safety and inefficiency aggressive competition for passengers on the road, unsafe operations, a low level of service, unfair labour practices, and inadequate management and crew experience and training all of which affect the performance of PSV's in Kenya. The objectives of this study were to establish the effect of competitive strategies on the performance of the public service vehicles sector within the transport industry in Kenya. This study was guided by three theories of strategic management these are the resource based theory, competitive advantage theory and agency theory. This study adopted a descriptive research design. This study focused on matatus in Saccos that ply three routes in Nairobi namely Mombasa Road, Jogoo Road and Industrial Area. The target population of this study was 236 vehicles that ply the three routes in Nairobi City County. The study targeted 130 matatus in Rembo Shuttle Sacco, 56 matatus in County Link Sacco and 50 matatus in Umoinner Sacco. Specifically it considered drivers conductors and the owner or manager. From the above population a sample of 30% was taken using Census and stratified random sampling. In this study, researcher administered questionnaires were distributed to respondents. Content validity was used and pilot study was used n to ascertain if the questionnaire was reliable involving the sampled respondents. Methods of descriptive statistics which were employed in the study

include mean and standard deviation. Charts and graphs were presented using statistical package for social sciences (SPSS) version 20.0. The relationship between the independent and dependent variable was shown using both regression and correlation analysis. Analysis of variance was also used to test the level of significance on the relationship between each of the independent variables and the dependent variable at 95% confidence level. The results from the multiple regression analysis indicated that all the variables had a positive correlation with the PSV performance. The p values also indicate that all the variables, are significant at 0.05 level of significance. Cost leadership has a p-value of 0.000, differentiation strategy has a p-value of 0.000, and focus strategy has a p-vale of 0.017 while unique competencies have a p-value of 0.002. R2 of .77 was obtained thus the variables explained 77% of the variation in PSV performance. The study recommends that in applying cost leadership strategy, PSVs in Nairobi city county, need to focus on efficiency since many clients prefer using the buses that are fast and under very favorable prices. Secondly, while applying the unique competencies strategy, PSVs in Nairobi City County need to take competence as the foremost when it comes to hiring experienced personnel. Thirdly, If PSV uses the focus strategy; it must tailor its services to satisfy the segment being targeted. Finally while using differentiation strategy, PSVs can take advantage of the current situation and offer differentiated services to clients who are willing to pay more for comfort, peaceful rides with soothing mellow music, polite

attendants and drivers who observe traffic rules.

Key Words: *competitive strategies, performance, matatus, public service transport sector, Nairobi City County, Kenya*

INTRODUCTION

Bronzo (2013) observes that performance is the end result of something of a business nature, usually determined after a certain financial season, to assess the success of the institution. Financial reports form the basis on how the existing resources can be used by a business to build its profit and income portfolio. Monitoring the financial progress of a business is important in foretelling how best to improve certain areas, as well as if the business is feasible. It can also be used to tell the position of a business in regards to other businesses of the same nature. McHugh, Nickels and McHugh (2016) were of the view that the performance in the public service industry may be measured using the return on investment. Other measures include; new vehicles on the route, jobs produced in the public service sector each year, vehicle lifespan, Sacco expansion, and security in the sector.

Globally, it has been found that the key determinant of the performance of PSVs is the quality of services being offered (Jinca, 2014). Majority of the PSVs users have certain expectations regarding the service they are supposed to obtain from the operators. As they travel, customers have a tendency to compare the service being offered with what they expect. If the service being offered is different from their expectations, it causes dissonance. In India, the need for PSVs was prompted by an unprecedented upsurge in the urban population which estimated to be growing by 3% annually (Singh, 2012). Consequently, as at 2012, India recorded an all time high of 115 million vehicles on its roads. Singh (2012) observes that the performance of the PSVs industry is affected by enhanced commercial and industrial activities, rise in income per household, inhibited public transport structure, and the accessibility of motorized transport. There were long waiting periods especially during peak hours as passengers were overcrowded.

Performance of PSV in Kenya

Locally, Owino (2015) writes a review on the proficiency of a management team, the working environment and intensity of competition among the PSVs in Nairobi County. From the findings, it is apparent that a proficient management team, positive working environment and largely superior performance of a SACCO go hand in hand. The largely superior performance of a PSV SACCO can be credited to a meticulous and reliable team at the management echelon. Ndungo, Tobias and Florence (2016) threw their emphasis on the management of the business and entrepreneurial skills, policy outline, working environment and SACCO security issues that tend to affect the performance of SACCOs.

Koimur, Kangogo and Nyaoga (2014) conducted a study on the inclinations of commuters in PSVs whose capacity is 14 passengers, vis a vis other modes of public service transport within

Nairobi City County. Matatus as they are commonly referred are the 14-seater public service vehicles. According to the findings of the study, there were many factors that forced commuters to prefer the PSVs over alternative means of public transport. Such factors include the use of alternative routes, time taken from one place to another, the amount of money used when travelling, among others. Chumba and Mutinda (2017) assessed factors affecting performance of family owned matatu businesses in Nairobi, Kenya, and established a significant relationship between management style, entrepreneurship culture, financial access and technology adoption.

