EFFECTS OF COMPETITIVE STRATEGIES ON PERFORMANCE OF MANUFACTURING FIRMS IN KENYA; A CASE STUDY OF EAST AFRICA BREWERIES LIMITED

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, THE CATHOLIC UNIVERSITY EASTERN AFRICA

OCTOBER 2017

DECLARATION

I declare that this research project is my original work and that it has not been presented in any university for academic credit.

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ABSTRACT

The key concern over time in strategic management has been how to improve performance in firms. The changes and predictability in the external environment in which firms operate determines how they fit competitive strategies and their eventual performance. The choice of competitive strategies is partly determined by firm's competitive forces in the market because firms have to match the turbulence in the environment with their aggressiveness. The general objective of this study was to determine the effect of competitive strategies on performance of manufacturing firms in Kenya with specific reference to East African Breweries Limited. This study may help improve the policy-making capacity in areas of competitive strategies and performance. Improved policies would be geared towards developing the required strategies that would enhance the competitiveness of manufacturing firms and enhance their performance. This study will be guided by Resource-Based View Theory, Structural contingency theory, game theory and strategic conflict model. A descriptive and qualitative research design based on a phenomenology approach was used in this research. The target population comprised employees of EABL especially those working in higher positions within the organization. Primary and secondary methods of collecting data were employed to collect the necessary data for the study. Questionnaires and interviews were employed as primary methods of collecting data. Secondary data was gleaned from already published sources on financial performance including financial statements from company websites, magazines and any relevant reliable sources of data. Both descriptive and inferential statistics was employed in data analysis. Regression analysis was used to determine the relationship between the independent variables and dependent variable. From the findings competitive strategies; cost leadership, differentiation and focus are critical because they influence decision making and organizational performance. The individuals who are tasked with selecting and developing competitive strategies should ensure that organizations have the right kind of strategies in competitive environment. Management in manufacturing firms should develop comprehensive internal organizational processes that will guide the development of strategies of the organization.

ACKNOWLEDGEMENTS

First and foremost I would like to thank God for His grace and blessings for enabling me complete and write this project successfully. I wish to express my sincere gratitude to my supervisors, Prof. Robert Arasa and Dr. Thomas Ngui who have helped me through my Project and whose guidance, insightful thoughts, support and positive criticisms have enabled me write this research project. My appreciation goes to my dear husband Antony and daughter Arella for their continuous support and encouragement throughout this study period. I am forever indebted to you both for your understanding, patience and encouragement. My appreciation also goes to my extended family and friends for their continuous support during my study period without which I will not have completed this research. Thank you for the guidance and advice.

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CHAPTER ONE
INTRODUCTION

1.1 Background of the study

Organizations, whether for profit or non-profit, private or public, have found it necessary in recent years to engage in strategic thinking in order to achieve their corporate goals (Bryson, 1995). Firms operate within an environment that influences their operations either positively or negatively depending on the nature of their business. The environment comprises of a combination of internal and external factors that influence a company's operating situation, among them being competition.

Competition is the process of rivalry between firms striving to gain sales and make profits; it is the driving force behind markets. As documented by Lewis (2004), for economic growth and development in any industry to happen, efficient and fair markets are essential. The nature of the competitive strategy and firm performance relationships can be associated with the industrial organization framework of industry behaviour, whereby firm profitability is viewed primarily as a function of industry structure.

Barney (1986) noted that characteristics of any industry are the key influences on organizational performance. According to Porter (1980), a business can maximize performance either by striving to be the low cost producer in an industry or by differentiating its line of products or services from those of other businesses; either of these two approaches can be accompanied by focusing the organizational efforts on a given segment of the market.

1.1.1 Concept of Competitive Strategies

A strategy is the outcome of some form of planning or organized process for anticipating and acting in the future in order to carry out an organization’s mission (Baulcomb, 2003). The people

who drive strategy in organizations are seen to be visionaries, entrepreneurs and innovators. They are those who take risks and try new ways of doing things. Strategy primarily specifies how a business unit will achieve and maintain competitive advantage within an industry (Bunker & Wakefield, 2006).

According to Porter (1985) competitive strategy refers to how a firm intends to compete in a given business. Further, Porter (1985) contends that competitive strategy is a plan that establishes a profitable and sustainable competitive position against the five forces that drive industry competition: threat of new entrants, bargaining power of suppliers, bargaining power of buyers, rivalry among competitors and threat of new substitutes. It is concerned with how a company can gain a competitive advantage through a distinctive and different way of competing (Porter, 1980).

Thompson and Strickland (2010) posit that competitive strategy deals with management's plans for competing in a particular industry and providing superior and unmatched value to customers. Further, they argue that competitive strategy entails performing activities differently or performing activities that are different from competitors to deliver a unique combination of value. The primary role therefore for developing a competitive strategy is to cope with the competition and relate a firm to its external and internal environment. In other words, competitive strategy entails positioning an organization in its competitive environment and giving a firm a competitive edge over its rivals (Porter, 1980).

Several competitive strategy typologies exist in the strategic management literature. Among the most common and widely used typologies for studying various aspects of organizational behaviour are Ansoff (1965), Miles and Snow (1978) and Porter (1980). Ansoff (1965)

developed four different strategies that address product-market growth; market penetration, market development, product development and diversification.

Miles and Snow (1978) also developed four strategic typologies on how to address the product-market decisions in organizations namely: defenders, prospectors, analyzers and reactors. Defenders are organizations which focus on a narrow and limited product-market domain while trying to protect their market share. Such organizations focus more on operational efficiency and processes improvement rather than effectiveness. Prospectors are organizations which search for new market opportunities through process innovation and development of new products. The main focus is on effectiveness rather than operational efficiency.

