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INFLUENCE OF MARKET PENETRATION STRATEGY ON ORGANISATIONAL PERFORMANCE OF PUBLIC UNIVERSITIES IN KENYA

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ABSTRACT

In competitive markets, a firm has to constantly adapt, update its offering and improve its market share to maintain or improve its position. The study's main objective was to investigate the influence of market penetration strategy on the organizational performance of public universities in Kenya. The study was grounded on Ansoff's growth-vector matrix. The study employed a cross sectional survey design involving the total population (census) of the 33 public universities in Kenya. The cross sectional survey design was used because of the comparative analysis across the public universities in Kenya. The cross sectional survey also helped to prove and/or disprove assumptions. The respondents were staff from marketing, planning and strategy, finance and administration departments of the universities. Data was collected through semi-structured research questionnaires, which were self-administered to the respondents with the assistance of the researcher. They were dropped and picked from the respective respondents. Data was analyzed through descriptive statistics and inferential statistics including regression analysis and correlation to establish the potential relationship between the dependent and independent variables. The study findings were presented through frequency distribution tables. The study found that market penetration growth strategy has a positive influence on the performance of public universities. The universities have increased their advertising expenditure to ensure the university services are promoted adequately. The study recommended that much emphasis should be done on the mainstream media advertising and social media to attract more students.

Key Words; *Market Penetration Strategy, Performance*

INTRODUCTION

Only through a process of constant adaptation and renewal can an organization hope to survive and prosper (Baker, 2007). As a result of the growing number of institutions of higher learning in Kenya, even the well-established public universities are concerned about their organizational performance (Mukhwana, Oure, Kiptoo, Kande, Njue, Too and Some 2016). Additionally Odhiambo (2013) notes that the reduced capitation to public entities necessitated universities to fend for themselves in order to stay abreast and grow. They also have to align themselves given the external environment complexities.

As indicated by Pearce and Robinson (2007), the market condition has progressively turned out to be competitive hence compelling organizations to formulate strategies to grow, improve their performance and remain relevant in the market. One such strategy is the growth strategies, which include market penetration, product development, market development and diversification. Pearson and Saunders (2016) defined growth strategy as a well-articulated vision of where a business seeks to go and how it expects to get there. It is the form by which a business communicates its goals. Westerlund and Leminen (2012) defined a growth strategy as a means in which organizations plan in order to achieve its objectives which is to increase in size, volume and turnover. According to Deeds and Coombs (2000) growth strategy is a framework linking resources to capabilities and is used as the basis for identifying the relative contribution which the different resources make to competitive advantage. The diversification, innovation and creativity into new services and/or markets will help the company in maintaining a sustainable competitive advantage, whilst keeping within the area of its expertise.

Studies on growth strategies and organizational performance have been down by different researchers, for example Mwangi (2018) conducted a study on growth strategies and performance of selected milk processing companies in Kenya. The study found that Merger or Acquisition strategies had a significant effect on the performance of the company. The study also concluded that market penetration strategies such as lowering prices and a price-setting practice had a significant effect on the performance of milk processing companies. The study also found out product diversification has a positive impact on the performance of companies. Mutia (2013) investigated into growth strategies effect on financial performance of commercial banks, a case study of Equity bank in Nairobi. The study found that the organization invests in information technology. Range of services accessed, number of referrals and customer feedback affected the financial performance of the bank to a very great extent. The organization used retained earnings for expansion to a very great extent. Moreover, person-contingent rewards affected the financial performance of the bank to a moderate extent. The study concludes that the bank had invested in information technology.

Kamau (2017) investigated the influence of Corporate Growth Strategies on Performance of Savings and Credit Cooperative Societies in Nyeri County, Kenya. The study found that market penetration, product development, market development and diversification strategies were significant determinants of performance. Correlation analysis results indicated that product development had a very strong positive relationship with performance. Moreover the association between either market development or market penetration with performance was also strong and positive while diversification demonstrated a moderate, positive association with performance.

According to Thompson and Strickland (2013), a firm's strategy is managements' action plan for running the business and conducting operations. It is the balance of actions and choices between the internal capabilities and external environment of an organization. Westerlund and Leminen (2012) defined a growth strategy as a means in which organizations plan in order to achieve its objectives which is to increase in size, volume and turnover. Additionally, Kotler (2013) stressed that management constructs this plan in response to market forces, customer demands, and organizational capabilities.

For the purpose of this study, the growth strategies suggested by Ansoff (1987) including market penetration which involves increased sales of already existing products to the existing market in a bid to acquire bigger market share than the organization’s competitors. Product development considers improving existing products to invigorate an existing market or creating new products/services that the market seeks. Miotti and Sachwald (2003) stated that market development is carried out with the aim to enter new markets with current products which can be through access to international markets so as to speed up market entry, avoid entry barriers to new markets and acquire knowledge of the new unknown markets. Lastly, diversification strategy, which requires new skills, new techniques and new facilities. Ansoff (1957) reiterates that companies diversify to compensate for technological obsolescence, to distribute risk, to utilize excess productive capacity and to invest earnings. He adds that in most actual situations a business would follow several of these paths at the same time which is a sign of a progressive, well run business and maybe essential to survival in the face of competition (Ansoff, 1957).