Competitive Strategies/Porter's Generic Strategies

Tanwar (2013) reveals that every business always strives to ride on its strengths to grapple with competition. Porter (1980) categorizes the strengths of a business into two areas, these are; differentiation or cost advantage. The application of these strengths in an expansive or restricted scope gives rise to three generic strategies. These strategies are the cost leadership, differentiation and the firm's ability to provide for its customers and generate a profit. Any slight change in each of these areas should compel a company to re-examine its position in the market.

Among the strategies that a company may opt to use in carrying out its business activities is the cost minimization and provision of services at the lowest prices. This approach is often referred to as the cost leadership strategy. Among the notable features of this approach are; focusing on the typical customer, Some of the characteristics of this leadership strategy include; targeting the average customer, minimization of the cost of production through the guidance of the historical knowledge, and augmenting the features of a service or a product through customization and value addition (Lecchner & Gudmundsson, 2014). One major benefit of using the cost leadership approach is that it offers protection to the business against any new entrant for the reason that the reduction of price can discourage the new entrant. On the other hand, the risk that is linked to this approach is that a competitor may leverage on technology to cancel out the cost reductions of a firm. Businesses also face the danger of imitation of technology and consequently it may lose its competitive advantage (Panwar, Nybakk, Hansen, & Pinkse, 2016).

A business may also opt to present products or services that have exceptional features and highly valued by the customers. This approach is often referred to as a differentiation strategy. The key benefit that is associated with the use of this approach is that it attracts premium pricing as a result of the outstanding features that a service or product has (Mwiti, 2016). The differentiation approach derives its benefits from the perceived quality by the customer. At times, the perceived quality possibly will be real or imagined. Among the things that makes a service or product exceptional is the technology employed customer care and product design. The second advantage with this approach is that some customers are inclined towards being very loyal to particular brands therefore insulating the company against the loss of usual clients and competition. According to Munyiri, (2014) whenever there is a rise in prices, they are often transferred to the customers, who, in many occasions, do not mind paying additional money for the brand they

have confidence in. Loyalty to one brand shields the business from firms presenting substitutes to their products. The key limitation with the differentiation approach is the lack of products variety (Tanwar, 2013).

Another approach that can be used by a business encompasses identifying a specific market to target within a market segment. This approach is called a focus strategy. In this strategy, the company's main focus will be to give the chosen target market an efficient and effective treatment. Under the focus approach, a business can use some elements of cost leadership and differentiation in order to be successful. The major advantage of this approach is that a business enjoys the benefits of monopoly as they are usually suppliers. Secondly, a business is able to build a strong customer loyalty that serves to put off new entrants and competitors. This approach also gives the business an opportunity to be very receptive to the need of their customers. The limitation of this approach is that it makes the business using it to be excessively reliant on its suppliers as it deals within credibly small capacities. There is also the likelihood of a business incurring high production costs due to its little purchasing capacity. It is also notable that such businesses carry on at the discretion of their customers in that, if the taste of its clientele were to change, then the company will be out of business. Another alternative according to Nyauncho and Nyamweya, (2015) is that a large company may decide to start focusing on a specific niche of clients, to the disadvantage of the small firm specializing in focusing.

Cost Leadership Strategies and Performance

The main aim of using this strategy is to reduce the operational costs of a company by ensuring that it offers the lowest prices in the market (Ndunge, 2012). This enables a business to enjoy the cost benefit with customers, for provision of similar services. In order for this approach to do well, certain measures must be taken which include; consistent hiring of skilled personnel to trim down the training costs of new recruits, making sure there are proper overhead controls, avoidance of marginal cost accounts, minimizing advertisement costs, among others. According to Chengeta, (2014), the main aim of this approach is to ensure that a particular company has the lowest rates when compared to the competitors in the same industry. This will in turn attract more customers leading to improved performance.

Differentiation Strategies and Performance

For a business whose main endeavour is to be superior to the competitors within the industry, this approach is the most effective. According to Masai, (2010), this can be attained by offering services to the customers that have exceptional features at a premium price. To be exceptional, the factors that matatu providers can offer to its customers include; seats that are more comfortable and with leg room, a serene and favorable ride to planned destination, speed, good organization, and ensuring the clients' safety. Most matatu businesses in Kenya do not provide the aforementioned factors as a whole. For instance most buses and matatus play extremely loud

music making the rides awfully uncomfortable for the clients, who already struggling with uncomfortable seats with extremely small leg room. This consequently calls for a need to address this situation.

Mwanzia, (2014) opines that any business can exploit the present situation by offering outstanding services to the customers who are prepared to pay more for comfort, nonviolent rides, relaxing smooth music, respectful attendants and drivers who strictly observe traffic rules. Such a company has a high likelihood of succeeding in Nairobi even with charging somewhat higher charges to clients. This notwithstanding, Barasa & Arasa, (2017) reveals that the major shortcoming of this approach though is that competitors can easily imitate the idea in a bid to survive. With premium pricing that comes with the differentiation approach, the matatu business can improve on its profit margins.

Focus Strategy and Performance

The focus approach is carried out when a business chooses a segment within the market through which it can effectively compete (Nguyen, 2017). Effective competition is dependent on the available resources of the particular company. By focusing on the existing resources the business can attain the expected revenues, profits and sales. The decision on which segment to focus on is contingent on the nature of a business (Goetsch & Davis, 2014). The public transport industry in Kenya as a case point focuses on cost, quality, brand, efficiency, and service. The cost portion of a focus approach isn't relevant to all markets. Nevertheless, in the markets where the cost portion of a focus approach is relevant, the business gets substantial profits. Muia, (2017) in his study states that when a business identifies a set of consumers who are on the lookout for the best prices, then the focus strategy can be useful, and the resources of the company can be utilized to ensure maximum profits and sales. This leads to improved performance.

