COMPETITIVE STRATEGIES FOR BUSINESSES TENDERING OPPORTUNITIES IN PUBLIC UNIVERSITIES IN KENYA

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DECLARATION

I declare that this is my original work and has not been presented in any other University or any other institution of higher learning for academic purposes.

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ABSTRACT

This study sought to identify competitive strategies used by privately owned business while competing for public tendering opportunities in Public Universities in Kenya. The study identified three main objectives pricing, quality of service and size of the firm as strategies for creating a competitive gain while competing for tendering opportunities in Chartered Public Universities in Kenya. To achieve its objectives the study adopted a descriptive design with quantitative approach where semi-structured questionnaires were administered. The target population was 149 suppliers of goods and services to Kenyan Public Universities in the Rift Valley, Central, Nairobi and the Eastern Regions. The data collected was analysed using Statistical Package for Social Sciences to generate descriptive and inferential data. A regression model was developed to establish the strength and direction of the relationship between the independent variables and implementation and the following coefficients were determined pricing - 0.119, Quality of service and 0.182 size of business 0.65. The study found out that pricing, quality of goods and services and the size of the business have an influence on the competitiveness of the business for public tendering opportunities. Further it is clear that quality of goods and services is the most important strategy used by business to secure tendering opportunities and any raise in price negatively affects the competitiveness of the business. The study recommends that firms that are seeking to compete for tendering opportunities in Public Universities should quote prices that are passive and within the market rates without compromising the excellence of the products being provided.

DEDICATION

This work is dedicated to my family, special dedications to my wife Margaret my daughter Colleen Njeri. May the Almighty grant you peace, joy, good health and long life

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ABBREVIATIONS AND ACRONYMS

ANOVA: Analysis Of Variance

CPU: Chartered Public Universities

GDP: Gross Domestic Product

NGO: Non Governmental Organizations

PPDA: Public Procurement Disposal Act 2005

PPDR: Public Procurement Disposal Regulations 2006

PPOA: Public Procurement Oversight Authority

SME: Small Medium Enterprise

VAT: Value Added Tax

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Procurement is defined as the activity of acquiring of commodities or services at the most advantageous cost in the accurate amount and quality. It comprises of the essential activities associated with the acquisition of materials, services and equipment used in the operation of an organization. The purchasing function has however become a much more sophisticated process and has much wider and deeper impact to the business performance. It is moving away from the short-term towards long-term; from a function to process; from transactional to relational; from cost saving to performance enhancing (Lu, 2011)

Procurement involves the activity of acquiring commodities in the most efficient manner with an aim of satisfying needs. Companies and businesses engage in procurement activities while acquiring the various resources required for running of the businesses such as equipments, raw materials, machinery among others. The purchasing process consists of six major steps that involve specifying, selecting, contracting, ordering, receiving and evaluation (Broek, 2013). These procurement activities determine how goods, services, or production will be outsourced. They will include the purpose to carry on competitive or non-competitive processes and applicable information in support of industrial and regional benefits or other national objectives (Lu, 2011). The strategy could be quite basic, such as the decision to use a standing offer, or could be more detailed, which would be used for major projects. The procurement strategy must satisfy the client's operational requirements and comply with legal requirements, while achieving best value, and advancing national objectives. (Gulam, 2011)

The procurement process not only involves the purchasing of commodities but also quality and quantity checks. Usually, suppliers are listed and pre-determined by the procuring company. This makes the process smoother, promoting a good business relationship between the buyer and the supplier. It is important that the goods or services procured are appropriate and that they are purchased at the lowest possible price to meet the needs of the purchaser in terms of quality and quantity, time, and location. The Kenyan economy can be characterized two major sectors namely the Public and the Private sectors. The private sector is characterized by privately owned businesses, corporations and companies that are owned by individuals and citizens (Lynch, 2007). On the other hand the Public sector consists of government bodies, institutions, departments and parastatals that are involved in the provision of essential services to the citizens. These include health, education, defense and infrastructure. In carrying out these functions, Government buys goods and services from the open market using public procurement processes. Resulting from the dynamic growth that have been experienced within the Kenyan economy in the recent past, it is becoming increasingly important for, practitioners, academicians and researchers to focus more on it. In any modern economy, the Government has been identified to be the biggest spender accounting for most of the revenue in the Gross Domestic Product (GDP). However, for the government to undertake its mandates, it has to outsource for supplies mainly from the private sector. The enlargement and development of the suppliers in the private sector transacting business with the government is as result highly dependent on the revenues derived from transactions with the government. Public procurement can therefore be defined as procurement by a procuring entity using Public funds (Wittig, 2002)

Due to the intensive competition for opportunities to provide goods and services to the public sector, outpacing strategies that offer several competitive advantages are increasingly necessary in order to satisfy the public sector consumers (Kotha, Rajgopal and Venkatachalam, 2004). A search of the trade and academic literatures, identified knowledge of customer needs as one of the key activities investors use to implement or support competitive strategy**.** The changing industry trends in the business environment such as increased competition, increasing size of bidders, shift in power structures and high proportion of cost of goods sold have made paramount the businesses concentrate on the competitive strategy if they are to survive and thrive in the competitive market (Baier, 2008). To create relationship with customers, companies need to conduct research to answer questions on how the customers make their purchasing decision and whether they are pleased with what the organization provides to them as offer in terms of product quality, service quality and price.

Governments all over the world are the basic providers of the essential services to the citizens. As a result, in any modern economy, public procurement accounts for huge proportion of any government expenditure thus providing the largest single market in any economy. Notably for any government to undertake the mandate of providing essential services, it has to outsource for supplies mainly from the private sector. This activity is commonly referred to as public procurement. It is a competitive process that involves identification of qualified suppliers, competitive bidding process and evaluation of bids with an aim of acquiring goods, works and services from the most qualified bidder and in the most efficient manner (Morschett, Swoboda, and Schramm-Klein, 2005). It involves purchasing, hiring or obtaining by any other contractual means of goods, construction works and services by the public sector, mainly the government, parastatals, ministerial departments and other government affiliated bodies, (Telgen, 1997). There are distinct items that are involved in public procurement activities and they range from simple non-operational goods works and services such as paper clips or cleaning services to large operational commercial projects such as infrastructural developments with huge budgets, as well as other essential operational utilities such as raw materials. Public procurement is broadly defined as the purchase, hire or obtaining by any other contractual way of goods, works and services by the public sector, consisting of the government bodies, parastatals, departments and other government allied bodies.

The purchase of the various commodities in public procurement has to be done at the correct time and location for the express gain or use of government, company, business, or individuals by signing a contract (Burke, Carrillo, and Vakharia, 2004). This function is usually performed by the suppliers from whom the government buys its products from. As a result the growth of the suppliers in the private sector transacting business with the government is highly dependent on the revenues derived from transactions with the government (Harris and Ogbonna, 2001). Therefore, any underlying activities in the government procurement function have a direct impact on the growth of the suppliers.

In the postindustrial capitalistsô economies, governments all over the world have received a great deal of attention as providers of essential public services, amongst them, health, education, defense and infrastructure (Knudsen 1999). To be able to meet the demand for these services, governments purchase goods and services from the open market which is mostly dominated by suppliers in the private sector circles. Importantly, due to the changes in business approaches and the need for cheaper ways of doing business, governments have in the recent past opted for outsourcing for procurement services from the private sector. This has not only proved to be cheaper but also, time saving as each party can concentrate on doing what it does best (Burke *et al* 2004) cements the essence of private-public partnership which has been identified as a key approach to national development and financial strength generation of a country.

Pertinently public procurement is paramount since its economic results must be measured against more complex and long-term parameters (Odhiambo and Kamau, 2003) and is often governed by dynamic considerations including accountability, national interest, effectiveness, environmental sustainability, non-discrimination among potential suppliers and respect for international obligations (Lardenoije, 2005). Mistakes or malfeasance in public procurement can have vast political repercussions, owing to the focus that the media, civil societies and the general public place on the subject. For these reasons, public procurement is subjected in all countries to enacted regulations, in order to protect the public interests.

Historically, Kenyan public entities have been known for their poor performance, slow, rigorous processes and being marred with corruption, resulting from non adherence to processes and procedures, poor resource utilization, poor personnel management and training, inadequate payment and benefits. It is on this basis that the Kenyan Government, in 2005, enacted the Public Procurement and Disposal Act, 2005 (PPOA). The Act describes how public procurement may be conducted through the procurement cycle. The roles and responsibilities of public entities are limited to the procurement cycle. The Act is meant to clearly establish the procurement function, rules and procurement procedures for goods, works and services for all public procurement activities. The Procurement Act stipulates how public procurement activities are to be undertaken ranging from; how advertising is to be done giving the applicable time limits, the contents of all procurement documents and technical specifications, procedures for submission, receipt and opening of bids, evaluation and awarding criteria and the complaints systemÕs structure and sequence.

Regardless of the effort by the Act and the acknowledgement that the procurement department is capable of adding value to the organization, still a large number of the internal customers act on their own and more frequently bypass the procuring department. The purpose of the procurement cycle was to encourage competition among suppliers, to promote value for money, to encourage professionalism, bolster good business ethics and nondiscrimination among other reasons geared towards improving public procurement practices.

Nevertheless, the procurement departments of public entities in Kenya are faced with the problem of not having enough information about the procurement procedure, its inputs, outputs, resource consumption and results and are therefore unable to determine their efficiency and effectiveness. This problem requires establishment of clear procurement procedures and performance standards.

Additionally, for a public entity in a developing country to conduct procurement performances there are numerous challenges that are encountered: there are many ways of measuring efficiency that may be in use, most measures are irrelevant, there is no way of standardizing the measurements and conducting performance measurement is costly.

Initially the public procurement system in Kenya was governed by Treasury Circulars from 1969.

The Treasury Circulars were later supplemented by the Supplies Manual of 1978 which was supplemented by circulars that were issued from time to time by the Treasury, before the promulgation of the Exchequer and Audit (Public Procurement) Regulations, 2001 (Odhiambo and Kamau, 2003). The use of the circulars that were mainly issued by the ministry of finance was so frequent that it overshadowed the supply guidelines. In 1986 a study was conducted to evaluate the public procurement system and it established that the system was not operating efficiently and the state was losing a lot of money through shoddy dealings (Odhiambo and Kamau, 2003). A similar study was conducted in 1997 by the government along with the World Bank and it also established that the system lacked transparency and fair competition; there were no adequately trained procurement professionals; and there was lack of a professional body that oversees and instills discipline among procurement officers (Odhiambo and Kamau, 2003).

In 1999 a review of the countryǿs public procurement systems was undertaken and the review established that: there was no uniform procurement system for the public sector as a whole, the supplies Manual had no sanctions or penalties against persons who breached the regulations except for internal disciplinary action whose application was not strict, the procurement of works was no covered in the Supplies Manual, there were weak and unreliable dispute settlement mechanisms relating to the award procedures for ensuring fairness and transparency, records of procurement transactions in many cases were found to be inaccurate or incomplete or absent, which led to suspicions of dishonest dealings at the tender boards, the systems had other institutional weaknesses that undermined its capacity and there was the public perception that the public sector was not getting maximum value for money spent on procurement.

From these findings there was a movement towards adopting a uniform government procurement code and it was found necessary to enact a law to govern the procurement system in the public sector and to establish the necessary institutions to ensure that all procurement entities observe the provisions of the law. The Exchequer and Audit (Public Procurement) Regulations 2001 was established and this created the Public Procurement Directorate and the Public Procurement Complaints, Review and Appeals Board. The Public Procurement and Disposal Act 2005 was thus enacted in October, 2005 and it became operational on 1st January, 2007 with the gazettement of the Public Procurement and Disposal Regulations in 2006 (PPOA). The Act created the Public Procurement Oversight Authority, the Public Procurement Advisory Board and the continuance of the Public Procurement Complaints, Review and Appeals Board as the Public Procurement Administrative Review Board. The main function of the Authority is to oversee public procurement system with its principal functions of ensuring that the public procurement law is complied with and capacity of the function among stakeholders is enhanced.

1.2 Problem Statement

In the Kenyan economy public procurement accounts for 65% of government expenditure thus providing the largest single market in the economy. Suppliers of goods and services to the Public Universities have highly concentrated on pricing as the only strategy to survive competition. The study was aimed at assessing and evaluating how the suppliers of goods and services can be relevant in pricing, quality of service and size of the firm as strategies for creating a competitive gain while competing for business opportunities in Public Universities in Kenya.

1.3 Purpose of the research

The purpose of the study was to establish ways that the businesses can be competitive while supplying goods and services in the Public Universities in Kenya. The study will adopt a descriptive survey research design and this design will allow the researcher to generate both numerical and descriptive data that will be used in measuring relationships between the variables.

1.4 Objectives of the study

The specific objectives of this study were:

i. To explore the effect of pricing on competition in Public university tendering opportunities
ii. To analyze the effect of quality of service on competition in Public University tendering opportunities
iii. To assess the influence of the size of the firm on competition in Public University tendering opportunities

1.5 Research Questions:

i. What is the effect of pricing on competition in Public Universities tendering opportunities?
ii. How does quality of service affect competition among firms competing for Public Universitiesô tender opportunities?
iii. What influence does the size of a firm have on the competitiveness of a firm competing for public universities tendering opportunities?

1.6 Assumptions of the Study

The study assumed that most of the suppliers abide to a given procurement cycle and procedural adherence.

1.7 Limitation of the study

Due to the time limit and inaccessibility to all needed resources, this research only focused on the Kenyan market only. The supplier businesses and companies studied operate within the Kenyan market and hence the data and findings are as deduced from the Kenyan setup. This study also focused mainly on the business to business model rather than business to consumer model. Also because of the different cultures, economies and regulations in different parts of the world, the results from this research are mainly relevant in Kenya and might have to be adjusted to suite market niches outside the East African Community.

1.8 Scope and Delimitation of the Study

The study focused on businesses supplying goods and services to Public Universities within four regions in Kenya namely the Central, the Rift Valley, Eastern and Nairobi regions in Kenya. Focusing on these provinces was being important not only to these businesses but also to other stakeholders who stand to benefit.

1.9 Justification and Significance of the Study

This research was paramount as it assessed the successive business strategies being used by firms while competing for public tendering opportunities. This is important to private investors in helping them make informed decision on the best marketing models to exercise with relevant data to back their decision. The findings in this research will shed more light on which approach is most relevant for local investors and will help businesses and developing brands to successfully prioritize and synergize their resources so as to acquire an ideal competitive advantage and market positioning over other market players in the private sector both locally and on the international market niche. Since there might be some indistinctness in competitive approaches in the private sector and their benefits or drawbacks for others interested in this subject, the information provided in this thesis shall create an understanding of the subject in focus, by presenting and analyzing the guiding competitive principles in the private sector, some of which deviate from the norms of the public procurement systems.

Similarly, information obtained from this research offer informed directions to traders and individuals who wish to join various market clusters within the Kenyan Market niche since they will have prior knowledge on the competitive model to use in order to competitively eke out a niche and consequently position their products for optimum competitive advantage. It will help businesses and developing brands to successfully prioritize their resources so as to acquire an ideal competitive advantage and positioning. Additionally, this research highlights more gaps within the Kenyan market niche that need to be studied as Kenya moves towards achieving Vision 2030.

1.10 Definition of key terms

Business: A unit that is created with the aim to generate, bring into being, allocate and offer products in order to make profit. They consist of various separate units accountable for the resultant products. Traditionally, businesses have been classified into three factors namely: the primary sector, the secondary sector and the tertiary sector (Thomas, Miller and Murphy 2011).

Competitive strategies: Deliberate activities that a business undertakes with an aim of gaining a sustainable competitive over the competition in a particular industry (Institute of Management Accountants, 1996).

Pricing: The technique employed by business owners in determining what the business will receive in monetary terms for exchange of their goods or services (Hoek, Harrison, and Miller, 1999).

Public procurement Purchasing, hiring or obtaining by any other contractual means of goods, construction works and services by the public sector, mainly the government, parastatals, ministerial departments and other government affiliated bodies. (Lu, 2011)

Public sector Part of the economy concerned with providing basic government services and controlled by the by either the national, or county government (Morschett, *et al,* 2005).

Public Universities: Chartered Institutions of higher learning that are predominantly funded by public funds.

Quality of Service The excellence of the services provided by sellers to their customers before, during and after buying goods, services and works from them.