This study adopted the balanced score card performance measurement tool through the customer perspective. Mike Bourne, Monica Franco, John Wilkes, (2003) argued that traditional performance measurement was too financially biased, focusing only inside the organization on cost and budget variance data. Additionally, the balanced scorecard literature widened the concept of performance measurement by making executives look externally, at how customers and shareholders see the business, as well as internally at process performance and the source of innovation and learning.

PROBLEM STATEMENT

The public universities in Kenya have been confronted by many struggles that prevent them from growing as well as improve their performance for example reduced government capitation. This has posed a challenge to the higher education sector due to the increased number of public and private universities competing for the same students for tuition income, lack of improving product and service quality and failure to make use of their innovation capability to achieve a sizeable market share (Kavulunze, 2015). Additionally, with the reverse trend on students’ enrolment to universities between 2016 and 2018 showing a decline in the number of students who qualified for university entry, universities have had to rethink strategies that can ensure their survival. One such strategy is the need to adopt growth strategies in order to enhance their performance.

Previous studies have been done both locally and internationally on growth strategies and how they influence organizational performance. The findings obtained from these studies are inconsistent. A study by Chen and Yu (2011) found that organizations that utilize growth strategies increased their financial returns, Denis et al. (2002) established a positive direct connection amongst growth strategies and performance of chines firms. In a related survey done by Gonenc and Aybar (2006), they found a weak evidence for a positive connection amongst diversification and execution in Turkish modern firms.

However, while the same studies focused on application of growth strategies in a bid to enhance organizational performance, their context was in developed economies like Chen and Yu (2011) did their study in Malaysia, Denis et al. (2002) did their study in China, Gonenc and Aybar (2006), in Turky. Furthermore their studies focused on the private sector. Perks and Bouncken (2004) did an exploratory study entitled variety in strategic management, perceptions of growth strategy and its effects on firm performance on small and medium sized firms across Europe. Their study adopted purposeful logic sampling and found that customers indeed played a key role in helping organization perform better.

Studies on growth strategies and performance have also been carried out locally in Kenya by a number of scholars. For example (Mutuma, 2013; Kagwiria, 2013; Kinyeki, 2016) assessed the effects of various growth strategies on performance of commercial banks in Kenya. Their studies adopted different methodology, Mutuma (2013) targeted tier one category of commercial banks in Kenya while Kagwiria, (2013) employed descriptive census survey of all commercial banks in Kenya. Kinyeki (2016) did a case study of Equity Bank in Kenya. Mutuma (2013) found that product development had the highest effect on performance of commercial banks, followed by market penetration, then diversification while market development having the lowest effect on the performance of commercial banks. Kagwiria (2013) looked into product development, market development and diversification strategies, leaving out market penetration strategies. Njuguna (2013) studied study the impact of growth strategies on the budgetary execution of oil firms in Kenya and revealed that growth strategies had inconsequential impact on the general financial performance of oil firms in Kenya. This made their findings inconsistent due to the different contexts of study.

Cummings and Angwn (2015) hold that these growth options have held true over 60 years. Though studies on the higher education sector have been carried out, there was limited literature on studies carried on or related to the influence of Ansoff's growth strategies on the organizational performance of public universities within the higher education sector in Kenya. This study therefore aimed to bridge the existing gap in the literature.

Research Objective

The objective of the study was to establish the influence of market penetration strategy on performance of public universities in Kenya.

LITERATURE REVIEW

Theoretical Review

Ansoff Growth-Vector Matrix

According to Ansoff, (1957) business owners' ability to grow their businesses comes down to how they market new or existing products in new or existing markets. He outlined four distinct strategies: market penetration, market development, product development and diversification. Using Ansoff's matrix, business owners can evaluate each of the growth strategies in turn to assess which is likely to result in the best possible return. He argued that a firm's mission should exploit an existing need in the market, rather than using the consumer as the common thread in business. In reality a given type of customer will frequently have a range of product missions or needs (Ansoff, 1965).

Every business owner wants to grow his or her business but it is often difficult to determine the best way forward. The growth of an organization, in terms of products and markets, can be analyzed using the Ansoff Matrix. The matrix may not be able to analyze the organization mergers or alliances, but it does analyze the organizations growth in terms of the core areas of a company (Johnson and Scholes, 2008). The Ansoff's growth matrix, generates an initial set of alternative strategic directions which include increased penetration of existing markets; market development, which includes building new markets, overseas or in new customer segments; product development, referring to product improvement and innovation; and diversification, involving a significant broadening of an organization's scope in terms of both markets and products (Ansoff, 1965). Over the years, different authors such as Miles and Snow (1978), have identified several organizational strategies. However, Ansoff's growth strategies have been recognized and praised as having great influence in organizational performance in major strategic management textbooks and literature (Boone, 2013).