Unique Competencies

A unique competency is a deep proficiency that helps a business in delivering unique service to its clientele. A unique competency encompasses the combined learning of an organization, principally when it comes to skill diversification in production (Jamali, El Dirani & Harwood, 2015). Unique competencies are responsible for the creation of competitive advantages of a company, which are sustainable. In addition, they offer help to the business in developing branches on an extensive variety of related markets. The critical test for an exceptional competency is its inability to be replicated by competing companies. Besides ensuring that the management is fully in control at all times, this approach ensures effective financial management. A proficient management team will guarantee a smooth running of a business. Additionally, a proficient management team should be capable of inspiring the employees so that they can put all their efforts towards ensuring the profitability of the company. According to

Kersiene & Savaneviciene, (2015) a competent management team ought to be clear in the communication of the core objectives and goals of the business to its employees.

Public Service Vehicle

Koimur & Nyaoga (2014), describes a PSV vehicle, fondly referred to as “matatu” in Kenya is a 14-seater Nissan Caravan. The Toyota Shark models have also been used in public transport services within Nairobi in the recent times. Another type of vehicle used is the 25-seater mini-buses, mainly the Isuzu model. These mini buses time and again charge higher fares due to the fact that passengers get to enjoy more comfort from the added cabins with additional space and special decoration to the vehicles. The name „matatu“ originated from the Swahili word „tatu“ which means „three“. When public transport services began in Kenya in the late 1960s, passengers used to pay three coins worth thirty Kenyan cents for a trip. From that time, matatu has been the most important means of transport in Nairobi town and the rest of Kenya (Klopp, 2014).

STATEMENT OF THE PROBLEM

Business performance is fundamental in examining the viability of any business venture thus managers must always come up with the right policies and strategies for the business to achieve good performance. According to Maura, (2014) the performance of the Kenyan matatu industry is below the expected and this stems from a number of issues that typifies the industry in Kenya. The Kenyan transport sector is typified by not enough infrastructure, soaring costs, poor safety and disorganization. Khayesi and Nafukho (2016) observes that the Kenyan matatu industry is characterized by recklessness and criminal acts so much that towards the ending of the 1990s, Kenyans perceived the matatu operators as thugs whose intention was to take advantage of and mistreat passengers. It is therefore worth to note that this has adversely affected the performance of the Matatu industry in Kenya as characterized by an upsurge in the number of private vehicles in Nairobi often used for transport to those going to various places of work. This has often called for the change of strategies and approaches used by the matatu businesses in Kenya to not only change its negative perceptions but also to improve its performance. Paratransit operators, have a lot of power derived from their links with government officials and business colleagues which they ride on to breach regulations. In some cases they make use of the power of strikes, moving back their vehicles from service. This results in adverse effects on the economy (Klopp, 2014) at the same time affecting their performance negatively. According to Koimur, Kangogo & Nyaoga (2014) there is an ever increasing struggle over the control of the routes used by matatus by certain informal groups, often resulting in violence. Another study by Bruun.et.al, (2015), observes that riding in Kenya's taxi vans is a death-defying experience as drivers fly down the roadways at very high speed, passing on blind bends, veering ferociously around potholes, making their way into filled lineups and dispersing panicking persons walking on foot with earsplitting effects from transplanted truck horns. The findings discovered that matatu were

viewed as unsafe. Klopp (2014) describes the menace in the Matatu industry as very deadly and therefore needs to be addressed. From his findings, the ill treatment of the passengers is very rampant and ranges from abuses, physical manhandling, theft, vulgar behavior, beatings, and sexual assault. (Kayi, 2016) opines that, paratransit has a lot of shortcomings that need to be addressed. These include; aggressive struggle for passengers on the road, precarious operations, poor services, unjust labor practices, and lack of productive associations with public authorities (Njoroge, 2015). This study was aimed at addressing the key problems affecting the performance of PSV's for instance; compliance with regulations, soaring costs of maintenance, reduced safety, and inefficiency, belligerent competition for passengers on the road, unsafe, poor services, unjust labor practices, insufficient management and crews' experience alongside training. The study was aimed at showing the connection between the competitive strategies used and the performance of the PSVs in Kenya.

GENERAL OBJECTIVE

The major objective of this research was to ascertain the effect of competitive strategies on the performance of the public service vehicles sector in Nairobi City County Kenya.

SPECIFIC OBJECTIVES

1. To examine the effect of cost leadership strategies on the performance of Public Service Vehicles within Nairobi City County.
2. To determine the influence of differentiation strategies on the performance of public service vehicles within Nairobi City County.
3. To ascertain the effect of focus strategies on the performance of public service vehicles within Nairobi City County.
4. To determine the effect of unique competencies on the performance of Public service vehicles within Nairobi City County.

THEORETICAL REVIEW

Competitive Advantage Theory

A business is considered to have a competitive advantage when the profit it makes surpasses the standard amounts of profits made by other businesses within the same industry (Porter & Heppelmann, 2014). The ultimate aim of most companies is not just to make profits but also to make profits that supersede that of its competitors. For this to happen, a business must take time to study and comprehend the customers and the market in which it operates in as well as its own competencies (Laszlo & Zhexembayeva, 2017).