Size of Business: The measurement of the company by the number of employees and the amount of business the firm cam handle

1.11 Chapter summary

This chapter discusses the background of the study, the statement of the problem, objective of the study, research questions, significance of the study, limitations of the study, delimitation of the study, assumption of the study and definitions of significant terms as used in the study.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This section discusses and critiques some of the work done regarding the competitive strategies, its inefficiencies and possible mitigation plans that can be adopted for our local system. A prior understanding of the scope of this study and pertinent issues regarding the same shall be paramount in unearthing the inefficiencies in this system. Competitive advantage for a company goes beyond harmonizing or surpassing what equal and rival firms are doing, but discovering what the clientele would like and then advantageously fulfilling, and even going above and beyond what the customers expected returns (Institute of Management Accountants, 1996). This is achieved by firms that combine their internal core competencies and abilities with those of their suppliers, customers and other external resources appropriately. The competitive strategy of a firm is generally characterized by choices and the decision made by the business manager towards the survival of the firm. This complex choice is of great importance at a strategic level, especially in the context of specific competitive strategies of the firm (Miller, 2005)

Firms all over the globe need to clearly understand that with current trends in the world and with globalization, customers can easily locate and obtain the best of what they want, at a satisfactory price, anywhere it is in the world (Thomas, Miller, and Murphy, 2011). International business has grown significantly in the past few years and it has become an irreversible phenomenon. As competitive conditions grow ever more turbulent, the importance of developing and sustaining competitive advantage appears to be increasing exponentially. Competition in the retail sector has been increasing for years; the importance of developing an effective competitive strategy appears to be increasing constantly (Miller, 2005). Considering the characteristics of retail industry, clear competitive advantages relative to those of competitors become essential to success. Companies need to be significantly more attractive to consumers than their competitors and to develop a strategic position in the market (Fischer, 1997).

According to Porter (2011), competitive strategy can be understood as the activities a company undertakes to gain a sustainable competitive advantage in a particular industry. Porter assumes that there are essentially three generic types of competitive strategy based on two basic types of competitive advantage namely: cost leadership, differentiation and focus on certain target segments which itself is either anchored through low-cost or differentiation. Similarly (Fischer, 1997) suggest cost leadership, differentiation and focus as the three basic strategies for achieving competitive advantage. To select a business strategy, the business manager has to consider factors such as the procurement procedures of the organization, delegation of authority, financial thresholds, internal clearance/approval procedures and corresponding administrative time frames, the type of procurement, the complexity or the specificity of a requirement, the market conditions, already existing arrangements and/or contracts and the potential for collaborative procurement. The process of identifying and selecting the appropriate strategy can best be described as a series of decisions, rather than sequential stages that need to be followed in strict order.

Firms focus either on procuring unique merchandise, or on procuring low-cost merchandise. If a company strives for cost leadership, all sources of cost reduction must be exploited. A retailer must minimize cost throughout its value chain and possibly intercompany supply chain activities. The source of cost-based competitive advantage in retailing lies especially in the cost of goods sold or operating expenses. Large bidders usually achieve cost leadership more easily than smaller bidders, since economies of scale and the associated negotiation power over suppliers enables them to secure low procurement prices for the purchased goods (Christopher

2005). A firmôs core service competency should be its ability to provide an assortment of quality products desirable to customers at a reasonable price and at the time desired by them. Thus, availability of an assortment of quality products at a reasonable price is an extremely important attribute for a retailer to be able to maintain competitive advantage (Christopher 2005).

2.2 Theoretical framework

Competitive advantage grows out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it. Value is what buyers are willing to pay, and superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price. There are two basic types of competitive advantage: cost leadership and differentiation (Porter, 2011).

According to Porter (2011), competitive strategies refer to the development of attributes that characterize a company and differentiate the value it creates and offers in comparison to its competitors. It is the basic premise of the company that identifies the way a business can best compete in a market (Lamming 1993) Competitive strategy can be understood as the activities a company undertakes to gain a sustainable competitive advantage in a particular industry (Porter, 2011). Porter refers to sustainable competitive advantage as to result of implementation of a strategy by the firm that is not being implemented by any other firm, currently or potentially and when the benefits of such a strategy cannot be duplicated by others.

Lamming (1993), argues that competitive advantage is what elevates the company from its competitors. With the growth of competitive conditions in an industry, the importance of developing and sustaining competitive advantage increases exponentially. The competitive advantage should relate to an attribute with value and relevance to the targeted customer segment, be perceived by the customer, be sustainable and not easily imitated by contestants (Mintzberg, 1996).

Porter (2011) depicts that competitive advantage as the organizational condition of superior performance which arises when a "firm successfully competes either on price or by charging a premium for differentiation. Lamming (1993) suggests that the companies may have competitive strategies based on cost and quality. Based on the dimensions of competitive advantage and scope of operations Porter (2011) presents three generic types of competitive strategies: cost leadership, differentiation and focus.

Source: Porter (2011)

Figure 2: 1 Porter's Generic Strategies

Changing dynamics of the Kenyan economy such as increased competition, high attention and concentration, market mellowness, business maturity, price driven strategies, overcapacity have painted the importance of a competitive strategy of every trading company and differentiation from competitors through positioning seems extremely important and necessary.

Gulam (2011) gives a review of competitive strategies and basis for competitive advantages built by the bidders over the years. During the period from 1950s to 1970s the competitive strategies were based on price. Major bidders sought to compete on price (Hoek, Harrison, and Miller, 1999). A series of price wars broke-out during the period. Bidders found that advantages were to be found by improving operational efficiency through controlling costs. Size became a major source of advantage which some of the large bidders sought to exploit.

During the 1980s, the competitive strategies were developed upon economies of scale and scope, customer services, sophistication of distribution, and branding, effected by power and industry rivalry. Retail companies realized that their large size and enhanced power capacity could be employed to generate considerable advantage. Competitive strategies were also based on increasing scope of operation based on the concept of óone stop shoppingô. During the 90s, the competitive advantages were based on industry-level factors which became prominent are power, rivalry and regulation; and the firm-level attributes are customer service, information technology, culture and branding. Hoek (2001) further suggests that during the 2000s, the competitive advantage would be based on power, functional efficiency and customer service.

A number of retail researchers have applied Porterôs concept in retailing and shown that the two strategies of differentiation and cost leadership can be found in this sector and some indications of the expected effects on performance have also been found (Gattorna, 2006). Fisher (1997) categorizes bidders with respect to the dimensions of price and quality; he further suggests quality to be seen as an aggregated construct that consists of a range of issues such as assortment, speed and efficiency of transactions, quality of store personnel, quality of store ambience and other.

Hines and Taylor (2000) emphasize the strength of a comprehensive experiential marketing strategy which evokes positive emotions in consumers as the main component of the positioning strategy, strategically managing a customerôs entire experience with the bidders, focusing on store atmosphere, consumers desires, consumer excitement, entertainment and a clear, emotion focused image, since these features are expected to be less imitable than most functional attributes. Businesses seek to differentiate themselves from competitors on customer services and transform their customer service activities in many ways Three basic strategies for business positioning: a product differentiation strategy through offering a different assortment to those of competitors, a service and personality differentiation strategy based on the addition of unique services and personality to differentiate the store, and a price leadership strategy.

Similarly Fisher (1997) points out generic competitive strategies in terms of presentation and preparation, product variety and depth, low price, high-priced convenience, inventory control and advertising, targeted incentives, traditional fashions and service. Whalley (2013) indicates that the only source of sustainable competitive advantage is the history of a successful relationship with the customers. Whalley (2013) indicates that the most used attributes as the competitive advantage to be quality leadership, price leadership, service leadership, best variety of assortment/widest choice, convenience leadership, store design/layout, customer process leadership, and customer relationship management. No retail businesses would have same strategies; an important element in strategy selection is the ability of a particular strategy to provide superior level of performance in the industry. Such competitive positioning commonly involves an approach emphasizing either cost leadership or differentiation or either of that focused (Lamming, 1993)

A firm that chooses to follow a cost leadership strategy has the objective of being able to realize its offer at the lowest possible cost. The competitive advantage of cost leadership is achieved by performing important value chain activities at a lower cost than competitors (Porter, 2011). Low-cost leaders must either have or develop some unique capabilities in order to achieve and sustain that position. Examples of such capabilities and resources are; a dominant market share, secured supplies of scarce raw materials or having developed more efficient linkages to suppliers. Companies striving for cost leadership in their industry usually look constantly for cost reductions and efficiency. The companies which follow a differentiation strategy see themselves as unique with regard to certain characteristics valued by buyers throughout the industry. Differentiation rests on retail aspects tailored to the customer characteristics of a retailer's target market segment. Differentiation is a strategy with the objective of adapting certain store attributes more closely to the specific needs of chosen customer segments (Slack, 2006)

Differentiation can be based on quality, merchandise, store layout and design, experiential marketing, customer services, product features, delivery and after sale services. Competitive strategy is a combination of the goals for which the company is striving and the means by which it will compete in the marketplace. Competitive procurement strategies focus on the buyerôs intrinsic bargaining power which allows buyers to leverage procurement and, as a result, improve the companyôs competitive market position. The identification of procurement objectives as a subset of corporate or business unit objectives is necessary in the formulation of strategies that are acceptable to the company as a whole.

Competitive advantage has over the years has been elaborated by researchers and it narrows down to the importance of the customer to the business. Whalley (2013), states that the only source of competitive advantage rests on a successful relationship with the customer. Atkinson states that businesses that provide high standard of customer care tend to have high quality products, high standards of after sale services, friendly staff and positive customer response. Porter (2011) further elaborates the need to ensure that customers are at the heart of the organization since it is in the business dealing with them that firms are able to compete in a competitive environment.

2.3 Empirical review

2.3.1 Pricing as a strategy

Price is a measure of the value exchanged by the buyer for the value offered by the seller. It can also be referred to as the amount of money, which is sacrificed to obtain something. Pricing goes by many names, such as rent, tuition, fee, fare, rate, interest, toll premium, commission, salary and retainer. Traditionally, prices have operated as the major determinant of buyer choice. Non-price factors have however, increased in importance in buyerôs behavior. However, price still remains one of the most elements determining market share and profitability (Flamend, 2012).

Price is the only element in the marketing mix that produces revenue, other elements produce cost. Price is also one of the most flexible elements of the marketing mix, in that it can be changed swiftly from time to time to meet the demand requirements (Flamend, 2012). At the same time, pricing and price competition are the number one problems facing many marketing executives. It is for this reason that prices is said to be the most unstable, uncertain of the marketing mix. It is also used as a competitive toll. Companies handle pricing in a variety of ways. In small companies, prices are often set by top management rather than marketing or salespeople (Thomas, 2011). In large companies, pricing is typically handled by division and product line managers. Even here top management sets the general pricing objectives and policies and often approves the prices proposed by lower level of management. Other companies have a pricing department that sets prices or assist other department in determining appropriate prices.

Each price that the company might charge will lead to a different level of demand and will therefore have different impact on its marketing objectives. The relation between alternative prices that might be charges in the current time period and the resulting current demand is charged in a demand curve. In the ideal situation demand and price are inversely related and as a result the higher the price, the lower the demand and the lower the price the higher the demand (Broek, 2013)

In setting the prices for commodities, business owners are often required to balance various forces which revolve around drawing customers by offering attractive prices and making profits which is the major reasoning behind starting a business. Price decisions have an impact on the customer relationships, how good or bad the relationship is and haphazard pricing decisions alienate and confuse potential customers. This makes the pricing decision making process an important aspect in entrepreneurship.

A companyǿs pricing policies communicate important information about its overall image to customers (Hamel and Prahalad, 1994). Pricing decisions have a great impact on the profitability of a business and when these decisions are made poorly the impact can be destructive. When setting prices, business owners and decision makers should be familiar with the prices that are offered by the competitors however, they should not match them or beat them. Suppliers who implement a price leadership strategy are more dependent on sales volume as a driver of profitability. Suppliers focusing on price centered activities operate with lower unit margins but with fixed plant and equipment expenditures comparable to other competitive bidders. Therefore the objective is to continually achieve aggressive sales volume, as every unit sold would contribute critically in covering fixed costs. Since price centered activities are more focused in lower prices and higher sales volumes, this may also result in a merchandise mix with lesser variety and assortment and merchandize that is normally less differentiated from other biddersô assortments.

Bidders who employ the price leadership strategies tend to gain competitive advantage by enjoying economies of scale, reduced overheads and administrative expenses and use volume sales techniques (often including aggressive pricing) to proceed on the experience curve. Bidders who are following a price leadership competitive strategy shall evaluate supplierÕs activities more favorable that are consistent with that their strategy because these activities are instrumental in achieving their goals. Thus, bidders pursuing a price leadership strategy will evaluate price support activities more favorably than product differentiation activities. If price leadership bidders want to maintain the lowest prices in the market, they would seek out the best deals from among all suppliers. They therefore are less likely to be loyal to a given manufacturer, and could fit poorly with a manufacturer seeking a more relational arrangement. Bidders would buy in larger volumes through centralized procurement, they shall exert their bargaining power more rigorously, they will negotiate hard, would chose suppliers that support, would take quantity offers from suppliers and they shall search for merchandize that they can sell at lower prices (Hamel and Prahalad. 1994)

The nature of competitors products influences pricing decisions and it is paramount that the decision maker takes into account not only what competitors are offering but also the prices of close substitute commodities. This is because the firm is also competing with other firms that are offering products that satisfy similar customer needs but differ in characteristics. This is mainly because substitutes can limit the prices that a business entity can offer. A firm enjoys a relative cost advantage if its total costs are lower than the market average. This relative cost advantage enables a business to either price its product or service lower than its competitors in order to gain market share and still maintain current profitability; or match the price of competing products or services and increase its profitability. Low cost advantage can be achieved through superior operating management; access to low-cost raw materials; low-cost access to distribution channels or customers; innovative process technology; and. A company might also gain a relative cost advantage by exploiting economies of scale in some markets

2.3.1.1 Costs

In order to identify sources of profitability in a business the value chain approach is used to understand the cost of the domestic processes. The principal steps of internal cost analysis involve the classification the firmôs value creating processes, a determination of the portion of the total cost of the product or service attributable to each value creating process; identifying the cost drivers for each process; the links between processes; and an evaluation of the opportunities for achieving relative cost advantage (Institute of Management Accounts, 1996).

Irrespective of the product that a firm offers to their customers, the price that is charged for the products has a direct impact on the profitability of the business and on how competitive the business is. This is mainly because the price is the value that is put on a product resulting from a set of decisions that are guided by factor such as the cost of acquiring the product, profit margins, input costs, market conditions, prices of competing firms among other factors and they differ from business to business.

The business can be able to lower their costs in a manner that it is able to offer competitive prices to their customers without compromising on the quality of the products supplied. Achieving low cost advantage can be achieved by application of the low cost advantage which the firm can achieve using the value chain analysis. The idea of a value chain was first suggested by Michael Porter in 1985 to depict how customer value accumulates along a chain of activities that lead to an end product or service. The value chain described it as the domestic processes or an activity a company performs ñto design, produce, market, deliver and support its product.ò Porter further indicates that ña firmøs value chain and the way it performs individual activities are a reflection of its history, its strategy, its approach to implementing its strategy, and the underlying economics of the activities themselves.ò In his analysis of business activities, a firm undertakes two main activities depicted as primary activities and support activities. The primary activities are directly involved in the transformation and conversion of inputs into outputs. They include inbound logistic, operations, outbound logistics, marketing and sales and after sale service.

The value chain provides a framework for examining interdependencies within logistics; between logistics and other areas of the firm; and between the firm, its suppliers, and customers and is focused on eliminating non-value adding activities in the supply chain. The primary activities are sustained by the support activities which are handled by the organizationøs staff functions. The support activities are Procurement, technology development, human resource management and firm infrastructure. The Value chain model was further broadened by Shank and V. Govindarajan (1989). They state that ñthe value chain for any firm is the value-creating activities all the way from basic raw material sources from component suppliers through to the ultimate end-use product delivered into the final consumerøs hands.ò They observe the firm as part of an overall chain of value creating processes that work independently and together towards the creation of the final product that is offered to the customer with an aim of meeting the needs of the customer. They observed that the value chain starts with the value-creating processes of suppliers, who provide the basic raw materials and components, continues with the value-creating processes of different classes of buyers or end-use consumers, and culminates in the disposal and recycling of materials.

2.3.1.2 Quantity Requested

Demand sets a ceiling on the price that company can charge for its products. And company costs set the floor. The company wants to charge a price that covers its costs of producing, distributing and selling the products, including a fair return for its efforts and risk. A companyǿs cost may take two forms, fixed and variable (Diane, 2003). To price intelligently, management needs to know how its costs vary with different levels of production. Costs can also be affected by accumulated production expensive / learning curve, by differentiated marketing offers or by target costing.

Demand sets a ceiling on the price that company can charge for its products. And company costs set the floor. The company wants to charge a price that covers its costs of producing, distributing and selling the products, including a fair return for its efforts and risk. Pricing methods narrow the price range form which the company must select its final price. In selecting the final price, the company must consider additional factors, including psychological pricing, the influence of the other marketing mix element on price, company, pricing policies and the impact of price on the other parties. Sellers should consider the psychology of prices in addition to their economics. Many consumers use price as an indicator of quality (Schmeisses, Calusen, and Lukpwsky, 2008). When looking at a particular product, buyers carry in their minds a reference price that might have been formed by noticing current prices, past prices or the buying context. Seller often manipulates these reference prices in pricing their product. The final price must take into account the brands quality. In setting prices the business manager must also consider the reaction of other parties to the contemplated price such as the distributors, the dealer, the sales force, the competitors, the supplies and the government (Flamed, 2011).