An organization typically starts with its existing products and existing markets. According to the matrix, the organization has a choice between penetrating still further within its existing sphere; moving rightwards by developing new products for its existing markets; moving downwards by bringing its existing products into new markets or taking the most radical step of full diversification, with altogether new markets and new products. The Ansoff matrix explicitly considers growth options and is therefore applicable in the current study as it employs market penetration, product development, market development and diversification strategies (Ansoff, 1965). The current study seeks to determine the extent to which public universities in Kenya have adopted Ansoff's growth strategies including market penetration, and its influence on organizational performance with a focus on the customer perspective.

Empirical Review

Firm growth can be achieved through market penetration where current markets are targeted with existing products. Simply, current market potential consumers are encouraged to take up the products or existing consumers are encouraged to purchase more of the product.

Market penetration is both a measure and a strategy. A business will utilize a market penetration strategy to attempt to penetrate in an existing market. The goal is to enable the organization to quickly get in with its product or service and capture a large share of the market. Market penetration is also a measure of the percentage of the market that your product or service is able to capture. In this regard, market penetration offers the organizations an opportunity to increase both their sales as well as revenue. It is viewed as the least risky strategy of all four in the Ansoff matrix (Howard and James, 2013).

Market availability is a key factor considered when setting up any form of a business. Due to stiff competition in various business sectors, firms within the industries put in place various market penetration strategies to enable them grow and remain competitive in the industry (Duncan and Natarajarathinam, 2016). Market penetration strategy is achieved through pricing and promotion strategies. Pricing strategy refers to the method by which a business calculates how much it will charge for a product or service. It is based not only on the cost of the product, but also on profit margin and a holistic view of the market and future viability. There is no limit to the number of variations in pricing strategies. Promotion refers to the mix of promotional elements a firm uses to communicate with its current or potential customers about its products or services. Promotion efforts can be directed to the ultimate consumer, to an intermediary such as a retailer, a wholesaler or a distributor, or to both. Promotion is fundamental to the success of your firm because, without promotion, potential customers will not know about the existence and benefits of your product or service. Not even the best product or service sells without some promotional effort (Healey, 2013).

Several studies have been done on penetration strategies through pricing strategies, each giving it a different approach, using different methodology and hence resulting to varied findings. For example Paul and Ivo (2013) related price strategies and price setting practices by use of survey method and hypothesis testing on 95 respondents, showed that price strategies and price setting are related because strategies are implemented through price setting practices. Muthengi (2015) studied effects of market penetration strategies on sales performance of commercial banks in Kenya. The study was carried out in Nairobi. The target population was the 43 commercial banks registered by the Central Bank of Kenya. Mboga (2013) aimed at establishing the relationship between market penetration strategies and customer service quality in Kenya Power and Lighting Company.

Harzing (2010) emphasizes that organizations mainly seek to increase their market share to gain reputation since market leaders have an influence that they can use to their advantage. An organization may use its influence in an industry to increase its bargaining power. Harzing (2010) adds that a larger player always has an advantage in negotiations with suppliers and channel members than a smaller player in the industry has. This power enables an organization to be more competitive in the industry, which ultimately results in increased performance.

METHODOLOGY

This study adopted a cross sectional survey research design that involved the total population (census). The cross sectional survey design was used because of the comparative analysis across the public universities in Kenya. The target population was drawn from all the 33 public universities in Kenya. This study adopted judgmental sampling technique as it the most effective when only a limited number of individuals possess the trait that a researcher is interested in. Primary data was collected by the respondents self-administration with the aid of the researcher who collected the questionnaires thereafter. The researcher used descriptive statistics, regression analysis and correlation analysis.

RESULTS

Market Penetration Strategy and Organizational Performance

The respondents were requested to indicate the extent to which they agree with the statements below about market penetration growth strategy.