One way in which a business can gain a competitive advantage is through its ability to provide products and services at a lower cost compared to its competitors. Another way in which a

business can gain a competitive advantage is through offering similar products and services but with outstanding features and charge slightly higher price than that of its competitors. Using this approach a business will be able to maximize on sales and profits while offering value to its clientele. The former approach is often referred to as cost advantage while the latter is referred to as differentiation advantage (Dobbs, 2014).

A business can make good use of its resources and capabilities to build a competitive gain which in the end results in creation of a better value. Each industry is influenced by five forces (Porter & Heppelmann, 2014). Porter's outline uses the concept from micro-economics to obtain the five factors that are answerable to building an edge in the market. The five factors are; the negotiating power of the supplier, the bargaining power of the customer, the threat of a competitor, the threat of a substitute product or service, and the greatness of competition within the industry. These five factors have the ability to affect the functioning of a business from how it makes profit to how it relates to its clients. Slight changes in any of these factors will require the business to do a reevaluation of its place in the market (Porter & Heppelmann, 2014). The relevance of this theory comes to the fore when it is used as a tool in analyzing competitiveness as well as the implications that are associated with it. The importance of the circumstances that lead to the creation of a firm cannot be undermined, as they also affect and reflect on the organization and management of a business.

Porter's Generic Competitive Strategies

Porter (1980) exposed the four generic competitive strategies that are useful for a business in the long term. These strategies include; cost leadership strategy, differentiation strategy, cost focus strategy and differentiation focus strategy.

Overall cost leadership strategy: The main focus of business that uses a cost leadership approach is to gain advantages through the reduction of its economic costs to a point that is greatly lower than the costs of its competitors (Barney, 1997). Cost leadership requires a business to aggressively utilize resources that are highly efficient, unrelenting execution of cost reductions, overhead controls, and prevention of marginal cost accounts and minimization of advertisement costs. Here, low costs relative to competitors become the idea running through the entire strategy as quality and other important factors are well taken care of (Porter, 1998).

According to Porter (1998), reasonably high market share, easy access to raw materials and high level of investment are the factors that are required by a business in order to achieve a low cost overall position. A leader in low cost position has the ability to charge lower prices while enjoying high profit margins. For this reason, it can defend itself from price wars to gain market share (Pearce and Robinson, 1997). A cost leadership approach is aimed at producing goods or services more cheaply than competitors by emphasizing on the most efficient scale of operation. The cost leadership approaches often used includes; investment in efficient activities, cost

controls and minimizing costs in areas of advertising and selling. Firms applying this strategy often sell outstanding product to the most typical customers in the industry. Once low cost is realized, the position provides high margins which can be re-invested in new equipment and modern facilities in order to maintain the cost leadership (Porter, 1998). It protects the firm against powerful buyers who can exert power to drive costs down and also against influential suppliers by providing more flexibility to deal with input costs increases. Additionally it places the firm in a favorable position compared to its competitors in the industry.

Cost leadership strategy is one of the independent variables in this study. The application of the porter's concept on cost leadership strategy was helpful in the study in examining the effect of cost leadership strategy on the performance of the PSVs in Kenya.

Differentiation strategies: According to Porter (1980), a differentiation approach aims at presenting a product or service with unique qualities that are not only highly cherished by customers but also that customers perceive to be dissimilar to the products of the competitors. For a business whose main endeavor is to be superior to the competitors within the industry, this approach is the most effective. According to Masai, (2010), this can be attained by offering services to the customers that have exceptional features at a premium price. New business strategies, organizational approaches, and new facilitating technology are being used by many forward thinking companies to constantly advance their performance. According to (Porter, 1980) a product can be made distinct in terms of the design, brand image, technology and dealers network. Nonetheless, this approach may foil the efforts made by a business towards gaining huge market share. A business can get compensated through the creation of devoted customers who are not price sensitive. This model was helpful in providing insights into the link between differentiation and performance which this study sought to find out within the context of the public service vehicles within the Nairobi city county.

Focus strategy: Under the focus strategy, a firm identifies and selects a segment or a number of segments through which it can focus. The idea is to achieve a cost advantage or differentiation advantages that put the firm ahead of its competitors. A focus strategy that is premised on low cost seeks to secure a competitive lead by serving buyers within the target market through the introduction of relatively low prices than rivals. On the other hand, a focus approach that is premised on differentiation advantages, seeks to make a distinction between one and a number of target market segments. For this reason, the firm recognizes the different needs of the customers in different market segments. According to Porter (1980) a firm that applies a focus strategy often enjoys a high degree of customer allegiance and this allegiance serves to discourage other firms from competing directly.

The porter's model on focus strategy provides useful insight into the link between the focus strategy and performance which this study seeks to determine. One of the objectives of this study was to identify the effect of focus strategy on the performance of PSVs within Nairobi City

County thus relying on the porter's model will help in understanding the relationship between focus strategy and performance of PSVs.

Resource Based View Theory: The resource-based view (RBV) is a business model that considers business resources as fundamental and more essential to the performance of a company. According to this model the business resources have the ability to improve competitive advantage of the business. With the guidance of this business model, it is essential that business owners focus its attention on the business and look for the resources that are able to bring more business, as opposed to focusing its attention outside the business at the competitive environment (Kozlenkova, Samaha and Palmatier, 2014). This situation implies that the owners of a business must focus on the existing resources; in this case the public service vehicles and examine various methods of utilizing them for maximum profits in carrying out their business activities.