To create significance in the eyes of the customers, businesses must come up with high pertinent buyer offers. In a customer driven business dealing, the sellers must offer dynamic and innovative ways of meeting customer needs (Whalley, 2013). Companies usually do not set a single price but rather a pricing structure that reflect variation in geographic demand and costs. Market-segment requirements, purchasing timing order level, delivery frequency guarantees service contracts and other factors. A company may adapt the price of its product as a result of variation in these factors. Some price adaptation strategies include geographical pricing, price discounts and allowances, promotional pricing, discriminatory pricing and product-mix pricing (Schmeisses *et al*, 2008). The firms should consider various pricing options such as pricing its products to different customers in different locations and counties, modifications in the basic to reward customers for such acts as early payments by way of cash discounts, quantity, discounts, allowance and promotional pricing.

2.3.1.3 Profit margin

Every business manager has to make a decision on what it the firm wants to accomplish with its particular product offer. The clearer firmsô objectives, the easier it is to set prices. A company can purser any of the six major objectives through its pricing which include the maximum current profit, the maximum current revenue, the maximum sales growth through penetration pricing, the maximum market skimming through skimming pricing, the product through quality leadership and other pricing objectives such as partial cost recovery, full cost recovery and social pricing (Whalley, 2013)

Firms usually use the markup pricing model to set their prices. This is the most elementary pricing methods and it involve adding a standard markup to the products cost. Markups vary considerably among different goods. Markups are generally higher on seasonal items to cover the risk of not selling, specially items, slower-moving items, items with high storage and handling costs, and demand inelastic items. In addition, companies sometimes use higher markups when hidden or variable costs are involved. The pricing method is critical for ignoring current demand, perceived value and completion.

Most firms determine their pricing model in a manner that would yield its target rate return on investment. Here the company determines the prices that would yield its target rate of return on investment. This is determined by Target return price is equivalent to unit cost added to desired capital multiplied by the invested capital divided by unit sales. Using this model, the company must be able to calculate the cost and estimate sales in order to be able to realize the required rate of return on the investment (Schmeisses, Calusen, and Lukpwsky, 2008). The company should consider determine the breakeven point at which costs and revenue are equal. The target sales must be above break-even points sales. This method ignores price elasticity and competition prices. The company needs to consider different prices and estimate the possible impact on sales volume and profits. The company should also research for ways to lower its fixed and / or variable costs. Because lower costs will decrease its required break-even volume.

In the determination of profit margins, it is important to know the difference amid capricious or variable and predetermined or fixed costs. Variable costs vary based on the quantity of product produced and are incurred as a direct result of producing the product. They include the costs of materials used, direct labor, packaging, freight and transportation, supervisor costs, holding cost, depreciation expense on production equipment and machinery. On the other hand fixed costs generally are more static in nature. They include office expenses such as supplies, utilities and a telephone for the office, salaries and wages of office staff, salespeople and officers and owners, Payroll taxes and employee benefits, advertising, promotional and other sales expenses, insurance, professional fees and Rent. Variable expenses are also referred to as the cost of goods sold and fixed costs are counted as operating expenses (Schmeisses *et al,* 2008)

To increase profit margin managers lower the variable costs to produce associated in producing their products. This can be done by decreasing material costs or making the product more efficiently. Volume discounts are a good way to reduce material costs. Variable cost can be reduced through strategic sourcing. Multiple and single sourcing can be used to lower variable costs. Multiple sourcing is the procurement from several suppliers versus more concentrated procurement from single or few suppliers, with respect to the public procurement and overall business competitive advantage. Multiple sourcing is often credited with increasing buyer flexibility and market knowledge, as well as allowing a buyer to obtain better wholesale prices and guard against the risk of product shortage Having active contacts with alternative suppliers enables the purchaser to monitor the supplier's competitiveness and shift business more readily. The mere threat of such a shift helps maintain the supplier's performance (Shank and Govindarajan, 1989).

According to Shank and Govindarajan (1989) few of the advantages that businesses can gain from multiple sources are: Increased competition among suppliers leads to better price, quality, delivery, product innovation and the over negotiation power of the bidder. Besides this multiple suppliers provide alternative sources of materials in case of delivery stoppage by a supplier, reduced probability of bottlenecks due to insufficient production capacity to meet peak demand, increase flexibility to react to unexpected events that could endanger supplier's capacity, decreased dependency between the buyer and the supplier, decrease vulnerability of supply and decreased risk of supply interruption specific products.

Lowering costs can also be achieved through single sourcing. The more material the firm buys from one supplier, the more likely they are to offer quantity discounts and the firm can also enjoy economies of scale in transport and freight costs. One advantage, long noted but recently emphasized, is that funneling all purchases to one source makes the buyer a more important customer of the supplier, by virtue of commanding a larger volume of business (Whalley, 2013).

The important customer can and does wield power over, and ówring substantial concessions from, its supplier (Porter, 2011) found that purchasing performance from the buyerøs standpoint is enhanced the larger the buyerøs volume of business. As single sourcing increases purchase volume per vendor, this strategy therefore increase purchasing performance.

Concentrated sourcing may yield its principal benefits in terms of reducing administrative complexity and becoming a more important customer, thereby being able to negotiate better prices and obtain better service and more access to the supplierøs market information. The coordination benefits that may accrue may be of secondary importance. Coordination benefits are most often cited in the context of manufacturers who incorporate their supplierøs products into their own. But in retailing, where the product arrives in final form, retailer supplier coordination may not be as critical (Hamel and Prahalad, 1994).

According to Hamel and Prahalad, (1994), few of the advantages that businesses can gain from concentrated sourcing options are: partnership between buyers and suppliers that allows cooperation, shared benefits and long-term relationship based on high levels of trust, commitment from the supplier to invest in new facilities or new technology as per required by the their customers and in line with the customerøs requirements and strategy, lower purchase price resulting from reduced operational costs, due to better knowledge of the buyers processes and by achieving economies of scale. Single sourcing strategy strives for a strategic partnership between a buyer and a supplier to foster a close collaboration and to optimize shared benefits. The general benefits of single sourcing, according to the Society of Management Accountants of Canada (1995), include higher quality, better services, more coordination in processes, supplies as per the requirements and specification of buyer, collaborative design, marketing and branding, and lower total costs. Researchers have focused on the changing relationship between bidders and their suppliers and the widespread consensus is that the balance of power has shifted from grocery manufacturers to grocery bidders (Hamel and Prahalad, 1994). The argument is that the major bidders have been able to take advantage of their size to exercise purchasing power. The power of the large bidders is reflected in the prices of goods charged to the small independents, as opposed to the multiples, who are given significant discounts.

Single sourcing can result in lower costs which are the procurement objective of the bidder pursuing a price-leadership strategy. Similarly single sourcing being more collaborative results in better quality of merchandize, variety and assortment as per the requirement of the buyer, mutual promotions and branding, hence can be used by bidders following a differentiation strategy as well. Another way to reduce material costs is to find less costly suppliers and sourcing raw materials from reliable suppliers. While competing for tendering opportunities, firms must carefully estimate the variable costs associated with each tender and they also should research material costs by getting quotes from suppliers as well as study the labor cost. Armed with this information, bidders will have a well-educated "guess" to base their bids on (Broek, 2013).

Superior relative cost position offers equivalent customer value for a lower price. Superior relative differentiation position offers better customer value for an equivalent price. Firms that fail to gain competitive advantage through low cost or superior differentiation, or both, are ñstuck-in-the-middle.ò Value chain analysis is a team effort. The firmôs management need to collaborate with production, distribution, marketing, d engineering, and service professionals to focus on the strengths, weaknesses, opportunities and threats identified in the value chain analysis results.
Researchers have been done focusing on how the market price of a commodity has an effect on the wages, rent, interest and profits made by the organization selling the products. This research sought to unearth the impact of pricing on competitive strategies adopted by businesses supplying goods

and services to the Public sector in Kenya. This study was aimed at filling the gap on the impact of pricing on competitive strategies adopted by businesses supplying goods and services to the Public Universities in Kenya (Lynch, 2007).

2.3.2 Quality of Service

For any business to be successful, the businessperson should ensure they have given customer service keen attention. Customer service is an important step to ensuring reliability and excellence in all business dealings. One of the simple ways of measuring the quality of customer service is the sales volume. Happy customers tend to purchase more products. This translates that any increase in sales is highly dependent on the level of customer service. The only source of competitive advantage in the history of a successful relationship with a customer, if you don't have a customer, you don't have a business, you may have assets, a plan, employees but they do not make the business, customers do (Whalley, 2013)

Quality of service has been one of the standards used as a key factor in telling between a service product from another (Mey, Akbar and Fie, 2007) highlighted that the concept of service should be approached from the customer's point of view, since it was his/her perception of the outcome that constituted the service. Customers may have different values and different grounds for assessment and, most of the time; they may perceive the same service in different ways.

To achieve quality the business can apply the strategic management approach named as the balanced scorecard approach that provides an approach to what businesses and firms should measure in order to 'balance' the financial perspectives. This is a management system and a measurement system that enables organizations to clarify their vision and strategy and translate them into what they do on a day to day basis in achieving their overall goals. They described the approach as "The balanced scorecard retains traditional financial measures. But financial measures tell the story of past events, an adequate story for industrial age companies for which investments in long-term capabilities and customer relationships were not critical for success (Schmeisses W. Calusen L, and Lukpwsky M. 2008). These financial measures are inadequate, however, for guiding and evaluating the journey that information age companies must make to create future value through investment in customers, suppliers, employees, processes, technology, and innovation."

The balanced scorecard suggests that we view the organization from four perspectives, and to develop metrics, collect data and analyze it relative to each of these perspectives. These are the learning and growth perspective, business process perspective, customer perspective and the financial perspective. By using this model the firm is not only able to monitor its performance, but also proceeds to capture information about how well the organization is positioned to perform in a healthier manner in the future (Schmeisses *et al,* 2008). It helps to answer the questions on how do customers see us, what must we excel at, how can we continue to improve and create value and how do we look to shareholders? By answering these fundamental questions the firm is able to achieve the sole reason for being in business which is to meet customer needs better than competitors do.

Customers are important stakeholders in any organization and their satisfaction is a priority to any organizationôs management. The questions that should be asked by the management of a firm in the planning process should range from who will need to consume these the products being offered, where are they, how do we reach them, how much are they willing to spend on the products, and will the products maximum satisfaction to the customer? After these questions have been satisfactorily answered the firm designs the product, segments the markets and creates awareness.

Winning in todayǿs marketplace entails the need to build customer relationship and not just building the products; building customer relationship means delivering superior value over competitors to the target customers (Kotha, Rajgopal and Venkatachalam, 2004)

Bidders that follow a quality strategy would focus on product differentiation, offering brands that strengthen the bidders image and reputation, would advertise to better position themselves and build their own brand, would introduce new, innovative products with better quality, features and performance, wider variety and deeper assortment of merchandize, would offer products that consumers shall perceive superior, better store layout, deigns and ambience, customer assistance and customer services, and relationship programs (Hoek V. R., and Harrison, A. 2001). Such bidders look for new and different merchandize; use their bargaining power to get merchandize of their choice, change displays and stores designs, open interaction with employees and customer to decide which brands to carry and what services to offer.

Merchandise differentiation bidders may seek special relationships such as exclusive distribution with and assistance from manufacturers to give them an advantage over their retail competitors. Bidders focusing on differentiation considered the relationship between suppliers and buyer to be more interdependent. They valued the merchandising support and marketing coordination received from suppliers. Bidders emphasizing merchandise differentiating activities will more likely operate with higher unit margins will be less reliant on sales volume to drive profitability and, relative to other bidders, will likely feel less vulnerable to shifts in market conditions. The merchandise mix of these bidders will be more differentiated relative to price centered bidders, providing some measure of protection from competitive rivalry. Moreover, customers who frequent these merchandise differentiation establishments are likely to exhibit more loyalty to specific brands and trade franchises, further reducing uncertainty and vulnerability (Hamel, and Prahalad, 1990)

Research has been done focusing on how the quality of service and its effect on business competitive strategy. However no research has been done on the effect quality service on competitive strategies adopted by businesses supplying goods and services to the Public sector in Kenya. This study seeks of fill the gap on the effect quality service on the competitive strategies adopted by businesses supplying goods and services to the Public sector in Kenya (Amaratunga, B. 2002).

2.3.2.1 Staff qualifications

In any organization people are the key resources. In a business set up where the products being offered are of technical nature the management should ensure that they have employees who are able to offer technical skills mainly because the customers are highly dependent on the skills of their suppliers to get the job done. The ability to understand where your customers are coming from is fundamental for those who work with customers (Atkinson, 2011). In order to improve employeesô understanding of basic customer skills business managers should ensure that their staffs that interact directly with their customers are able to communicate fluently; they have relevant training to handle complaints and address them in a satisfactory manner. This is mainly because they are the first point that the customer interacts with the organization. In their approach to meeting the needs for human resources, different firm have different approaches to human resource activities such a recruiting, hiring, motivation, training and other human resource requirements. Large firms practice human resource practices that are formalized, have written procedures and long term planning requirements as opposed to smaller firms that tend to manage people in an informal, undocumented and ad hoc practices (Brychan *et al,* 2011).

Recruitment practice advocates several formal practices to ensure that the selection of the right personnel (Newman, K., Maylor, U, & Chansarkar, B. 2002). These stages include the identification and writing of job description that carefully dictates the work to be done, the responsibilities that come with the work and the levels of authority. The next stage involves the personnel specifications that tend to match the ideal candidate with the job by reflecting the essential and desirable qualifications, experience, skills, knowledge and characteristics. This is followed by a promotional campaign that involves the advertising of the vacant position to attract the best possible candidate to fill the position. The final stage involves the short listing and interviewing process that involves the identification of the right candidate from among the short listed candidates and placement. Through this process the business manager should be in a position to indentify and recruit the best composition of employees to gear the business toward gaining a competitive advantage.

Successful businesses have been able to develop consumer teams which create value through decision making processes and their interactions with their customers. Research has focused on the development of customer teams either from the beginning of a new business or at certain stages in the development (International Business Journal, 2005). Although majority of new businesses are founded and run by one person, evidence has shown that the many high growth successful firms are run by a team of entrepreneurs from the beginning (Packham, 2002)

For a team to be fully effective and productive it needs a balance mix of certain characteristics among the team members (Thomas *et. al.*, 2011). The following aspects must be demonstrated in a team if the team is to work as an effective team. The team should have a coordinator who is able to promote decision making in the team, delegate duties and responsibilities, clarify goals and who controls and organizes the activities of the team. The second person that the team should have is an individual who gives shapes and form to activities. This is an individual who is dynamic and courageous. This person also has the potential of being unpopular and irritable in their drive towards overcoming problems. Thirdly the team should have a resource investigator who attracts resources can work under pressure and is good in networking. The forth character that should be in the team is an individual who is the prime source of ideas and is creative. This individual should be creative, artistic and untraditional. The fifth person that should be in the team composition is a person that analyses and evaluates ideas in relation to the team objectives. Such individuals can be uncharismatic, overly critical and cynical. The sixth person in the composition of the team is a team worker who supports individual team members and promotes group spirit. Further the team should have a diligent individual who keeps deadlines and follows through to ensure that tasks are completed. Finally the team should also have specialist who offers technical knowledge to the team. (Ketter, P. 2008),

The consumer teams can be extended to include outsiders making the team more effective and productive. Current trend in the economy and with the increased growth of technology and ways of doing business, firms are no longer required to have all their employees working at the same place at the same time. With the current trend in technology and other developments, people can work anywhere, at anytime and still produce the necessary outputs. In the same manner they need not to be all employed by the same organization because businesses can as well outsource certain services from their competitors or suppliers. According to Handy (2002) these developments have revolutionized the way businesses operate. Handy likens modern businesses to ódoughnutsô in which the center if filled in and the doughy parts are empty. The center part is the central requirements that needs to be done while the doughy part represents opportunity for creativity, innovation and value addition.

2.3.2.2 Staff experience

When customers face any challenges they desire to talk to someone who is honest, friendly, reliable and knowledgeable and can solve their problems quickly (Atkinson, 2011). Customer care is everybodyǿs responsibility including the top management and it cuts across all the levels of the organization. A customerǿs first contact with the business is through employees and this translates that the employee has an impact on the level of satisfaction that the customer experiences. This encounter is often a make-or-break moment for developing positive relationships (Ketter, P. 2008),. Through experience and relevant training employees can be able to improve and perfect this interaction towards customer royalty. Employees in the service industry strongly influence customer satisfaction levels.

The value of employees lies on the skills, knowledge and experience that they bring to the workplace. The more relevant the skills of the employee, the more the productive they are and in the long run translates to customer satisfaction index. (Newman, Maylor and Chansarkar, 2001) show a chain of connectivity such that internal conditions and environment affect the service capability of staff which influences employeesô satisfaction which, in turn, affects employee retention. All of those factors can reduce quality of service and ultimately the level of customer satisfaction. Businesses that provide a good working environment which enhances the service capability of staff through empowered decision making will lead to more satisfied employees who are more likely to remain loyal to the organization and provide a higher level of care resulting in higher customer satisfaction.