Table 1: Statements on Market Penetration Strategy

statements	N	Minimum	Maximum	Mean	Std. Deviation

There is consistent use of advertising initiatives and new marketing channels such as open day, public lectures, research and development in the university as a way of acquiring more customers/students.	149	1.00	5.00	3.906	0.597
There is deliberate effort made in improving product/service quality through innovation and research and development initiatives to ensure customer satisfaction.	149	1.00	5.00	3.866	0.827
The university allows setting of competitive fees structures to attract more students.	149	1.00	5.00	3.926	0.959
There is increased advertising expenditure to ensure the university services/products are promoted adequately.	149	1.00	5.00	4.027	0.915
Valid N (listwise)	149				

The findings revealed that majority of the respondents agreed that there is increased advertising expenditure to ensure the university services/products are promoted adequately as shown by a mean of 4.027 and a standard deviation of 0.915 and that the university allows setting of competitive fees structures to attract more students as illustrated by a mean of 3.926 and a standard deviation of 0.959. The respondents further agreed that there is consistent use of advertising initiatives and new marketing channels such as open day, public lectures, research and development in the university as a way of acquiring more customers/students as demonstrated by a mean of 3.906 with a standard deviation of 0.597, there is deliberate effort made in improving product/service quality through innovation and research and development initiatives to ensure customer satisfaction as shown by a mean of 3.866 and a standard deviation of 0.827.

The study further sought to find out other as aspects of market penetration strategy by the public universities. The respondents indicated that the universities recruit more students in the existing courses and models provided. The universities are also advertising through social media to reach out to the vast social media users.

Organizational Performance

The study requested the respondent's to indicate their levels of agreement on statements regarding organization performance.

Table 2: Statements on Organizational Performance

statements	N	Minimum	Maximum	Mean	Std. Deviation

Increasing advertising expenditure enhances customer acquisition for the university.	149	1.00	5.00	4.00	0.668
The university has developed new products and services, which helps in customer retention.	149	1.00	5.00	4.040	0.580
The university service quality index is well maintained through customer satisfaction mechanisms.	149	1.00	5.00	4.121	0.716
There is improved customer acquisition due to expansion into new geographical market segments.	149	1.00	5.00	4.175	0.760
There is increased positive word of mouth due to product replacement and product improvement initiatives.	149	1.00	5.00	4.094	0.774
Valid N (listwise)	149				

From the study findings, majority of the respondents agreed that there is improved customer acquisition due to expansion into new geographical market segments as shown by a mean of 4.175 and a standard deviation of 0.760, the university service quality index is well maintained through customer satisfaction mechanisms as shown by a mean of 4.121 and a standard deviation of 0.716, there is increased positive word of mouth due to product replacement and product improvement initiatives as demonstrated by a mean of 4.094 and standard deviation 0.774, the university has developed new products and services, which helps in customer retention as illustrated by a mean of 4.040 and a standard deviation of 0.580, increasing advertising expenditure enhances customer acquisition for the university as demonstrated by a mean of 4.00 and a standard deviation of 0.668. The respondents further noted that students face challenges by due to the structure of the institution.

Correlation Analysis

The study carried out correlation analysis between the variables of the study using Pearson product moment correlation coefficient. Correlation coefficient was used to test whether there existed interdependency between independent variable and whether the independent variable were related to the dependent variable.

Table 3: Correlations

	Organization performance	
Market penetration	Pearson Correlation	.742**
	Sig. (2-tailed)	.000
	N	149

From the outcomes of this research, it portrayed that a strong and positive relationship existed between organizational performance and market penetration as indicated by the value of 0.742, which is significant as its significance level was 0.00<0.05.

The findings revealed that there is increased advertising expenditure to ensure the university services/products are promoted adequately. The university allows setting of competitive fees structures to attract more students. The findings were consistent with that of Paul and Ivo (2013) who found that there is a relationship between pricing strategies, price setting and organization performance through customer acquisition.

The study established that there is consistent use of advertising initiatives and new marketing channels such as open day, public lectures, research and development and social media advertising in the universities as a way of acquiring more customers/students. Consistently Harzing (2010) stipulate that organizations use market penetration strategies to increase their market share.

From the findings, there is deliberate effort made in improving product/service quality through innovation and research and development initiatives to ensure customer satisfaction. Similarly Mboga (2013) found a correlation between market penetration strategies and customer service quality in Kenya Power and Lighting Company.

CONCLUSION

The study concludes that market penetration growth strategy has a positive influence on the performance of public universities. The universities have increased their advertising expenditure to ensure the university services are promoted adequately. Moreover there is consistent use of advertising initiatives and new marketing channels such as open day, public lectures, research and development in the university as well as social media advertising as a way of acquiring more students. Competitive fees structures are set to attract more students. To improve customer satisfaction, the universities have put efforts in improving product and service quality through innovation and research and development initiatives.

RECOMMENDATIONS

To continue reaching out to many customers, public universities should continue being innovative in their modes of advertisements. Much emphasis should be done on the mainstream media advertising and social media to attract more students.

The study established that organization structure have been a challenges to students. The study therefore recommends that the public universities should ensure that their organization structure does not limit accessibility to its service or negatively affect the customers' satisfaction.

Areas for further Studies

The study focused on determining the influence of growth strategies on organizational performance of public universities in Kenya. The study suggests that further studies should focus on the of growth strategies on organizational performance of other sectors such as the manufacturing sector for comparison.

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