For a business, it is much more viable to identify new opportunities by the use of the existing resources contrary to the acquisition of new resources to identify a new opportunity that arises (Lin and Wu, 2014). In the RBV model, the major role of achieving a higher organizational performance is contingent on the existing resources. Company's resources can be physical or non-physical. Physical resources comprise machinery, capital, equipment, and premises. Nonphysical resources include brand reputation, intellectual possessions and trademarks. The success of a business will be dependent on how well these resources are used.

This theory was relevant to the study as it sought to establish the link between the unique competencies and performance of PSV. The unique core competencies focus on the human resource aspect. As a resource employees within an organization must be developed to improve their unique competencies.

EMPIRICAL LITERATURE REVIEW

Many studies have been conducted on the performance of the Kenyan Matatu Saccos with an aim of ascertaining the measures that can be taken to improve the transport services in Kenya. This study considers some of the studies done in Kenya, which were beneficial to the objectives of this study. The previous studies on the Public transport system were found from various sources such as public libraries, private libraries, and internet searches among other sources. Journals, books, and previous research papers were also considered for research.

Cost Leadership Strategies on performance of matatus in Nairobi City County

Chengeta, (2014) carried out an inquiry on the outcome of cost leadership stratagems on the performance of the advertising companies. In this research a sample of 61 respondents was used as representative of the target population. The precise goals of the study were; to scrutinize the impact of vertical incorporation on market share, to ascertain the impact of business reorganizing on company's profitability and lastly, to assess whether outsourcing from cheapest supplier leads

to a reduction in the company's cost. The study relied on descriptive research to gain insight into the relationship between cost leadership and performance. From the findings, vertical integration was found to be central to the organization as it seeks to improve efficiency, which ultimately leads to cost reduction and thus improving financial performance. Outsourcing was also found to result in cost reduction. This study was helpful in the research as it gave some insight on how the cost leadership strategy can result in improved performance. Nevertheless, the main focus of the study was the advertising industry whose dynamics are much different from that of the transport industry. For this reason, the researcher focused on the public service vehicles with an aim of understanding the dynamics that result in change of performance.

Munyiri (2014) did a research on the relationship between competitive strategies and customer maintenance among the Kenyan commercial banks. Using a descriptive survey design, the study focused on 44 profit-making banks licensed by the central bank of Kenya. The statistics were obtained through administered questionnaires using the drop and pick later method. The study established a significant relationship between cost leadership strategies and customer maintenance. The study further found out that banks used low prices to target average customers. While the study was helpful in shedding light on the cost leadership strategies, its main focus was on the relationship between the cost leadership strategy and customer retention. This research thus aimed at establishing the relationship between the strategy and performance. Secondly, the study's main focus was the banking industry, where the factors surrounding the banking industry are much different from the public transport industry which this study focused on.

Nyauncho and Nyamweya, (2015) carried out an valuation of the relationship between Cost Leadership Strategy and the performance of Liquefied Petroleum Gas Companies in Eldoret town, Uasin Gishu County Kenya. In doing this, the study adopted Porter's cost leadership strategy. A survey design was used targeting a population of 175 employees with a sample size of 64. The research made use of questionnaires and interview schedule as data collection tools. From the findings, it became clear that the cost leadership strategies used by the company were, minimization of operational costs, procurement costs, labor costs and checking on its promotion activities. The research determined that, cost leadership impacts the performance of Liquefied Petroleum Gas Companies as it allows the business to set low prices of products, resulting in great volume of transactions as compared to the returns margin, upsurge in service provision, less return inwards, low costs of business and minimal wastage. The major limitation of the study is that it focuses only on the cost leadership strategies while this study focused on the joint effect of the marketing strategies on performance of PSVs in Kenya. Secondly, the study was narrowed down to petroleum gas companies. This study aims at filling this research gap by focusing on the Public service vehicles.

Differentiation Strategies on performance of matatus in Nairobi City County

Ndunge (2012) examined the strategies that horticultural export firms use in response to the competition challenges in Kenya. The key objective of the study was to bring an understanding on the challenges and the response strategies used in grappling with competition. Some of the challenges established included; competition for supplier source, and competition for warehousing facilities. Among the strategies identified as a response strategy was the differentiation strategy. While the differentiation strategy was examined, the relationship between the differentiation strategy and performance was not established. Secondly, the industry examined was the agricultural industry. This research thus aimed at filling these gaps by probing the consequences of differentiation strategy on the performance of the PSVs in Nairobi City County, Kenya.

Chege (2014), conducted a research on the competitive strategies adopted by Nakumatt Holdings to gain economic benefits over other competing departmental stores. Some of the tactics that Nakumatt Holdings employed include giving proper directions to clients, having tactical locations of their malls, as well as improved use of technology. Other characteristics that made Nakumatt Holdings have an edge over its competitors is the belligerent branch enlargement, modernization of services, branding and brand positioning, and a consolidated system of controlling and managing the quality of products sold to customers. The research was successful in identifying the influencing factors of the strategies used by the retail chain. One of the limitations of this study is that it failed to make note of the connecting factor between the strategies employed by the department store, and its performance. In this regard, this study seeks to fill this research gap within the context of the PSVs.