Businesses that desire to improve customer satisfaction must therefore be concerned about internal issues related to employee satisfaction and view their employees as customers too. A connection appears to exist between how engaged an employee is with the employeeǿs role in the customer care process and the level of customer satisfaction. This interrelationship affects not only satisfaction levels but also customer loyalty and financial performance. Managers in all industries have made employee engagement a hot button issue because of growing evidence that engagement has a positive correlation with individual, group, and organizational performance in areas such as productivity, retention, turnover, customer service, and loyalty (Ketter, 2008). Firms supplying hoods and services to public Universities are no exception to this phenomenon in human resource management theory and practice. This highlights the importance of creating engaged and experienced employees and the important role of business managers and other leaders in this process.

Several studies have shown how employee empowerment and engagement impact employee satisfaction and loyalty to the organization. In the health care industry, organizations that routinely achieve high employee satisfaction scores tend to have accessible leadership, frequent communication, and the employees are empowered to satisfy patients (Fassel, 2003). This can also apply especially to businesses that offer service based products. Internal marketing efforts have been shown to develop better relationships between employees and their organizations while increasing satisfaction and retention. Peltier, Pointer, and Schibrowsky, 2003) determined that structural bonds followed by social and financial bonds have the most impact on loyalty. A 2004 study by Peltier *et al*. (2003) determined these three types of bonds influence not only loyalty to the organization, but employee satisfaction as well.

The spirit of high-quality customer service is the creation of a relationship with clients. Qualified staff will be able to understand the needs of their customer, they can be cautious to the customers, they should be able to communicate well with the clients and they should also be able to translate needs into good and services that meet customer needs and requirements. This translates the level of experience and training of the staff offering the services will have an impact on the customer service delivery. Learning is the process of acquiring new knowledge and how this changes the individual in some way for example how they think, how they carry out certain tasks and or how they behave (Atkinson, 2011). Much of what employees learn about performing their duties and also interacting with their customersôtakes place at the workplace.

2.3.2.3 Training on customer service

Trends in the world have indicated that we live in a dynamic world. There are constant changing aspects that are mainly beyond the control of the management of a business such as technology, innovative ways of doing business, globalization, evolving markets and other external factors. To keep up with these developments managers should ensure continuous training of their staff if the firm has to keep up-to-date with the demands of the dynamic environment. One of the most important aspects of training is that is allows us to get things right when it really matters (Atkinson 2011). Training was once a preserve of specialist and regarded as an optional add-on in a business however this has changed and it has become an organizational responsibility.

Empirical research has shown a negative relationship between empowerment and job stress, suggesting that as employees are more empowered their job stress decreases (Joiner and Bartram, 2004). In addition to stress, increased employee satisfaction helps reduce employee turnover, leaves of absence, and lower work-related disability and violence claims (Harmon, Scotti, Behson, Farias, Petzel, Neuman, and Keashly, 2003).

Much of the learning that people learn comes by chance. Leaning comes from experience from day to day interactions with people. On the other hand training is mostly geared intentionally and it leads to behavior change (Atkinson 2011). Studies show that firms that spend more time on training their staff are more productive than those that donât. The training process starts with the identification of the training needs which involves the classification of what is required for the business and what employees need. The second stage involves the listing of the main skills required for the job demanding the training. This is then followed by a fact finding exercise to determine the level of performance to help determine the training requirements. This is then followed by the actual training geared towards change in behavior and personal development. The training ends with an evaluation of the training to help understand areas of improvement (Atkinson 2012).

Morrison, *et. al.,* (2007) outlined several ways in which the lack of engagement and high turnover rates impact in the health care organizations. Some of these factors include turnover costs, which according to Waldman, Kelly, Arora and Smith (2004) range between 3.4% and 5.8% of their operating budget. High turnover rates are also thought to lead to higher discharge costs according to JCAHO (2005) so there are financial concerns to administrators beyond just recruitment and retention costs. Plus when employees feel unsatisfied and unappreciated and leave the organization this puts higher workloads and stress levels on those who remain and ultimately further drives down satisfaction for both employees and clients (Fukuyama, 1995). This helps managers understand that the impact of employee training on the overall customer satisfaction.

2.3.3 Size of firm

The main purpose for business is to get and keep a customer by knowing what the customer needs (Atkinson, 2011) To create relationship with customers, companies need to conduct research to answer questions on how the customers make their purchasing decision and whether they are pleased with what the organization provides to them as offer in terms of product quality, service quality, price among others. The size of the firm can be measured by in various ways which include: the annual turnover, the number of employees, the amount of capital employed the profits and the stock market value. Major bidders have been able to take advantage of their size to exercise purchasing power. The power of the large bidders is reflected in the prices of goods charged to the small independents, as opposed to the multiples, who are given significant discounts (Shank *et al* 1989).

Internationally there is no agreed definition of what a small, medium or large business is. However one of the various aspects that a procuring firm will always consider while making a decision on where to meet their purchasing requirements is the size of a supplier. Many people have mistakenly always considered a business being ôbigô by just observing the external size of the workplace or the external outlook of the business however this information can be misleading. A business might be using labour-intensive production and as a result it employs many workers to carry out production but this does not translate into high productivity. On the other hand, a firm can be viewed externally as a small workplace but it might be employing the capital-intensive production strategy whereby most of the production is carried out by machines making work a lot easier, quicker and efficient, and therefore, an increased productivity level. With this in mind the second business is bigger than the first one.

2.3.3.1 Number of employees

Many parameters have been used to measure the size of a business and these include the sales turnover, number of employees, capital employed, market capitalization, market share Profits, cash flows, production output, number of outlets locations, value of the business and the market share. Sales turnover/revenue refers to the money that the firm obtains from the sale of its products. The overheads of sales have not been deducted from this. Sales turnover is a good way to compare businesses in the same industry since the firms maybe using similar strategies and techniques so comparing the sales revenue can be very realistic. However this method may be difficult to compare businesses in different industries and less effective.

One of the simplest measures to measure the size of the firm is the number of the employees that the firms has. This is mainly because a business with just the owner and family obviously shows that the business is small, where on the other hand, a business which employs workers is big, since labour is an expensive factor of production, and it is the most important asset to the business.

2.3.3.2 Financial capacity

Small businesses can be largely innovative, flexible and responsive however they are often related with financial and technological challenges (Thomas *et al,* 2011) Capital employed by a business may and can vary depending in the size of the business. A small company will could do with less capital to finance its outlay, whereas, a large business venture will need a lot of capital to plan and finance the investments. This can be because large businesses comprise of many departments such as Surveying, Research and Development among others and this will require a lot of money to finance all the expenses. Since different businesses have different costs and objectives, it is not possible to compare business that operates in different industries. (Wilson and Piebalga, 2008)

Market capitalization is only possible for firms that can issue their shares on the Stock Exchange market. These are commonly known as Public Limited Companies. The formula to calculate this is:

$$\text{Market capitalization} = \text{current share prices} \times \text{total number of shares issued}$$

This method is not very stable because share prices change every day. For example, a temporary but sharp drop in the value of the share might suggest the business being very ‘small’ which in reality it wouldn’t be (Thomas *et al,* 2011). The market share can be considered as the business’s control over the customers. If the business has a greater market share, it might be because of good quality products or the brand image or brand loyalty. Once the firm is successful in obtaining a good market share, it should be able to maintain the good service it provides.

Market share can be calculated by:

$$\frac{\textit{Total sales of business}}{\textit{Total sales of industry}} \times 100$$

However, a business can only be considered large if the total size of the market if large. If the market itself is small, then a greater market share may not be sufficient to indicate the business as being big. In reality, no one measure is the best. It depends on what needs are to be established about the firm. The business might be going either for comparative size or absolute size. If the firm is going for absolute size, then at least any two of the above criteria should be considered. With this in mind the researcher will use a combination of the methods to establish the size of the businesses competing for business opportunities in Public Universities in Kenya (Wilson, and Piebalga, 2008)

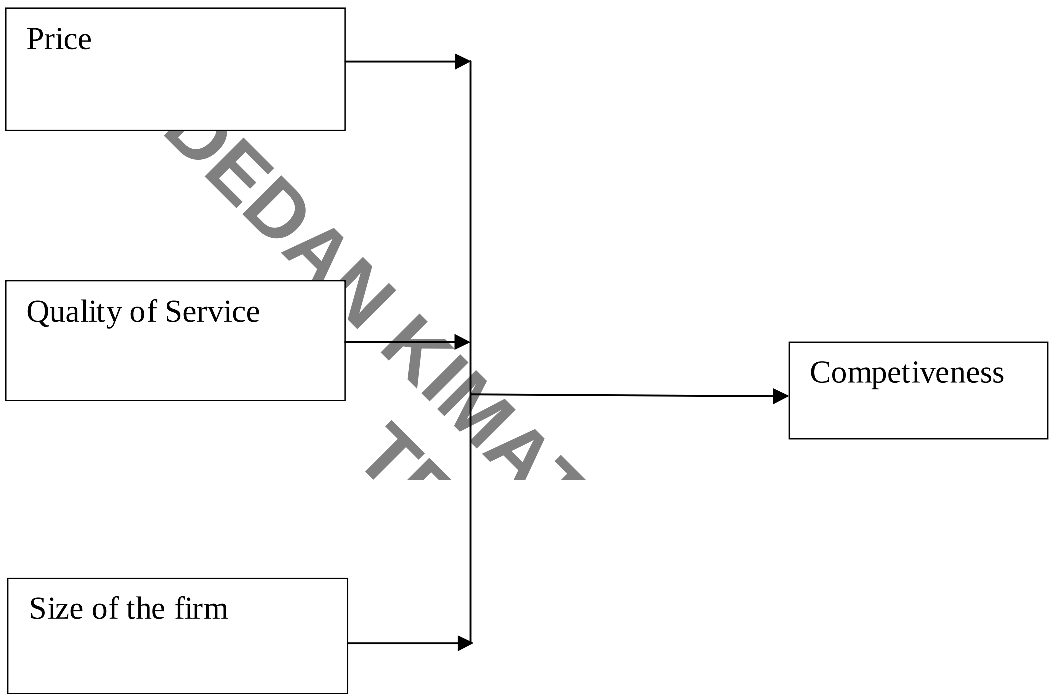
Studies have been conducted to examine the correlation between the company unit size and its performance relative to that of the its competitor indicate that the mid-sized company often perform disappointingly in comparison to small or large competitors. This is for the reason that small businesses enjoy flexibility in meeting a number of demands and on the other hand big firms possess extensive resources that the mid-sized firm lacks (Thomas, B. & Simmons, G 2010) Small firms are able to make tactical moves that emanate from their low investments and this helps them practice more limited revenues opportunities which may not be the case of large and medium sized companies. The small firm can be able to easily maneuver in a manner that helps the firm select one or more market(s) with interest or special customer needs and excel in meeting these needs in a way that the larger forms may not be able to do it. This gives the small entrepreneur an opportunity to follow a focus approach aimed at meeting customer needs. This will be dependent on the firm's ability to identify needs of the targeted clientele and birthing the skills required to meet these needs.

The small enterprise will therefore forfeit the attempt to serve the entire market but concentrate on one segment after the other. This could be done by focusing on a geographic area, concentrating on a specific product or service or offering specialized knowledge gap in a way that is better than what is being offered by the competitors. However the niche should be large enough to make profit, it should be easily accessible and should be capable of sustaining the business in the long run. The strategies employed by the small firms involve flexibility and willingness to change, quick response to customer requirements, innovation, risk taking and development of emerging markets by being first movers (Yan, R., Pei, Z. 2009). The small entrepreneur can penetrate the market by avoiding matching his weaknesses against the strengths of the bigger competitor.

Large companies can easily transform their economies of scale into low costs per unit and this gives the large enterprise room to negotiate their prices with customers and bargain prices of commodities with their suppliers giving them an upper hand against the smaller competitors in the industry. Because of their size, large firms are able to spread their fixed costs over a large production volume and they are able to produce in large volumes therefore achieving division of labour (Yan, R., Pei, Z. 2009). By so doing the firms enjoy economies of scale and this boosts their profitability. Midsized businesses do not enjoy either of the advantages of the large and small enterprises and are therefore forced to either become large or to become smaller for them to be able to enjoy the either of the advantages of the competing firms.

2.4 Conceptual Framework

A Conceptual framework are structured from a set of broad ideas and theories that help a researcher to properly identify the problem they are looking at, frame their questions and find suitable literature(Smyth, 2004). Pricing, quality of service and size of the business the major drivers to the development and growth in all sectors of the economy. They greatly contributes towards efficient and effective implementation of business strategies, techniques, tactics and operations, leading to business competitiveness and growth as well as the effective achievement of organizations goals. The figure below denotes the conceptual framework adopted by this research



Independent Variables **Dependent Variable**

Figure 2: 2 Conceptual framework for the competitive strategies for businesses competing for public tendering in public universities

2.5 Operational Framework

An operational framework involves a list of all of the variables and individual ideas at work in a thesis. The operational framework further shows connections between the independent variables and ideas and the dependent variable. Primary activities can be defined as the core business of an organization while support activities are those that provide the background necessary for the effectiveness and efficiency of the firm, such as human resource management (Porter, 2011).

The figure overleaf shows an operational framework adopted in the study and it involved the identification of the value activities that directly affected competitive strategies employed by firms competing for public tenders and consequently establish how they can be leveraged to gain competitive advantage inform of increased productivity and increased profit margins. In this study the conceptual framework gives an outline of the variables tested while the operational framework gives a broader perspective and the relationship of the variables studied. This is represented in the tabulation that follows that shows the Operational Definition of Variables tested.

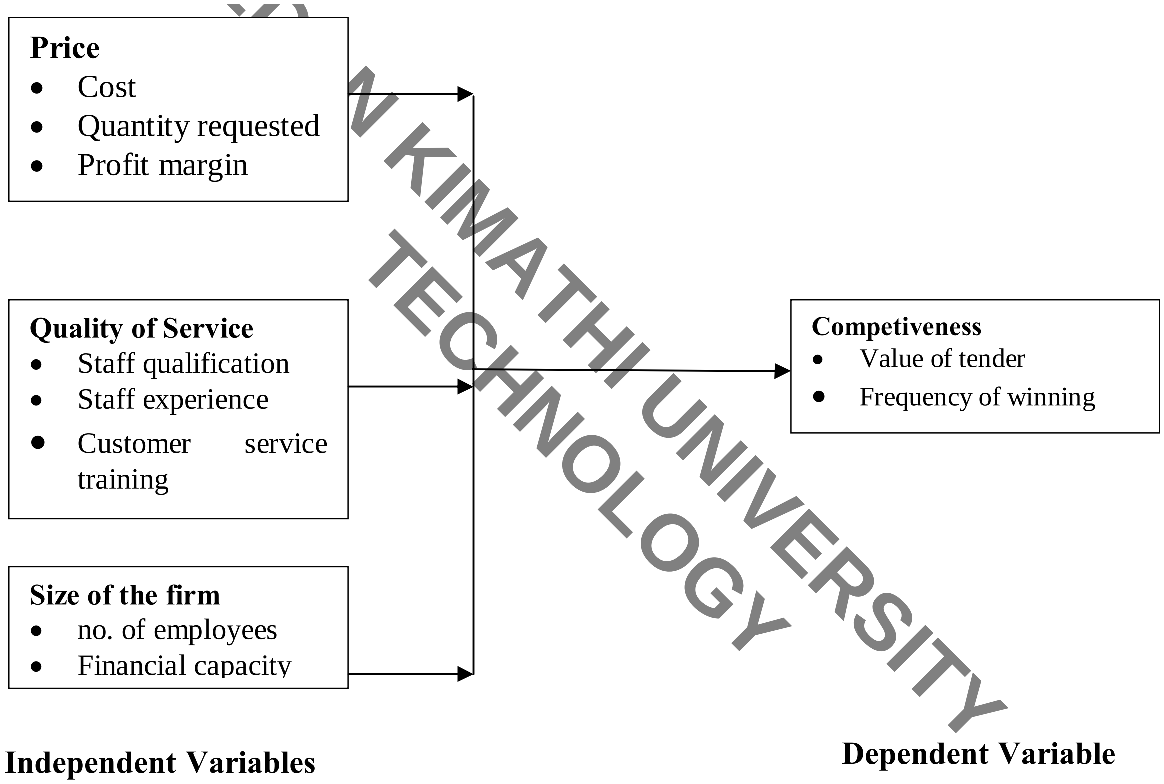


Figure 2: 3 Operational framework for the competitive strategies for businesses competing for public tendering in public universities

2.5.1 Variable analysis

In this study the conceptual framework gives an outline of the variables tested while the operational framework gives a broader perspective and the relationship of the variables studied. This is represented in the tabulation that follows that shows the operational definition of variables tested.