Mwanzia, (2014) did a research on effect of differentiation strategies on the market share of the tea export firms in Kenya. The study utilized a descriptive cross sectional survey design with a target population of 72 export tea firms in Kenya. Questionnaires were used to gather data. The results obtained from both the descriptive and inferential statistics indicated that differentiation strategies were used to a great extent by the tea export firms. The most adopted differentiation strategy was the value added products strategy while pricing was the least used. The study found a positive relationship between differentiation and market share of the tea export firms. The study was however limited to the tea export industry, whose factors are different from that of transport industry. Secondly the study narrows on the performance in terms of the market share alone. The research was thus aimed at examining the effect of differentiation in terms of the profitability which this study didn't focus on.

Focus Strategies on performance of matatus in Nairobi City County

Waema, (2013) researched on how the competitive stratagems engaged by the dairy firms in Kenya affect performance. The survey involved 15 dairy firms in Kenya. The variables

examined by the study were the cost leadership strategy and the focus strategy. Information was collected using personally administered surveys which were edited and coded. Descriptive statistics was used in the analysis of data whose presentation was made in percentages, frequency distribution tables and other descriptive statistics such as mean and standard deviation. The findings indicate that both the focus strategy and cost leadership strategy had a significant and positive effect on the performance of the dairy firms. While the focus strategy was considered in the study, the firms under study were in a different industry different from the transport industry hence the need to carry out the study within the context of the matatu industry.

Baraza, & Arasa, (2017) did a research on the effects of competitive strategies on performance of manufacturing firms in Kenya. The study used a qualitative and descriptive research design to investigate the link between the competitive strategies and performance. The employees of EABL at the top level management were the target population. Data was gathered with the help of questionnaires and interviews. The results from both descriptive and inferential statistics revealed that among the strategies used, focus strategy had a great influence on the performance of EABL. The study was carried out within the context of the manufacturing industry. This study was carried out within the context of the transport industry whose parameters are different from that of the manufacturing.

Muia, (2017) examined the effect of competitive strategies on the performance within the Kenyan insurance sector. Using a target population of 47 insurance companies in Kenya, registered under the Association of Kenya Insurance, the study utilized descriptive research design. The study used purposive sampling technique in selecting the employees from various departments working in the insurance companies. Among the variables examined in the study was the focus strategy and how it affects performance. The results obtained from the regression analysis revealed that there is a significant positive association between the focus strategy and performance of the insurance companies. While the study was useful to this research, the industry under focus was the insurance which is different from the Matatu industry. Thus to understand how the matatu industry in Kenya uses the focus strategy, this research examined its relationship with the performance of PSVs.

Unique Competencies on performance of matatus in Nairobi City County

Zaim, et..al, (2013) in their study sought to examine the effects of individual competencies on the performance in the services industries in Turkey. A survey research was conducted in this study. Data was collected with the use of questionnaires distributed to 3000 employees in 30 companies. An exploratory factor analysis was used to evaluate the impact of specific aptitudes on performance. Results from the study indicate that there was a positive association between competencies and individual performance. In addition, core competencies had the most noteworthy outcome on individual performance. In terms of the organizational performance, managerial competencies were the most noteworthy factor. This study was done in Turkey

whose economic conditions are different than that of Kenya. Secondly, the study was generalized in terms of the sectors targeted. This study focused specifically on the matatu industry which is within the transport industry.

Jabouri, & Zahari, (2014) focused on the impact of core competences on organizational performance as an important issue in Iraqi private banking sector. The target population of the study was ten private banks registered in Iraq, with a sample of 200 managers working in the selected banks. An organizer questionnaire was developed and self-reported to managers in 10 private banks, a sample of this study are 200 managers in these banks. The core competencies examined included; human resource and capabilities. A range of methods were used to analyses statistical data, and the results were extracted using SPSS. The result indicated a significant association between the core competences and organizational performance. The major limitation of the study was that it leaves out other unique competencies such as education levels, training levels, and professionalism which this study seeks to focus on.

Mwiti, (2016) in his study sought to determine the effect of leadership competencies on performance of Kenyan state corporations. Using a cross-sectional survey research design the study targeted 187 state corporations, with a sample size of 187 corporations. The sample size was arrived at using the stratified sampling technique and simple probability sampling. The study used primary data which was largely quantitative and descriptive in nature. Primary data was collected through questionnaire. Descriptive and inferential analysis was conducted to analyze the data. The findings revealed that all the leadership competencies had a positive a significant relationship with the financial performance of state corporations in Kenya. However, the scale of the influence was dissimilar for the specific leadership competencies. Social awareness leadership competency had the biggest effect followed by self-awareness leadership competency then social skills leadership competency and finally the self-management leadership competency. Further, the findings revealed that self-awareness leadership competency and social skills leadership competency had a positive a significant relationship with the non-financial performance of state corporations in Kenya while self-management leadership competency and social awareness leadership competency had a positive but insignificant relationship. While the study was helpful, other competencies like professionalism and training were left out thus this study aimed at establishing the effect of unique competencies like professionalism, educational levels and training on performance.

RESEARCH METHODOLOGY

Research Design

The study employed a descriptive research design. (Lewis, 2015) states that descriptive research design helps in discovering information that can build up correct character of a cluster. A clear overview includes finding solutions to questions often as a questionnaire from a substantial

group of people. Descriptive research design attempts to determine, describe and identify what is. It is also used when observing subjects in their natural set up. Descriptive research design was used in the study to describe the competitive strategies used in the Matatu industry to enhance its performance.