Table 2: 1 Variable analysis

Variables	Indicator	Measure	Source
Competitive strategy	• Competing firms • New entrants • Substitute products • Suppliers • buyers	• No. of firms in industry • No. of firms entering industry • Strength of suppliers • Strength of buyers • No of substitute products	Porter, 2011
Pricing	• Cost control • Competitive marketing and offering • Profit margin	• Cost of production • Revenue •	Richard Hodgetts & Donald Kuratko, 1986
Quality service	• Service quality • Product quality • Customer feedback	• qualifications and experience of technical staff • Attitudes of staff • Internal business processes	Wilson *et al* 2008
Size of business	• Capital investment • No. of branches • Human capital	• No. of employees • Years in operation • Value of business a firm can handle	Kaplan and Norton, 1992)

2.6 Summary of the Research Gap

The subject of public procurement systems and its correlation with the supplying entities would have received little attention from the academic and political circles until recently, and it was often considered an administrative function too mundane to worry about (Wittig, 1998). Other researchers have been concentrated on problems facing the public procurement (Wayne A. Wittig, H. J. 2004). The procurement process has not been given the recognition it deserves in developing countries, in most public entities, regardless of the effort by the partners like the World Bank, the International Trade Organization, the United Nations Conference on Trade and Development, the World Trade Organization and, others (Lynch, 2007)

This study sought to fill this research gap and to identify ways that the businesses can be competitive by concentrating on pricing, quality of service and the size of business while competing for tendering opportunities in Public Universities in Kenya

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter gives a detailed outline of how the study was carried out. It describes the research design, the target population, the sample and sampling procedure, data collection, research instruments, and analysis procedures that was used.

3.2 Research design

The study adopted a descriptive survey research design. Descriptive research design is an investigation which quantitative data is collected and analyzed in order to describe the specific phenomenon in its current trends; current events and linkages between different factors at the current time. Descriptive research design was used by the researcher generalize the findings to a larger population.

3.3 Area of study

This research targeted business firms in the private sector that compete and supply goods and services to Kenyan Public Universities in Rift Valley, Central, Nairobi, and Eastern Regions.

3.4 Target Population

The target population consisted of two hundred and thirty eight (238) suppliers of goods, works and services prequalified by Kenyan Chartered Public Universities.

3.5 Sampling design

According to Orodho (2002), sampling is the process of selecting a number of individuals or objects from a population such that the selected group contains elements representative of the characteristics found in the entire population. Sampling is the process of obtaining information about the entire population by examining only part of it. The study focused on all the Chartered

Public Universities in Kenya which made the population of the study. Cluster sampling methods were applied mainly because the Universities and geographically distributed. Eight clusters were identified comprising of the eight regions in Kenya. Upon identification of the clusters, the researcher concentrated on four clusters with a concentration of more than three (3) Chartered Public Universities. These were identified as Rift Valley region with 7, Central Region with 3, Nairobi Region with 4 and Eastern Region with 3. This represented 77% of the total population of Chartered Public Universities in Kenya. The researcher then obtained lists of prequalified suppliers from the identified Universities with the highest bided categories. Each category had at least 5 bidders and the researcher concentrated on the categories with more than 6 prequalified suppliers. To determine the sample size a formula that was first developed by Cochran (1963) and later simplified by Yohane (1967) was used. The formula was

$$n = \frac{N}{1+N(e)^2}$$

Where n is the sample size, N is the population size and e is the level of precision at 95% confidence level. Using this formula the researcher was able to establish a sample size of 149 firms.

3.6 Data collection procedures and instruments

Both primary and secondary data were collected in this research. The researcher used questionnaires and face to face interviews for the purposes of gathering information from businesses that supply general office stationary to public Universities in Kenya. For clarity, face-to-face or telephone interview were used in part. Closed-ended questionnaires were used by large. A pretest was done to evaluate the clarity, objectiveness and relevance of the questionnaire used. After the pretest, the following corrections were made on the survey tool

Table 3: 1 Research tool amendment

Pilot question	Updated
Is your business able to finance all its capital expenditure activities from internally generated funds? Yes [ ] No [ ]	***The question was updated to include the following***: If no, where do you get extra funds? i. Bank Loans [ ] ii. Loan from family and friends [ ] iii. Loan from development partners [ ] iv. Development Partner donor funding [ ] v. Internally generated funds (retained earnings)[ ] vi. LPO Financing [ ] vii. Do nothing [ ] viii. Others (Specify)

The questionnaires included structured and unstructured questions which were administered through drop and pick method to respondents. The closed ended questions enabled the researcher to collect quantitative data while open-ended questions enabled the researcher to collect qualitative data.

3.7.Reliability and Validity

Validity is the degree to which a test measures what it is intended to measure (Gray and Airasian, 2003). A pilot study was done where the questionnaires were administered to a small group of respondents in advance. The pilot group was selected from the neighboring Nairobi County being the capital city of the country and having the biggest concentration of Public Universities and government offices. This helped in making adjustments to ensure the data collection tools measured what was intended.

Reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials, (Mugenda and Mugenda, 2003). The pilot study helped in making necessary changes in the research instruments to be better understood. The necessary instructions in simple language were used to ensure correct interpretations were made. The researcher also used consistent and systematic questions in the questionnaire.

3.8.Data analysis techniques

After collecting the data, the researcher edited the raw data to free it from inconsistencies and incompleteness. This involved a scrutiny of the completed instruments in order to detect and reduce as much as possible errors, incompleteness, misclassifications and gaps in the information obtained from the respondents. The data was coded to establish how possible answers would be treated by assigning them numerical values. The data was captured and stored in soft and hard copy formats.

The qualitative data generated was organized into themes, categories and patterns pertinent to the study. This helped to identify information that was relevant to the research questions and objectives. The data was tabulated into sub-samples for common characteristics with responses being coded to facilitate basic statistical analysis. Descriptive statistics was used to analyze the data. Statistical Package for Social Sciences was employed to analyze the data (Mugenda and Mugenda, 2003). The results were presented using frequency tables, percentage charts, and bar graphs. The data was summarized and the researcher checked for correlation between the dependent and independent variables with an aim of quantifying the strength of the linear relationship between the variables. R^2 measures were used to check the strength of the linear relationship.

A multi regression equation was used as indicated below.

$$Y = \beta_o + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \mathring{U}$$

Where:

Y = Competitiveness

β_o = Autonomous factors

X_1 = Price

X_2 = Quality of service

X_3 = size of the firm

b_1, b_2, b_3 = coefficients

$\mathring{U}$= Error factor

3.9.Ethical consideration

The researcher endeavored to remain ethical in the conduct of the study a letter was issued to the respondents giving them confidence that the data collected was meant for education purposes only. The researcher also ensured that the information given was kept confidential as advised to the respondents. Since some of the organization -especially in the public sector where protocol is highly regarded- do not allow their employees to interact with outsiders in the organization in fear of giving out the organizational critical information, the researcher first consulted to the top managers to enlighten them on the importance of this research and ensure that they understood that the research is not meant for any other purpose besides education purposes.

CHAPTER FOUR: RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the findings of the study. The study sought to establish the competitive strategies for business tendering opportunities in the Public Universities.

4.2 Respondents Characteristics

Charted Public Universities were visited with an aim of obtaining list of prequalified suppliers supplying goods and services. The researcher concentrated on the Regions that have more than three Charted Public Universities. These were Central, Nairobi, Rift valley and Eastern Regions in Kenya.

4.2.1 Response rate

The researcher worked with a sample of 149 firms supplying good and services to Chartered Public Universities. Upon identification of the firms the researcher noted that 25 firms were prequalified in more than one University and as a result the researcher worked with 124 respondents. To collect the necessary data, the researcher administered 124 questionnaires to the respondents in different categories that are according to the gender. The response of the questionnaires was as follows:

Table 4:1 Response rate

Response rate	
Questionnaires administered:	124
Returned:	111
Not returned:	13
Percentage response:	90%

A total of one hundred and eleven (111) questionnaires were filled and returned with a response rate of 56% female, 44% male respondents and 90% of the total population are good and thus increased the reliability of the study.

Table 4:2 Response rate by gender

Gender	No. of questionnaires	%
Female	62	56%
Male	47	44%

From the table 4:2 above, it shows that there were 62 females which 56% of the total respondents and 47 males which translate to 44%. This indicated that there was equal representation on the business ownership however female ownership was higher.

4.2.2 Type of ownership

The study wanted to establish whether ownership of the businesses affect the competitive strategy for business tendering opportunities. The table below shows the results of the findings.

Table 4:3 Business ownership

Type of ownership	Frequency	(%)
Family owned	40	36%
Private limited company	42	38%
Public limited company	14	12%
Non Governmental Organization	7	6%
Any other	8	7%

From the table 4.3 above, the research established that the respondents who were running family owned businesses constituted 36%, private limited companies were 38%, public limited companies were 13%, Non Governmental Organizations were 6% and any other were 7%. The researcher concluded that most of the businesses were family and privately owned. The researcher observed that this was highly contributed by the fact that this type of ownership is not monitored so much by the government and it indicated that there are no restrictions on the business ownership.

4.2.3 Awareness of the Tendering process

The study sought to establish to establish whether the respondents were aware of the public procurement or tendering process and find out if this will affect their competitiveness.

The following figure shows the results.

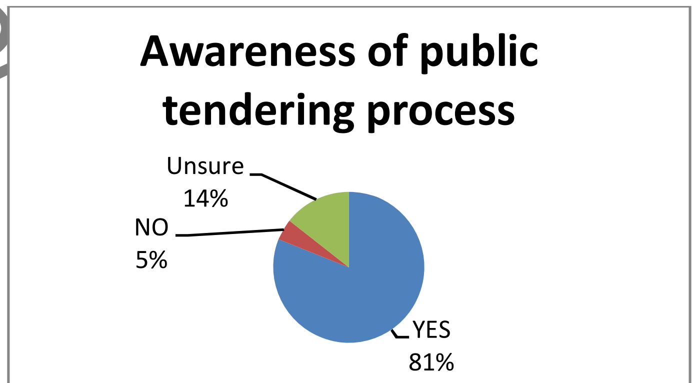


Figure 4: 1 Awareness of Tendering process

From figure 4:1, it is observed that 81% are aware of the government tendering process, 5% are not familiar while 14% are not sure about it and this helped confirm that the respondents had an understanding and they had knowledge of the study in question.

4.2.4 Years of Operation

The researcher sought to establish whether the length of time the business has been in operation can affect its competitiveness. The results are shown in the figure overleaf.

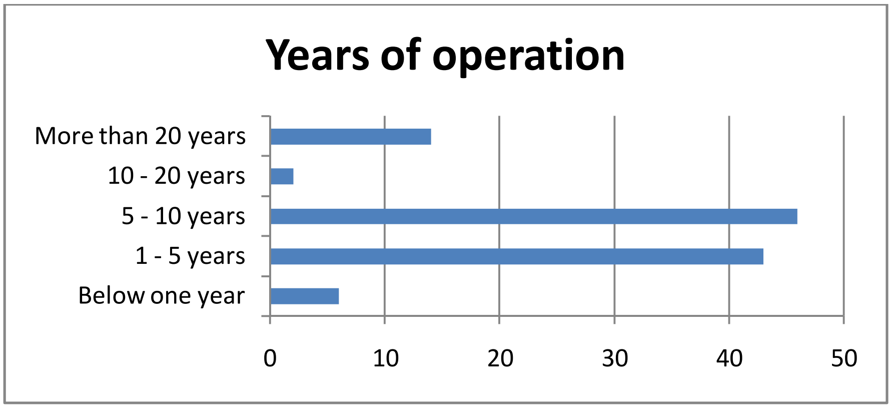


Figure 4: 2 Years of operation

The figure 4:2 above indicates that 41% of the firms have been in operation between 5-10 years this being the highest and the lowest is below 1 year which makes 5%. This meant that the firms which have been in operation for moderate number of years are more competitive for business tendering opportunities.

4.2.5 The nature of business

The study wanted to establish if the nature of business could affect the firmǿs competitiveness for tendering opportunities in Public Universities.

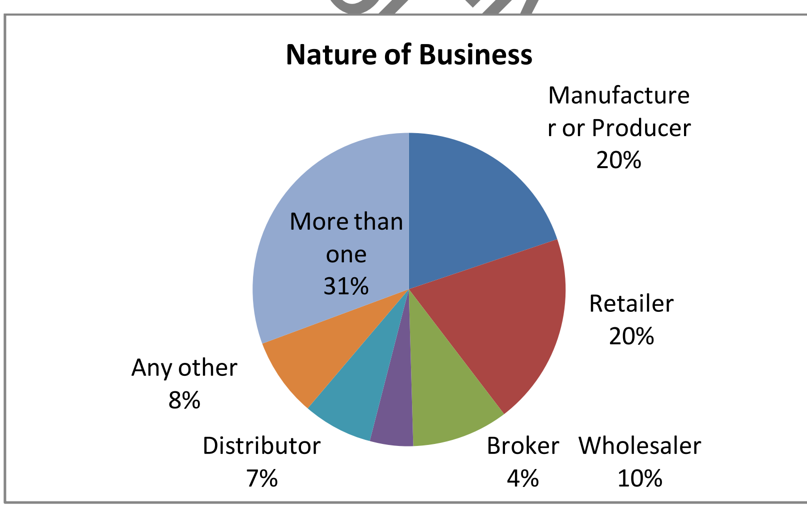


Figure 4: 3 Nature of Business

From the figure 4:3 above, the data established that manufacturers or producers makes up 20%, Retailers were 20%, wholesalers were 10%, brokers were 5% while distributors were 7%, any other were 8% and the businesses that are using more than one nature were 31%. The findings show that businesses that employ more than one nature are the majority, this has been contributed by the fact that many customers buy in different quantities.

4.2.6 Distribution channels

The study sought to establish if the distribution channels could affect the firmsô competitiveness. The results are given in the figure 4:4 below.

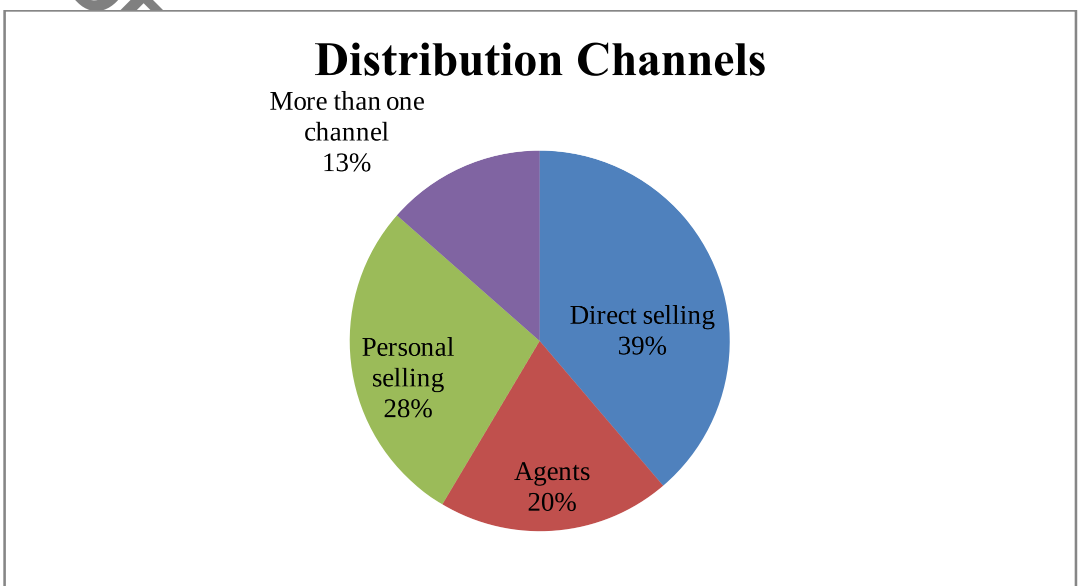


Figure 4: 4 Distribution channels employed

From the figure 4:4 above, the data established that 39% employs selling direct to customers, 20% uses agents, 28% uses personal selling while 14% of the respondents uses more than one channel of distribution. The researcher concluded that selling directly to the customers is employed by majority of the firms as this will enable the firms interact directly with the customers.

4.3 Firms Competitiveness

4.3.1 Value of tenders won

The study sought to find out what value of business the respondents have done with the public universities in the last six years and if the value of business is attributed to the pricing, size of the firm and the customer service delivery offered by the respondents.