Target Population

Ikpeze (2015) defines target population as a selected sample from the total population in a universe. The population of interest was matatus in Saccos that ply three routes in Nairobi namely Mombasa road, Jogoo Road and Industrial area. The target population of this study was 236 vehicles that ply the three routes in Nairobi City County. The study targeted 130 matatus in Rembo shuttle Sacco, 56 matatus in County Link Sacco and 50 matatus in Umoinner Sacco. The target population was considered because of the ease of collecting data within the population. Secondly, the routes from the selected population were among the busiest in Nairobi's matatu sector. Specifically it considered drivers conductors and the owner or manager. Sample Size and

Sampling Procedure

The study employed both the stratified sampling and the census in selecting the sample. A sample of 30% was taken using Census and stratified random sampling which is the threshold agreed upon (Lewis, 2015). The population of the three Saccos plying the routes is relatively small thus the use of census. Since the population is not homogenous, stratified random sampling was used as a technique to draw a sample from the sampling frame.

Data Collection Instruments

In this study, the researcher administered questionnaires which were distributed to respondents. A survey was done to draw a generalized conclusion on the PSV's sacco performance in Nairobi City County. Questionnaires were used since the target informants were regarded as literate hence necessitating minimal interpretation as to how to fill in and provide adequate responses. The questionnaire had multiple sections reflecting the objectives of the study. Section A sought to establish general information of the respondents, Section B comprised of Cost Leadership Strategy, Section C comprised of Differentiation Strategy, Section D comprised Focus Strategy, Section E comprised of unique competencies and section F comprised of performance of the Public Service Vehicles. The use of structured questions was for the sole reason of ease of use on the respondents; hence take lesser time to fill. Additionally, they helped in an easier and faster analysis during interpretation and analysis of data.

Data Collection Procedure

After the approval of the research proposal by the university, the researcher did embark on data collection by contacting the Sacco management from the three matatu routes under study to seek

their approval to carry out research within their organization. Questionnaires were administered with the respondents being given two weeks to fill the questionnaires.

Data Analysis Techniques

After the data collection was done, the researcher summarized the responses in tables grouping them according to the variables under study. The data was then exported to the SPSS version 20 for analysis. This study used descriptive statistics which included the use of mean and standard deviation, which were presented in tables, charts and graphs. This study used inferential statistics such as regression and correlation analysis to show the strength of the relationship between the independent variables and dependent variable. This study used analysis of variance to test the level of significance on the relationship between each of the independent variables and the dependent variable at 95% confidence level. A multiple regression analysis was conducted to test the relationship between dependent and independent variables. The regression equation was:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \alpha$$

Where: Y= Performance of the PSV; Industry X1=Cost Leadership Strategy; X2=Differentiation Strategy; X3=Focus Strategy; X4=Unique Competencies; β_1 , β_2 , β_3 are coefficients of determination; α is the error term

RESEARCH RESULTS

The study used primary data obtained from the questionnaires to establish the connection between the competitive strategies and performance of PSVs in Nairobi City County. The response rate of this study stood at 91.5%, which indicate that the data gathered, was efficient for analysis and interpretation. The male respondents were 55 while the female respondents were 10. The data was analyzed using SPSS version 20. The results from descriptive statistics, showed that PSV performance had a mean of 3.5164 and standard deviation of 0.6709. Cost leadership strategy had a mean of 3.4770, standard deviation of 0.3006. Differentiation strategy had a mean of 3.5246, standard deviation of 0.2974. Focus strategy had a mean of 3.5533, standard deviation of 0.4445. Lastly, unique competencies had a mean of 3.4883, standard deviation of 0.3132. From the mean scores it is apparent that majority of the respondents do agree that competitive strategies have an effect on PSV performance.

A reliability test was also carried out with a cronbach alpha score test of 0.732 being obtained, which implies a good reliability of the data since this value is higher than the acceptable threshold of 0.70. A correlation test was also carried out and from the findings, none of the pair of association has r of more than 0.8 (64%) hence the variables had no multicollinearity problem. The model had an R-square value of 0.92 with an adjusted value of 0.77. The adjusted R-square value of 0.77 implies that the predictor variables explain 77% of the changes in the performance of PSV vehicles in Nairobi City County.

Finally, a regression analysis was carried out and the findings indicate that without the inclusion of the predictor variables, the PSV performance declines by 2.125. A unit increase in Cost leadership strategy results in a significant increase in the performance of PSVs by 1.073 times other factors held constant. Secondly, a unit increase in differentiation strategies results in an increase in PSV performance by 0.807 times other variables held constant. Thirdly, a one unit increase in Focus strategy results in an increase in the performance of PSVs by 0.259 times other variables held constant. Lastly for a unit increase in the unique competencies leads to an increase in performance of PSVs by 0.531 times other factors held constant. The p values also indicate that all the variables, are significant at 0.05 level of significance. Cost leadership has a p-value of 0.000, differentiation strategy has a p-value of 0.000, and focus strategy has a p-value of 0.017 while unique competencies have a p-value of 0.002.

INFERENCE STATISTICS

This research made use of the ANOVA statistics to find out the significance of the association between the performance of PSVs within Nairobi City County and the independent variables. The findings are presented in table 1 below.