Table 4: 4 Value of tenders won

Value of tender won in Kshs	Frequency	(%)
Below Kshs. 100,000	21	19
Kshs. 100,001-200,000	13	12
Kshs. 200,001-300,000	43	39
Kshs. 300,001-400,000	4	4
Kshs. 400,001-500,000	4	4
Kshs. 500,001-600,000	2	2
Kshs. 600,001-700,000	2	2
Kshs. 700,001-800,000	4	4
Kshs. 800,001-900,000	3	3
Kshs. 900,001-1,000,000	4	4
Kshs. 1,000,001 and above	11	10

From the Table 4:4 above, the researcher established that 19% of the respondents have done business ranking between 1 to 100,000, 12% fall between 100,001 to 200,000, 39% fall under 200,001 to 300,000, 300,001 to 400,000, 400,001 to 500,000, 700,001 to 800,000, 900,001 to 1,000,000 comprised of 4% each, 500,001 to 600.000, 600,001 to 700,000 makes up 2% each, 3% of the respondents firmόs fall between 800,001 to 900,000.00. From the table 4:3 the researcher concluded majority of the firmôs have done business of value between Kshs. 200,000 to 300,000.00 this is attributed by the fact that, most of the businesses are small in size.

4.3.2 Frequency of winning tenders

The study sought to understand the frequency of winning university tenders in the years 2012 and 2013. The results are as tabled in the table below

Table 4: 5 Frequency of winning University tenders

Value of tender	Frequency	(%)
Below Kshs. 100,000	46	12
Kshs. 100,001-200,000	31	8
Kshs. 200,001-300,000	43	11
Kshs. 300,001-400,000	35	9
Kshs. 400,001-500,000	35	9
Kshs. 500,001-600,000	30	8
Kshs. 600,001-700,000	30	8
Kshs. 700,001-800,000	34	9
Kshs. 800,001-900,000	38	10
Kshs. 900,001-1,000,000	30	8
Kshs. 1,000,001 and above	28	7

From the Table 4:5 above, the researcher established that 12% of the respondents have done business ranking below 100,000, 11% fall between 200,001 to 300,000, 9% fall under 300,001 to 400,000, 400,001 to 500,000, and 700,001 to 800,000, 8% of the respondents 100,001 to 200,000, 500,001 to 600,000 and 600,000 to 700,000. The researcher was able to conclude that the majority of the businesses were small in size based on the value of business that they had handled.

4.4 Descriptive Statistics

4.4.1 Pricing

The study sought to establish the effect of pricing on the firms competitive strategies for the public University tendering opportunities.

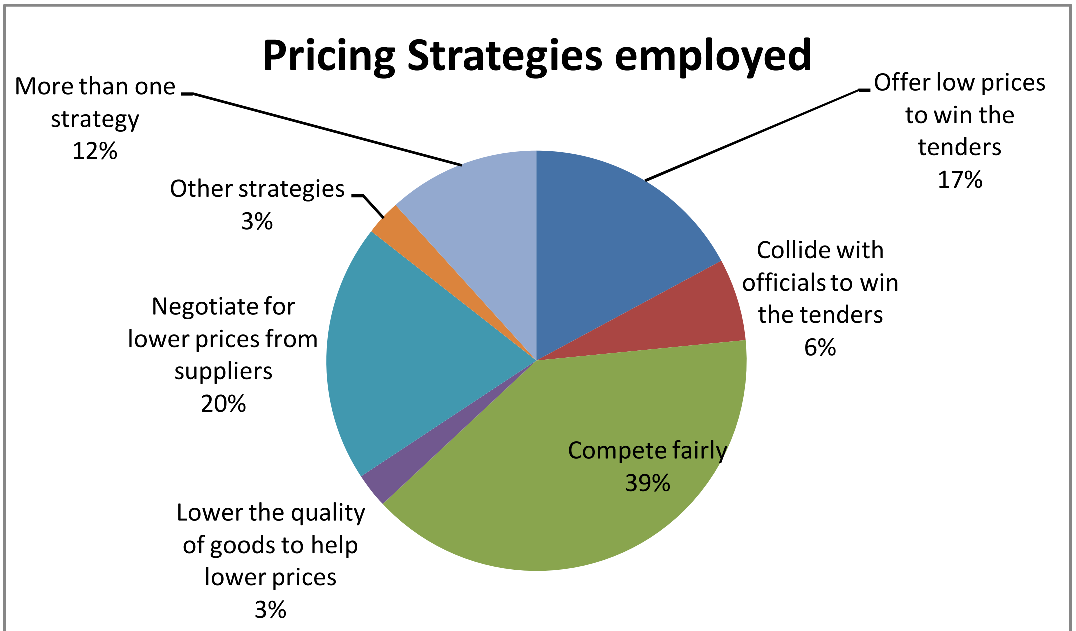


Figure 4: 5 pricing strategies employed

From the Figure 4:5 above, 40% of the firms compete fairly and this forms the highest percentage of the total respondents while 3% forming the lowest percentage of the total lower the quantity of goods to help lower prices and uses other strategies. From the findings it is deduced that most of the firms compete fairly for the public tendering opportunities.

The researcher wanted to establish if the price plays a major role in the award of public tenders and bids. The figure overleaf shows the findings of the results:

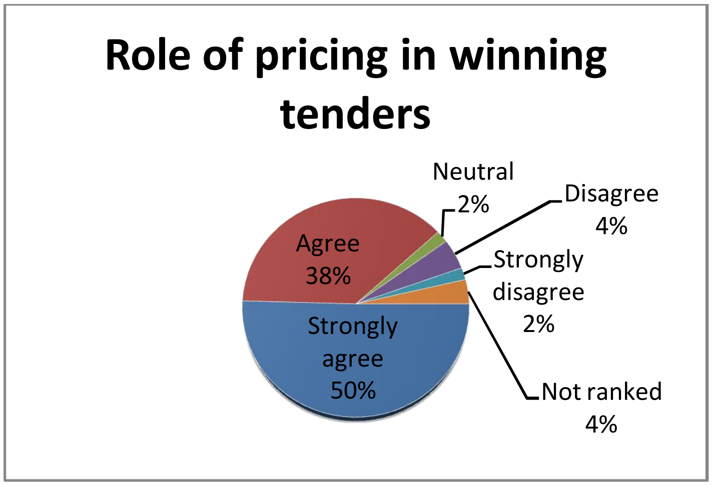


Figure 4: 6 Role of Price in winning tenders

From the results in the figure 4:6 above, 50% strongly agree that prices play a major role in the award of the public tenders. The researcher was able to conclude that the university customers are price sensitive and in all likelihood they will go for low priced products.

4.4.1.1 Cost

The study sought to see the importance of various aspects of pricing and their importance, the results are given in the figure below.

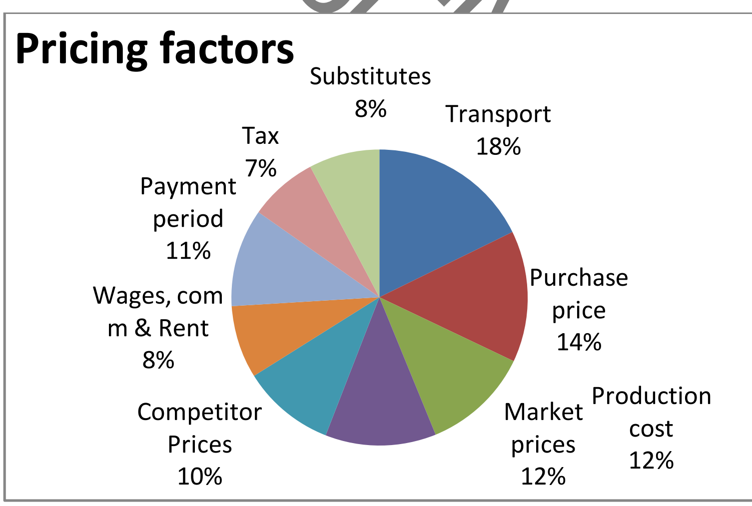


Figure 4: 7 Pricing factors

From the figure 4:7, 18% of the respondents indicated transport as the highest ranked and 7% of the respondents indicated Tax as the least consideration in setting up prices while competing for tending opportunities in Public Universities.

The study wanted to observe how important transport charges are while setting up prices.

Table 4: 6 Transportation costs

Importance of transport	Frequency	%
Very important	78	70%
Important	29	26%
Neutral	1	1%
Not important	2	2%
Not ranked	1	1%

From the table 4:6 above, 70% of the respondents see transport charges as a very important factor while setting up prices. This indicated that transport is a very important factor while competing for public tendering opportunities.

The study wanted to establish whether the cost of buying goods affect setting of prices. The results are given as follows.

Table 4: 7 Acquisition costs

Importance of the acquisition costs	Frequency	%
Very important	63	57 %
Important	39	36 %
Neutral	6	5 %
Not ranked	3	3 %

From the table 4:7 the researcher observed that purchase price (cost of buying the goods) as a factor to be considered had 57% of the respondents who considered it as very important, while 3% of the respondents never considered it as a factor. The researcher was able to conclude that the purchase price plays a major role in setting prices for commodities sold.

The study sought to establish if the production cost has an in effect on setting of prices as one of the factors considered. The results are given as follows.

Table 4: 8 Production costs

Importance of the production costs	Production cost	%
Very important	52	47%
Important	25	23%
Neutral	19	17%
Not important	7	6%
Not ranked	8	7%

The results from the Table 4:8 above shows that the cost of production as a factor is very important component to be considered while setting prices making up to 47%, while 6% considered it not important.

The study wants to establish if the market price of a commodity is important factor while setting prices. Table 4:9 shows the results of the findings.

Table 4:9 Market prices

Importance of the market prices in setting price	Frequency	%
Very important	53	48%
Important	36	32%
Neutral	9	8%
Not important	3	3%
Not sure	1	1%
Not ranked	9	8%

From the table 4:9 above, 48% of the respondentsô rate market price of a commodity as very important while setting up prices of commodities, 1% of the respondents is not sure if the market price of a commodity plays a major role. From the findings, it shows that the prevailing market price of a commodity affects the firmôs competitiveness for public tendering opportunities.

Table 4: 10 Competitor prices

Importance of competitor prices in setting prices	Frequency	%
Very important	45	41%
Important	34	31%
Neutral	18	16%
Not important	2	2%
Not sure	2	2%
Not ranked	10	9%

From the findings on the table 4:10 above; 41% of the respondentôs rate prices offered by their competitors as an important factor while setting prices. This is because firms are competing fair in the market prices of the competitors is a very important factor in setting the prices. This indicated that competitor prices had an effect on the prices quoted by the bidders.

Table 4: 11 Wages, Communication and Rent

Importance of wages, communication and rent	Frequency	%
Very important	35	32%
Important	44	40%
Neutral	17	15%
Not important	8	7%
Not sure	1	1%
Not ranked	6	5%

From the table 4:11 above, 40% of the respondents rated other expenses such as wages, communication and rent as an important factor in setting the price of the commodities. This shows that prices of the commodity do not take into consideration expenses as a very important factor.

The study sought to establish if the prices of substitute products plays any role in setting prices. The results are in the table 4:11 below.

Table 4: 12 Price of substitute products

Price of substitute products	Frequency	%
Very important	34	31%
Important	43	39%
Neutral	9	8%
Not important	16	14%
Not sure	1	1%
Not ranked	8	7%

From the table 4:12 above, 39% rate price of substitute products as an important factor, 1% of the respondents were not sure if this factor is important. From the results it shows that the price of a substitute product is an important factor for the firmsô competitiveness.

The study sought to establish if the payment period plays any role in setting prices. The results are in the table 4:13 overleaf.

Table 4: 13 Payment period as a factor in setting prices

Payment period	Frequency	%
Very important	47	42%
Important	42	38%
Neutral	13	12%
Not important	4	4%
Not ranked	5	5%

From the Table 4:13 above, 42% of the respondents rate the payment period taken by the customer to pay for the products as a very important factor in setting the prices of goods and services. This illustrated that payment period affects firmsô competitiveness. As a result it should be considered while setting prices.

The study sought to establish if the payment period plays any role in setting prices. The results are in the table 4:13 below

Table 4: 14 Applicable taxes

Taxation	Frequency	Percentage
Very important	33	30%
Important	37	33%
Neutral	21	19%
Not important	9	8%
Not sure	5	5%
Not ranked	6	5%

From the table 4:14, 33% of the respondents rated applicable taxes as an important factor while setting the prices of the commodity. From the findings, the researcher concluded that VAT and other applicable taxes affect the firmsô competitiveness.

4.4.1.2 Quantity of goods requested

The research seeks to establish, whether the quantity of goods requested can in any way affect the setting of prices. The table below shows the findings of the respondents.

Table 4: 15 Quantity of goods requested

Quantity requested	Frequency	Percentage
Very important	58	52%
Important	36	34%
Neutral	8	7%
Not important	3	2%
Not ranked	6	5%

From the Table 4:15 above, 52% of the total respondents rated the quantity of goods requested as very important factor while setting prices forming the highest percentage of the total population. This indicates that the quantity of goods/services demanded is very important factor and competitors will set their prices based on the quantity that is requested.

4.4.1.3 The profit margin

The researcher here seeks to establish how respondents rate profit margin while setting prices. The following are findings.

Table 4: 16 Profit margin as a factor in pricing

Profit margin	Frequency	Percentage
Very important	57	51%
Important	35	31%
Neutral	11	10%
Not important	4	4%
Not ranked	4	4%

From the Table 4:16 above, 51% of the respondents indicated that profit margin is very important factor, this form the highest percentage of the total population 0% are not hence profit margin is a very important factor in setting prices. The main goal for setting a business is to make profit and as a result it was established that

The study sought to establish how often bidders employ low pricing strategies while firms employ while setting prices. The table overleaf shows the results.

Table 4: 17 low price strategy

Low pricing strategies	Frequency	Percentage (%)
Very often	32	29%
Often	35	32%
Rarely	26	23%
Never	12	11%
Not sure	1	1%
Not ranked	5	5%

From the findings in the table 4:17 above, 32% which forms the largest percentage of the total population often use the strategy of offering low prices to generate high sales volume. 1% forming the smallest percentage of the population is not sure. Hence offering low prices often plays an important role in enhancing firmsô competitiveness and respondents seek to offer low prices in an attempt to be relevant and more competitive than their rivals.

The study sought to establish how often bidders introduce new products in the market at high prices but lower the price as competition rises while pricing their products. The table below shows the results.

Table 4: 18 Introduction of new products at a high price

Introduce new products in the market at high prices	Frequency	Percentage (%)
Very often	16	14%
Often	36	32%
Rarely	41	37%
Never	7	6%
Not sure	2	2%
Not ranked	9	8%

From the findings in the table 4:18 above, 37% of the total population rarely uses the strategy of introducing new products at high prices but lowering the prices as competitions rises. This is forming the highest percentage of the total population. This high percentage was contributed by the fact that customers will run away when they learn about the high prices. Therefore bidders seek to offer low prices as opposed to high prices in an attempt to be relevant and more competitive than their rivals.

The study sought to establish how often bidders offer different prices for the same product to different customers while pricing their products. The table below shows the results.

Table 4: 19 different prices to different customers

Offering different prices to different customers for the same product	**Frequency**	**Percentage (%)**
Very often	20	18%
Often	38	34%
Rarely	22	20%
Never	22	20%
Not sure	1	1%
Not ranked	8	7%

From the findings in the Table 4:19 above, 34% of the respondents indicated that they offer different prices for the same product to different customers while pricing their products very often. This high percentage is attributed by the fact that some customers often bargain for lower prices hence firms offer them lower prices. This indicated that customer needs vary with every individual and bidders should study their customers to understand them well in an aim to meet their needs better.

The study sought to establish how often bidders offer different prices for the same product to different segments while pricing their products. The table below shows the results.

Table 4:20 pricing per segment

Price segmenting	Frequency	Percentage (%)
Very often	25	23%
Often	37	33%
Rarely	20	18%
Never	17	15%
Not sure	3	3%
Not ranked	9	9%

From the Table 4:20 above, 33% forming the largest portion of the total population often offer prices in different towns, cities or branches for the same product. This is due to the fact that some firms are located where the infrastructure is not accessible hence extra cost is incurred to cover up for such costs. This indicated that every market is different and it has its own features that may not be in other markets and this calls for research on the part of the bidders who seeks to be more competitive than their rivals.

The study sought to establish how often bidders raise prices for their same product when there is short supply while pricing their products. The table below shows the results.

Table 4: 21 high pricing with short supply

Raising prices of a product when there is short supply	Frequency	Percentage (%)
Very often	31	28%
Often	35	32%
Rarely	27	24%
Never	9	8%
Not sure	0	0%
Not ranked	9	8%

From the Table 4:21 above, 31% forming the largest percentage of the total population often lower prices when there is high supply and lower when the demand is low. This is contributed that by the fact most of the firms are speculators.

The study sought to establish how often bidders offer discounts while pricing their products. The table overleaf shows the results.

Table 4: 22 offering discounts

offering discounts	Frequency	Percentage (%)
Very often	30	27%
Often	55	50%
Rarely	13	12%
Never	2	2%
Not sure	3	3%
Not ranked	8	7%

From the above table 4:22 above, 50% of the total population often offer discounts to their customers. This large percentage of the respondents is attributed by the fact that the firms must attract customers to survive competition.

The study wanted to establish whether doing business with the public Universities organization could affect their business negatively and if it will affect their competitive strategies for public tendering opportunities. The figure below shows the findings.