Table 1: Analysis of variance

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	22.942	4	5.735	21.286	.000 ^b
Residual	31.525	61	0.269		
Total	54.467	65			

a. Dependent Variable: PSV Performance

b. Predictors: (Constant), Unique Competencies, Focus Strategy, Differentiation Strategy, Cost Leadership Strategy

From the findings, the model was significant with a p-value of 0.000 which implies that the model was good for estimation. The determination of coefficient (R²) was used to explain the percentage of variations in the dependent variable (PSV performance) that is attributed to the changes in the predictor variables (Cost leadership strategy, Differentiation strategy, focus strategy and unique competencies). The summary is shown in table 2 below.

Table 2: Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.96 ^a	.92	.77	.1532

a. Predictors: (Constant), Cost leadership strategy, differentiation strategy, focus strategy and unique competencies

b. Dependent variable: PSV performance

The model had an R-square value of 0.92 with an adjusted value of 0.77. The adjusted R-square value of 0.77 implies that the predictor variables explain 77% of the changes in the performance

of PSV vehicles in Nairobi City County. Regression model exhibits the relationship that exists between the dependent variables and the predictor variables. This section shows the results from ANOVA, model summary and the regression coefficients.

From the equation, in the absence of the independent variables, the performance of PSV decreases by 2.125. A unit increase in Cost leadership strategy holding other factors constant, results in the increase in the performance of PSVs by 1.073 times. The strategy was also found to be statistically significant at 0.05 level of significance. This finding is in agreement with a study by Chengeta, (2014) who carried out a research on the effect of cost leadership strategies on the performance of the advertising companies and found a positive correlation between the cost leadership strategies and performance. Secondly it agrees with the study by Nyauncho and Nyamweya, (2015) which found a positive correlation between Cost Leadership Strategy and the performance of Liquefied Petroleum Gas Companies in Eldoret town, Uasin Gishu County, Kenya.

Secondly, a unit upsurge in differentiation tactics leads to an growth in PSV performance by 0.807 times other factors held constant. The differentiation strategy was also found to be significant at 0.05 significance level with a p-value of 0.000. The finding is in agreement with the study by Ndunge (2012) which examined the strategies that horticultural export firms use in response to the competition challenges in Kenya. The study established that differentiation positively influences performance. Mwanzia, (2014) also established a significant effect of differentiation strategies on the market share of the tea export firms in Kenya.

Thirdly, with all the other strategies held constant, a one unit increase in Focus strategy results in a significant increase in the performance of PSVs by 0.259 times with a p-value of 0.017. The findings are consistent with the findings from a study by Baraza, & Arasa, (2017) which found a significant positive association between focus strategies and performance of manufacturing firms in Kenya. It is also consistent with the findings by Muia, (2017), which indicated that focus strategies do positively influence the performance of insurance companies.

Lastly for a unit increase in the unique competencies other factors held constant, leads to a significant increase in performance of PSVs by 0.531 times as shown by the p-value of 0.002 at 0.05 significance level. The results are in agreement with the findings by Zaim et al, (2013) which revealed a positive association between competencies and individual performance. In addition, core competencies had the most significant effect on individual performance. It is also in agreement with the study by Mwiti, (2016) who in his study established a positive relationship between the leadership competencies and performance of Kenyan state corporations. Finally the findings agree with the findings by Jabouri, & Zahari, (2014) who established that core competences had a positive impact on organizational performance in the Iraqi private banking sector.

CONCLUSIONS

The key objective of the research was to determine the effect of competitive stratagems on the performance of PSV's within Nairobi City County. The research constricted it down to four specific objectives focusing on the effect of cost leadership strategy, differentiation strategy, focus strategy and unique competencies on the performance of PSVs within Nairobi City County.

From the findings we can conclude that the cost leadership strategies have a significant positive effect on the performance of PSVs within Nairobi City County. This is revealed by the p value of 0.000 which is less than 0.05.

Secondly, from the study it was concluded that differentiation strategy has a significant positive effect on the performance of PSVs within Nairobi City County. This is revealed by the p value of 0.000 which is less than 0.05.

Thirdly, it was concluded that focus strategies have a significant positive effect on the performance of PSVs within Nairobi City County. This is revealed by the p value of 0.017 which is less than 0.05.

Lastly, it was concluded that unique competencies have significant positive influence on the performance of PSVs within Nairobi City County. This is revealed by the p value of 0.002 which is less than 0.05.

RECOMMENDATIONS

In applying cost leadership strategy, PSV's Sacco in Nairobi city county need to focus on efficiency since many clients prefer using the buses that are fast and under very favorable prices. While using differentiation strategy, PSV's Saccos can take advantage of the current situation and offer differentiated services to clients who are willing to pay more for comfort, peaceful rides with soothing mellow music, polite attendants and drivers who observe traffic rules.

Where the PSV Saccos use the focus strategy, it must tailor its services to satisfy the segment being targeted for instance many consumers are willing to pay extra money so as to have quality products and services. In this case, a company must put in the work to identify the market segments that are willing to buy or engage the services that have higher prices.

While applying the unique competencies strategy, PSV's Saccos in Nairobi City County need to take competence as the foremost concern when it comes to hiring experienced personnel to reduce costs of training new recruits, ensuring tight overhead controls, avoidance of marginal cost accounts as well as minimizing on advertisement costs, among others.

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