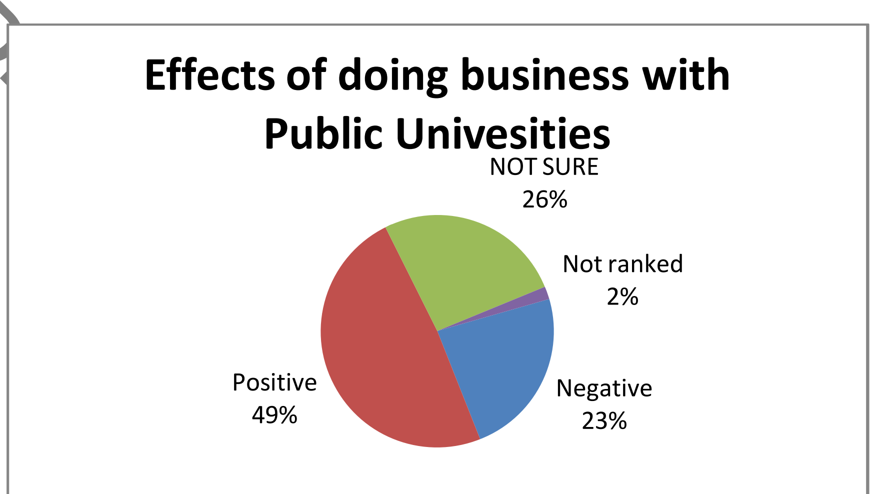


Figure 4: 8 Effects of doing business with Public Universities

From the figure 4:8 above 23% agree that doing business with the government could affect their business negatively, 49% agree do not agree, 26% are not sure while 2% are not ranked. The higher percentage is attributed by the fact that majority of these businesses are private and family owned hence little interference by the government.

4.4.2 Quality of service

4.4.2.1 Staff Qualifications

The researcher sought to establish whether the level of education of the employees has any relationship with customer service delivery. The employees examined were the general manager, accountant, operations officer, supervisor and clerks.

Table 4: 23 Staff Qualifications

Level of education	Manager	Accountant	Operations Officer	Supervisor	Clerk
University degree	54	22	21	16	6
Professional certificate	10	47	9	6	5
Diploma (Tech. school)	25	25	45	39	27
Certificate	7	6	22	30	27
Some post secondary school	3	3	6	8	11
Secondary school certificate (A-level)	1	3	2	7	11
Secondary School certificate (O-level)	7	3	4	3	8
Some secondary school	3	2	2	2	2
Primary leaving certificate	1	0	0	0	2
Some primary school	0	0	0	0	1
Did not attend school	0	0	0	0	0
Others (specify)	0	0	0	0	0

The study sought to establish the education level of the general managers of the firms and the researcher observed that 49% which is the majority of the respondents had a general manager whose education level is a university degree. This is contributed by the fact that, the level of education has direct effect on customer service delivery.

The study sought to find out the education level of the accountant and to see if it has any effect on the customer service delivery. It was observed that majority of the respondents accountants had a professional certificate with 42% while the least had attended some secondary school this makes

2% of the total respondents. The researcher concluded that, accountants with professional certificates had good customer service.

The study sought to find out the education level of the operations officer. The education level of the operations officer will have direct effect on the firmsô competitiveness as this is an important function of the firm because it deals directly with customer needs. The study established that 41% of the respondentsô operations officers were diploma holders from technical schools this formed the highest percentage while 2% of operationsô officers were secondary school certificate holders. The researcher concluded that, operations managers from technical schools have technical skill and knowledge which is ideal for production thus forming the largest number.

The study sought to establish whether the education level of the supervisors in different firms have effect on the firmsô competitiveness. The researcher observed that, supervisors with diploma from technical school were the majority 39% while supervisors with some secondary school level certificate were the least making up 2% of the total respondents. From the findings the researcher concluded that, the supervisors with diploma from technical school will ensure that the products will be tailored towards customer needs.

The study sought to establish whether the education level of the clerks working in the firms affect the firmôs competitiveness. From the table above, it was found out that clerks with Diploma from technical schools and certificates formed 24% while 2% had some primary school leaving certificates. This high percentage is contributed by the fact that clerks with such education level will improve the firmsô competitiveness using their basic knowledge and skills.

4.4.2.2 Staff experience

The study sought to establish whether the level of experience acquired by the firmsô staff could affect the competitive strategies for the business tendering opportunities in the public sector. Below shows the experience level of different staff:

Table 4: 24 Effects of doing business with Public Universities

NO. OF YEARS	Manager	Accountant	Operations Manager	Supervisor	Clerk
Over 10 years	47	16	21	28	16
10-Jul	16	27	16	15	11
7-May	25	32	41	15	17
5-Mar	18	31	22	36	31
Below 3years	5	5	11	17	36

From the table 4:24 above, 42% of the managers had experience level of over 10 years, 14%, have between 7-10 years, 23% are between 5-7 years, 16% are between 3-5 years and 5% have experience of below 3 years. From this, general managers with highest experience level improve the firmôs competitiveness.

The accountants with experience level of between 5-7 years formed the highest percentage of 29% while those with experience level of below 3 years are 5%. Very high experience is not required of the accountants since they do not interact directly with the customers.

The operations managers with experience level of between 5-7 years formed the highest percentage of 37%, while those with below 3 years 10% forming the lowest percentage. This shows that moderate level of experience are required of the operations managers.

The study observed that the supervisors with the experience level of between 3-5 years formed the highest percentage of 32%, while those with experience level of over 10 years formed 25%, 7-10 and 5-7 years formed 14% each and below 3 years formed 15%. This shows that the experience level of the supervisor has no effect on the firmsô competitiveness.

The researcher observed that clerks with experience of below 3 years formed the highest percentage of 32%, while those with 7-10 years formed the lowest percentage of 10%. This means that the experience level of the clerks does not affect the firmsô competitiveness.

4.4.2.3 Customer service training

The researcher wanted to establish whether training of the staff on customer service delivery will affect the firmsô competitiveness.

Table 4: 25 Customer service training

Response	Frequency	Percentage (%)
YES	75	68%
NO	36	32%

From the table 4:25 above, 68% of the respondents have attended training on customer service delivery, while 32% have not attended. This shows that most of the respondents have attended trainings thus training on customer service delivery is essential for firmsô competitiveness.

The study further sought to establish the recent trainings staff attended. The table below shows the results.

Table 4: 26 frequency of customer service training

Period Recently Trained	Frequency	Percentage
A month ago	14	19%
Three months ago	27	36%
Six months ago	24	32%
More than one year ago	10	13%

From the table 4:26 above, the researcher established that most of the staff were trained Three months ago forming 36% of the total respondents while 13% attended training more than one year ago. Frequent trainings enhance the firmsô competitive strategies.

The study sought to establish if staff had attended trainings in last 2 years on customer service delivery and the results are as follows:

Table 4: 27 Number of seminars/workshops staff attended in the last two years

No. of seminars/workshops	Frequency	Percentage (%)
None	0	0%
Below 3	17	23%
4-6	24	32%
More than 7	34	45%

From the table 4:27 above, 45% have attended training more than 7 times, 32% have attended 4-6 trainings, while 27% have attended 1-3 trainings in the last two years. This shows that many firms take their staff for training as this will improve their competitiveness.

4.4.3 Size of the Business

The researcher wanted to establish whether the size of the firm has effect on the firmsô competitive strategies for business tendering opportunities in the public sector. The results are presented in the table below.

4.4.3.1 Number of staff employed

The study sought to establish the number staff employed. The results are in figure 4:9 below

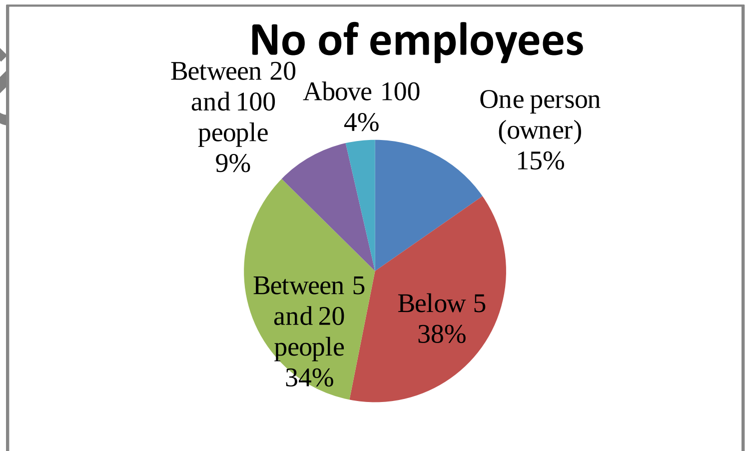


Figure 4: 9 Number of staff employed

From the figure 4:9 above, 39% of the firms have the highest number of employees below 5, while 4% have over 100 employees forming the lowest. It means the size of the firm matters because the lower the number of staff the closer the contact with the customers hence high customer satisfaction.

4.4.3.2 Financial Capacity

The study sought to establish the financial capability of the firms competing for public tendering opportunities. This was measured by an evaluation of the firmôs capacity to finance their tendering expenditure, ability to obtain funding where internal funds are not sufficient and transport outsourcing.

The study sought to establish if the firmsô source of financing affects the firmsô competitiveness for the tendering opportunities in the public sector. The table below shows the results:

Table 4: 28 internal financing

Ability to finance with Internal funds	Frequency	Percentage (%)
YES	50	45%
NO	61	55%

From the findings in the table 4:28 above, 55% of the firms are not able to finance their tendering expenditure while 45% are able to finance. The findings indicated that not all the firms are able to finance their tendering opportunities and as a result business managers should have ways of being able to source for extra funding where necessary to finance their supply activities.

The study sought to establish where the firms get their extra capital if they cannot finance themselves. The table below shows the results:

Table 4: 29 Sources of extra finance

Source of extra financing	Frequency	Percentage
Bank loans	20	33%
Loan from family and friends	5	8%
Loan from development partners	1	2%
Development partner donor funding	5	8%
Internally generated funds (retained earnings)	7	12%
LPO Financing	3	5%
Do nothing	1	2%
Others (specify)	3	5%
More than one strategy	16	26%

From the table 4:29 above, firms that get extra financing from bank loans are 33% of the total respondents this forms the highest percentage while those who do nothing are 2% of the total respondents. This shows that firms getting extra financing from the banks are more competitive compared to sourcing from other sources.

The study sought to establish the availability of transportation of the respondents and the establish the relationship with size of the firm. The table below shows findings.

Table 4: 30 Availability of transport

Means of transport	Frequency	Percentage (%)
Have own transport	49	44%
Outsource	54	49%
Use both (have own transport & outsource)	8	7%

From the table 4:30 above, it is found that 49% of the firms outsource their transport function, 45% have their own means of transport while 7% uses both outsourcing and their own means. The researcher was able to conclude that most of the businesses researched are small scale.

The study sought to establish size of the firm affect the competitiveness of the firm while competing for public tendering opportunities. The table below shows findings.

Table 4: 31 Effect of the size of the firm on competitiveness

Does the size of the firm affect the competiveness?	**Frequency**	**Percentage (%)**
YES	59	53%
NO	44	40%
No comment	8	7%

From the table 4:31 above, 53% of the respondents indicated that the size of the firm matters while 40% did not agree that the size of the firm matters, 7% have no idea. From the findings, it shows that size of the firm matters while competing for the public tendering opportunities.

4.5 Inferential analysis

4.5.1 Pricing

Considering pricing alone as the predictor of business competitive in getting university tendering opportunity, a regression equation was generated as shown in the table below.

Table 4: 32 Effect of pricing on competitiveness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.935(a)	.874	.873	.881

The R^2 was 0.874. This indicated that 87% of variation in business competitive accounted for by the pricing of goods and services as shown in table below.

Table 4: 33 pricing and business competitiveness

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.061	.288		.213	.831
	Price goods and services	.-.369	.013	.935	27.833	.000

a. Dependent Variable: Competitive of the business

Table 4:32 presents the regression coefficients. The un-standardized Coefficients show that the model has an intercept of .061 and a slope of -0.369. As such when pricing alone as the predictor of business competitiveness of business in getting Public University tender the regression equation will be as follows.

$Y= 0.061- 0.369 X_1$

4.5.2 Quality of service

Considering quality alone as the predictor of business competitive in getting government tender, a regression equation was generated as shown in the table below.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.959 [a]	.920	.919	.700

a. Predictors: (Constant), Quality of service

Table 4: 34 Quality of service and business competitiveness

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.760	.205		3.711	.000
	Quality of services	.368	.010	.959	35.939	.000

a. Dependent Variable: Competitiveness of the business

The equation of quality of services is Y= 0.760+0.368 X_2

The results show an intercept of 0.760 and a slope of 0.368 which implies that is change in 0.368 quality of services will result to a unit change in competitiveness.

4.5.3 Size of firm

Considering size of firm alone as the predictor of business competitive in getting university tendering opportunity, a regression equation was generated as shown in the table below.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.890(a)	.792	.790	1.131

Predictors: (Constant), size of the business

As shown in the table above R^2 is 0.792 implying the variance accounted for by the size of the business 79%.

Table 4: 35 Size of business and business competitiveness

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.684			10.082	.000
	Business size	.242	.012	.890	20.652	.000

a. Dependent Variable: Business size

As shown in the table above the intercept of the equation is 2.684 while the slope is .242 as such the size of the business equation is

$Y = 2.684 + 0.242\ X_2$.

This implies that for every change in business size by 0.242 there is a unit change there in business competition.

4.5.4 Combined Regression Model

The aim of the study was identify competitive strategies used by business to secure tendering opportunities in Kenya universities. The strategies under consideration were pricing, quality of goods and services and the firm of the size. The businessesô competiveness on how dependent they leverage the three strategies. To establish the combined effect of the strategies and the strength of the influence of each strategy on the competitiveness of the business a multi-regression was generated. As shown in Table, the value of R^2 is 0.952. This implies that, the three strategies combined accounts for 95% of the variance in the competitiveness of the business.

Consequently it can be concluded that the three strategies are critical factors in enhancing the competitiveness of a business.

Table 4: 36 Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.976(a)	.952	.950	.550	.952	723.210	3	110	.000

A Predictors: (Constant), Pricing, Size of the Business, Quality of goods and Services

Table 4.4.2 present the Analysis Of Variance (ANOVA), which provides the F test indicating whether the model is statistically significant. With a significant level of less than 0.05 the equation is considered significant, in this case the value is 0.000 and thus the model is statistically significant. The significance of a model implies that the independent variables have an influence on the dependent variable. In this case therefore, pricing, quality of goods and services and the size of the business have an influence on the competitiveness of the business for public tendering opportunities.

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	655.344	3	218.448	723.210	.000[a]
	Residual	33.226	110	.302		
	Total	688.570	113			

a. Predictors: (Constant), Pricing , Size of the Buisness, Quality of goods and Services

b. Dependent Variable: Competitiveness of a firm

The significance of a model and its validity can be further established if the following condition holds p ÒŬÒ0.05. Where p is the significant F change in the model summary (Table 4.4.1) and Ŭ is the significance level in the ANOVA Table (4.4.2). In this case p=0.000 and Ŭ is 0.000 which fulfills the condition. This also proves that the F value (F test) in the ANOVA table is valid.

Table 4.2 provides the б value of the multi-regression model. As shown the constant value (б$_0$) was 0.439, б$_1$ was -0.119, б 2 had a value of 0.182 б $_3$ had a value positive value of 0.065 while Ů(error term) had a value of 0.182.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.439	.182		2.404	.018
	Pricing	-.119	.022	.302	5.507	.000
	Quality of goods and Services	.182	.024	.474	7.588	.000
	Size of the Buisness	.065	.011	.241	5.943	.000

a. Dependent Variable: Competitiveness of a firm

Given the value of the coefficients the multi-regression model of the study was therefore as follows;

Y = 0.439ð 119x_1 +0.182x_2+0.65 X_3 +0.182

From the model it is clear that quality of goods and services is the most important strategy used by business to secure tendering opportunities in the Kenyan Public University. Quality of goods and services had a ɓ value of 0.182 and a significant value 0.000. The value 0.182 implies that a change in quality of goods and services with 0.182 will result to a unit change in the competitiveness of the business. The significant level of 0.000 on the other hand implies that quality of goods and services is statistically significant and thus has an influence on the competitiveness of the business.

The second important strategy was pricing with a ɓ value of negative 0.119 and a significant level of 0.00. The significant level implies that pricing had an influence on the competitiveness of the business. Further, the value of 0.119 indicates that a change in pricing by 0.119 would result to unit change in the competitiveness of the business. The negative sign of ɓ implies an inverse relationship between the price and competitiveness such that a raise in price would negatively affect the competitiveness of the business. In this case, a change in price upward by 0.119 would result in a unit loss of competitiveness of the business.

The size of business had the lowest impact on business competitiveness with ɓ value of 0.065 and a significant level of 0.000. While the significant level indicate that size of business affected the competitiveness of the business, its influence is weaker compared to that of quality of goods and services and pricing. The ɓ value of 0.065 implies that a change in the size of business by 0.065 would result to a unit change in the competitiveness of the business.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter contains a summary of the findings, discussions and conclusions inferred from the findings. The research was carried out with intention of finding out the competitive strategies for business tendering opportunities in the public sector. It was guided by the following research questions; what the effects are of pricing on competition in public tendering opportunities, how does quality service affect competition of a firm competing for public tendering opportunities and how does the size of the firm affect competition of a firm in competing for public tendering opportunities. This chapter also contains the summary of the findings, discussions, conclusions and recommendations made at the end of the study.

5.2 Summary and discussions of the findings

The study was guided by the following research questions; what the effects are of pricing on competition in public tendering opportunities, how does quality service affect competition of a firm competing for public tendering opportunities and how does the size of the firm affect competition of a firm in competing for public tendering opportunities.

This is because the researcher wanted to avoid gender biasness. The businesses were categorized according to type of ownership, it was found that 36% are family owned, 38% are private limited companies, 6% are NGOs while any other type of ownership were 7%. Most of the businesses are family and privately owned, because they are small scale in nature.

The researcher also found that most of the respondents are familiar with procurement/tendering processes which constituted 82%, only 5% of the respondents are not aware. On the nature of business, they were categorized into manufacturer/producer, retailer, wholesaler, broker, distributor, any other and businesses of more than one nature. It is found that majority of the businesses are of more than one nature forming 31%.

The value of business that majority of the firms have done with the public sector are of small scale they fall below Kshs. 100,000.00 This forms 39% of the total population; this is because most of the businesses are of small scale in nature. The distribution channels employed by most of the firms is selling direct to the customers. 39% of the firms forming the majority of the total population employ. By so doing, they have direct dealing with the customers thus being able to meet their needs well.

The respondents are not sure whether doing business with the public Universities could affect their business negatively this is shown by the 49% of the respondents. The Kenyan government is promoting local business through public procurement. The study found out that the three competitive strategies under consideration in the study had an influence on the competitiveness of the business. However, quality of goods and services was the most important and had a greater influence compared to pricing and size of the business.

5.2.1 Pricing Goods and Services

On how the firm handle pricing while competing for public tendering opportunities, 40% of the firms compete fairly. Also the factors considered while setting prices were looked into and these were considered: transport charges, purchase prices, quantity of goods requested, profit margin, market price, price offered by competitors, payment period and Value Added Tax (VAT) and other applicable taxes. All these factors were rated by all the firms as very important while setting prices. The strategies considered in setting prices are offering low prices to generate high sales volume, introducing new products at high prices but lowering the prices as competition rises, offering different prices to different customers for the same product, offering different prices in different town, cities or branches for the same product, raising prices when there is short supply and vice versa and offering discounts. These were rated as very often, often, rarely, never and not sure.

Majority of the respondents rate these factors often. Majority of the respondents making up 50% of the total respondent strongly agree that price plays a major role in the award of public tenders and bids, while 39% agree that it plays major role.

The pricing of goods and services was the second most important strategies which had an inverse relationship with competitiveness. This implies that as the price of goods and services increases the business losses its competitiveness in public tendering opportunities. The size of the firm was the least in influencing the competitiveness of the business. It therefore follows that when the quality of goods and services are high the pricing is reasonable; the size of the business has a minimal influence on the competitiveness of the business.

On the impact of pricing in competing for public tendering opportunities the study found out that price plays a critical role that is a public sector sourcing strategy is generally characterized by choice of appropriate set of suppliers; the decision is about the number of sources to use, primarily the choice between single or concentrated and multiple sourcing strategies (Burke and Vakharia, 2004). This complex choice is of great importance at a strategic level, especially in the context of specific competitive strategies of the retailers. The public sector uses which usually gives priority to the lowest bidder and in this context firms that come to bid for public tenders consider quoting low prices to win tenders.

5.2.2 Quality of Services

On education level of the employees, the study examined the general managers, accountants, operations officers, supervisor and the clerks. Majority of the firms employ employees who are learned as they will enhance the firmsô competitiveness by providing excellent customer service delivery. Those who are concerned with decision making of the firm like the general managers and the accountants are degree holders. While the operations officers are diploma holders from technical colleges. The employees experience level is very important for the general manager as most of them had over 10 years experience, for the other employees only moderate experience level is required.

Training on customer service delivery is very critical for the firmsô competitiveness of the firm this is evident by the fact that 67.57% of the total respondents have attended the training only 32.43% of the total respondents have not attended the training. The firms that take their employees for customer service delivery seminars/ workshops frequently are 45.33% of the total population. In a year the employees have attended more than 7 seminars. These seminars are critical for firmsô competitiveness as it will add value to the firmsô sales volume due to improved customersô service delivery.

On the quality of service, the data found out that majority of the respondents felt that quality service delivery to the customers or clients plays a crucial role in enhancing competitiveness for Public University tendering opportunities. This study is in agreement with Niyonteze, (2009) who suggested that differentiation can be based on quality products, freshness, variety and assortment, customer service, store ambience and overall buying experience. The firms aims to create a superior fulfillment of customer needs in one or several product attributes in order to deliver customer satisfaction and loyalty, which can often in turn be used to charge a premium price for products or services. Customer service delivery therefore is seen as a strategy with the objective of adapting certain firmôs attributes more closely to the specific needs of chosen customer segments (Morschett *et al*, 2006).

5.2.3 Firm Size

On the size of the firm, the numbers of employees were used to determine how big or small the firm is. Majority of the firms had employees below 5 this constituted 38% of the total. Also the number of years the business has been on operation was used to determine size of the firm majority of them have been on operation between 5-10 years as shown by the 41% of the respondents most of the business are not able to finance their capital expenditure requirement and to access finance extra financing majority of the firms use bank loans to finance their capital expenditure, 33% of them borrow from banks because they are small in size. The majority of the firms do not have their own means of transportation hence outsourcing this service. 49% of the firms do outsourcing while 44% use their own transport and 7% use both outsourcing and their own means. This is due to small scale nature of business.

On the size of the firm, the data found out that the size of the firm matters in competing for public tendering opportunities. This is because large firms are able to achieve cost leadership than smaller firms since economies of scale and the associated negotiation powers over suppliers enables them to secure low procurement prices for the purchased goods this is in agreement with (Niyonteze, 2009) study. At the same time small firms are able to take advantage of closer customer attention and thus adhering to strict customer needs hence improving their competitiveness in the market. However, the pricing and quality are much more important compared to the size of the business.

5.3 Conclusions

The researcher found that the respondents indicated that pricing plays a major role while competing for public tendering opportunities. There is need for firms to seriously consider pricing as a factor that can help them gain or maintain competitiveness in tendering opportunities and thus improving firmsôprofitability.

Also quality customer service deliver is fundamental while firms are competing for tendering opportunities in the public sector. This is in agreement with the past researchersô findings. Therefore firms must provide good customer service in order to be competitive in the market.

The size of the firm has also an effect on the firmsô competitiveness for public tendering opportunities.

5.4 Recommendations

Based on the findings, the researcher recommends the following to the firms, the government and other researchers.

There is need for firms to seriously consider pricing as a factor that can help them gain or maintain competitiveness in tendering opportunities and thus improving firmsô profitability. In setting prices bidders should

1. Set price it in a manner that does not compromise the quality of the goods and services being provided but in the same time the prices quoted are should be competitive and within the market rates.
2. Take into consideration the costs involved in supplying the goods such as the transportation cost, acquisition cost and the prices offered by their competitors.
3. While setting prices bidders should consider the quantity of goods requested. The quantity will be able to give guidance on the costs of acquiring the goods.
4. Firms must ensure they should set prices that will not scare away customers,

Public tendering is a very competitive environment and as result firms should examine the quality of the services offered mainly because it is an important determinant of success in attracting repeat business.

1. The ability to create a satisfactory experience for the customers rests to a considerable degree, within the hands of management of the business.
2. Business managers competing for Public University tender opportunities should pay keen attention to the customer needs and should continually train and motivate they staff with a goal of improving their customer service if they are to remain competitive in an extremely competitive environment.

3. give quality customer services to their customers and improve the quality of their products.

Bidders should observe the sizes of their firms in that they are able to achieve cost leadership through economies of scale and the associated negotiation powers but at the same time be able to take advantage of closer customer attention and thus adhering to strict customer needs hence improving their competitiveness in the market.

The Kenyan government must provide a beneficial environment and equal opportunities to all who want to do business in the country. This is by giving tax regime that is favorable and also proving incentives to growing businesses.

To anyone interested in looking further into the topic, the researcher would suggest that a survey of private sector in the country should be carried out instead of focusing on the public sector only. This will enable the other researchers to collect information from customers of the private sector since they operate in the same environment.

5.5 Contribution to knowledge

5.5.1 Effect of pricing on competition

The study found out that price plays a critical role that is a public sector sourcing strategy, generally characterized by choice of appropriate set of suppliers. This complex choice is of great importance at a strategic level, especially in the context of specific competitive strategies of the bidders. The public sector in Kenya uses (PPDA 2005) whereby they give priority to the lowest bidder bidders for public tenders consider quoting low prices to win tenders.

5.5.2 Quality of service on competition

The data found out that majority of the respondents felt that quality service delivery to the customers or clients plays a crucial role in enhancing competitiveness for public tendering opportunities. This finding is in agreement with Schiffman *et al* (2004) who suggested that differentiation can be based on quality products, freshness, variety and assortment, customer service, store ambience and overall buying experience.

5.5.3 Impact of the size of the firm on competition

The data found out that the size of the firm matters in competing for public tendering opportunities because large firms are able to achieve cost leadership than smaller firms since economies of scale and the associated negotiation powers over suppliers enables them to secure low procurement prices for the purchased goods this is in agreement with (Ellis and Kelleyôs, 1992, Anderer, 1997) study.

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APPENDICES

Appendix I: Letter of Introduction

Simon C. Muchendu

P O BOX 657 ï 10101 Nyeri

TEL. 0722270794

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Dear Sir/Madam,

RE: ACADEMIC RESEARCH

I am a student of Dedan Kimathi University of Technology pursuing a Masters Degree in Business Administration. I am conducting an academic research on the competitive strategies for businesses tendering opportunities in the public Universities in Kenya

The study involves businesses supplying goods and services in the Public Universities in Kenya. I am kindly requesting you to fill the enclosed questionnaire as accurately as possible. Your responses will be treated confidentially and used for the purposes of my academic research only. Thanks for your assistance.

Yours faithfully,

Simon C. Muchendu

Appendix II: Questionnaire

INSTRUCTIONS TO THE RESPONDENT

Kindly answer these questions as accurately as possible. Do not write your name anywhere in this questionnaire. Please tick where appropriate.

Gender

Male [ ] Female [ ]

1. Who is the owners of the business
    a. Family owned [ ]
    b. Private Limited company [ ]
    c. Public Limited company [ ]
    d. NGO [ ]
    e. Any other [ ]

2. How many years has your firm been supplying goods and/or services to the Public sector?

    ____

3. Are you familiar with the procurement/tendering process used when buying goods and services in the public sector?

    Yes [__] **Not Sure [__]** **No [__]**

SECTION A: FIRMS COMPETIVENESS

4. Nature of business
    a. Manufacturer/Producer [ ]
    b. Retailer [ ]
    c. Wholesaler [ ]

d. Broker [ ]

e. Distributor [ ]

f. Any other [ ]

5. What is the average value of business handled by you firm?

	Name of the department/ministry/institution	2012
i.		
ii.		
iii.		
iv.		
v.		
vi.		
vii.		
viii.		
ix.		
x.		
xi.		

6. How often have your firm been winning tenders and value of business handled?

	Name of the department/ministry/institution	2008	2009	2010	2011	2012
i.						
ii.						
iii.						
iv.						
v.						
vi.						
vii.						
viii.						
ix.						
x.						
xi.						

7. Which distribution channels does your firm employ?

a. Selling direct consumers [ ]

b. Agents [ ]

c. Personal selling [ ]

d. Others (specify) ____

SECTION B: CUSTOMER SERVICE DELIVERY

8. What is the level of education of the employees in the business? (Tick as applicable)

		General Manager	Account-ant	Operations Officer	Supervisor	Clerks
i.	University degree or higher					
ii.	Professional Certificate (CPA, CPS)					
iii.	Diploma (Tech School),					
iv.	Certificate					
v.	Some post-secondary school					
vi.	Secondary school certificate (ñAò level)					
vii.	Secondary school certificate (ñOò level)					
viii.	Some secondary school					
ix.	Primary leaving certificate					
x.	Some primary school					
xi.	Did not attend school					
xii.	Other (Specify)					

9. What is the level of experience of your team? (Tick as applicable)

		General Manager	Account-ant	Operations Officer	Supervisor	Clerks
i.	Over ten (10) years					
ii.	7 ï 10 years					
iii.	5-7 years					
iv.	3 ï 5 years					
v.	Below 2 years					

10. Have the employees been taken any training on customer service delivery?

Yes _______ No____________

If yes, when?

a. A month ago [ ]

b. Three months ago [ ]

c. Six months ago [ ]

d. More than one year ago [ ]

11. How many seminars or workshops have you or your staff attended on customer service delivery in the last 2 years?

(a) None [ ] (b) 1-3 [ ] (c) 4-6 [ ] (d) More than 7 [ ]

SECTION C: SIZE OF THE BUSINESS

12. How many people are employed in the business?

a. One person (Owner) [ ]

b. Below 5 [ ]

c. Between 5 and 20 people [ ]

d. Between 20 and 100 people [ ]

e. Above 100 [ ]

f. Any other [ ]

13. How long has the business been in operation?

a. Below one year [ ]

b. Below 5 years but more than 1 year [ ]

c. Between 10 but more than 5 years [ ]

d. More than 20 years [ ]

14. Is your business able to finance all its capital expenditure activities from internally generated funds?

Yes [ ] No [ ]

If no, where do you get extra funds?

ix. Bank Loans [ ]

x. Loan from family and friends [ ]

xi. Loan from development partners [ ]

xii. Development Partner donor funding [ ]

xiii. Internally generated funds (retained earnings) [ ]

xiv. LPO Financing [ ]

xv. Do nothing [ ]

xvi. Others (Specify)

____

____

____

15. Does the firm have its own transport or do you outsource?

____

16. In your opinion, does the size of the firm matter while competing for public tendering opportunities?

____

____

SECTION D: PRICING

17. How does your firm handle pricing while competing for public tendering opportunities?

a. Offer low prices to win the tenders [ ]

b. Collide with officials to win the tenders [ ]

c. Compete fairly [ ]

d. Lower the quality of goods to help lower prices [ ]

e. Negotiate for lower prices from suppliers [ ]

f. Other strategies (specify) [ ]

18. In your opinion what should be considered when setting prices?

	Very important	**Important**	**Neutral.**	**Not important**	**Not sure**
Transport charges (cost of delivering the goods)					
The purchase price (cost of buying the goods)					
The cost of production					
The quantity of goods requested					
The profit margin					
The market price					
The price offered by competitors					
Other expenses, wages, communication and rent					
The price of substitute products					
The payment period (the period taken by the customer to pay for the products)					
VAT and applicable taxes					

19. In your opinion what other factors should be considered in setting prices?

____

____

____

20. What pricing strategies does your firm employ?

	Very often	Often	Rarely	Never	Not sure
Offering low prices to generate high sales volume					
Introducing new products at high prices but lowering the prices as competition rises					
Offering different prices to different customers for the same product					
Offering different prices in different towns, cities or branches for the same product					
Raising prices when there is short supply and vice versa					
Offering discounts					

21. Do you believe that price plays a major role in the award of public tenders and bids?

Strongly Agree	Agree	Neutral.	Disagree	Strongly Disagree
☐	☐	☐	☐	☐

22. Do you think doing business with a government organization could in any way affect your business negatively?

Yes **[__]** **Not Sure [__]** **No** **[__]**

If Yes Specify:

é é

é é

23. Do you feel if the Kenyan government is promoting its local businesses through public procurement?

Yes [__] **Not Sure [__]** **No [__]**

24. What are the major challenges that you face while doing business with the Public sector?

____

____

____

____

Appendix III: Sampling Frame

no	University name	Region
1.	Karatina University	Central
2.	Jomo Kenyatta University of Agriculture and Technology	Central
3.	Dedan Kimathi University of Technology	Central
4.	Chuka University	Eastern
5.	South Eastern Kenya University	Eastern
6.	Meru University of Science and Technology	Eastern
7.	Kenyatta University	Nairobi
8.	Multimedia University of Kenya	Nairobi
9.	Technical University of Kenya	Nairobi
10.	University of Nairobi	Nairobi
11.	Moi University	Rift Valley
12.	University of Eldoret	Rift Valley
13.	Masinde Muliro University of Science and Technology	Rift Valley
14.	University of Kabianga	Rift Valley
15.	Laikipia University	Rift Valley
16.	Maasai Mara University	Rift Valley
17.	Egerton University	Rift Valley