Analyzers are organizations which combine both the prospectors and defenders strategic orientations. As defenders, they provide stable products and services to customers while as prospectors they develop new products for new markets. However, they do these after analyzing their viability and waiting for an opportunity to emerge. Reactors are organizations that are characterized by perpetual instability and inconsistency because of their incapacity to respond effectively to environment changes. Miles and Snow (1978) contend that defenders, prospectors or analyzers may lead to satisfactory performance, but reactors cannot because of its lack of internal consistency.

According to Mintzberg (1988), market penetration is a situation where firms seek to achieve growth with existing products in its existing markets. The aim is to increase their market share. In market developed strategy, firms seek growth by targeting their existing products in new market segments. Product development strategy involves developing new products and primarily

targeting existing markets. In diversification strategy, firms grow by diversification in new business by developing new products for the new markets.

Porter (1980; 1985) identified three generic competitive strategy typologies: low cost leadership, differentiation and focus. From the differentiation and low cost perspective, Porter (1980) contends that firms can view their product-market decisions in terms of how the organization creates or add value to customers. From the focus perspective, this may depend on how firms define their scope of operations, that is, the scope of market coverage. He however, contends that a firm that pursues one of these strategies of either low-cost or differentiation should achieve above-average returns but, firms that pursue low cost and differentiation simultaneously will be stuck-in-the-middle and end up with poor performance. Porter (1980) however, argues that implementation of low cost and differentiation strategies require different investments in resources, control procedure, leadership, culture, organization structure and incentive systems.

While each of these typologies has its own advantages and disadvantages, this study chose to focus on Porter's (1980) generic competitive strategic typologies for the following reasons. According to Porter's (1980) generic strategies were formulated in relation to organization performance. Second, Porter's generic strategies have received more empirical support from previous notions, and although the typology was developed in the 1980, it is still widely used in practice and extant research studies.

Third, the typology has received support on account of its strong theoretical orientation and generalizability (Luo, 2003). Fourth, Porter's typologies have some similarities with other strategy categorizations in the strategy literature. Finally, a generic strategy is a wide

classification of strategic choice which is often applied in all settings regardless of industry, size or type of organization (Temporal, 2005).

These reasons justified the importance of using Porter's (1980) generic competitive strategies as a tool for investigating the effect of competitive strategies on performance of manufacturing industry with specific interest in the East Africa Breweries Limited. The three dimensions of generic competitive strategy are namely: low cost leadership, differentiation and focus served as independent variables.

1.1.2 Firm Performance

Performance is a recurrent theme in most branches of management, including strategic management, and it is of interest to both academic scholars and practicing managers (Venkatraman and Ramanujam, 1986). Firm performance is referred to as firm's effectiveness and efficiency with which individual firms run its affairs (Chakravathy, 1986; Machuki and Aosa, 2011).Firm performance remains a difficult concept both in terms of definition and measurement (Keats and Hitt, 1985) because of its multifaceted and multidimensional nature.

The purposes of firms, evaluating comparative firms success and failure in fulfilling those purposes are conspicuous discourse (Machuki and Aosa, 2011), in day to day affairs of firm's management. Performance is a recurrent theme in most branches of management including strategic management and is of interest to both academic scholars and practicing managers. Performance is at the heart of strategic management (Venkatraman and Ramanujam, 1986) and can be argued along three dimensions namely, theoretical, empirical and managerial. Theoretically, most strategic management theories either implicitly or explicitly underscore

performance implications since performance is the time test of any strategy (Schendel and Hofer, 1979).

The managerial importance of performance is evident in many prescriptions offered for performance improvement (Nash, 1983; Ansoff and McDonell, 1990). However, performance remains a difficult concept both in terms of definition and measurement (Keats and Hitt, 1985). Firm performance has also been referred to as firm's effectiveness (Machuki and Aosa, 2011) and efficiency with which individual firms run its affairs. Effectiveness is concerned with the unique capabilities that firms develop to assure success. Efficiency is the cost per unit of output, describing the relationship between goods and services produced by a program or activity (outputs) and the resources used to produce them (input).

1.1.3 The Manufacturing Sector in Kenya

The current policy framework for Kenya's manufacturing sector is to develop a vibrant manufacturing sector capable of stimulating economic growth and strengthening linkages in the sector (Kenya Vision 2030). It focuses on the strengthening local production with the target to increase share of Kenyan manufactured products in the regional market. On the regulatory environment, measures are in place to protect the sector from counterfeits and dumping in order to increase their competiveness (Republic of Kenya, 2012).

Manufacturing sector in Kenya currently employs over 240,000 people representing 13% of the total employment. The sector's contribution to gross domestic product (GDP) has stagnated at 10% since 2007 and dropped to 9.4% in 2011. The overall goal is to increase to at least 10% per annum (KAM, 2013). Kenya Government has been implementing policies with a view to improving the economic and social environment of the country (KAM, 2013). However,

manufacturers subjected to similar environments have variations in performance and could be due to their sizes, either being large, medium or small. This could be attributed to how individual firms have craft competitive strategies to improve efficiencies, add value, reduce wastages and promote productivity given the current external environment.

1.1.4 East Africa Breweries Limited

East African Breweries Limited is a large East African brewing company which owns 100% of Kenya Breweries, 98.2% of Uganda Breweries, 100% of Kenya Malting and 46% of United Distillers and Vintners (Kenya) Limited, 100% of International Distillers Uganda, 100% EABL International (responsible for exporting), 100% of East African Malting, 100% EABL Foundation and 51% of Serengeti Breweries limited.

Kenya Breweries was founded in 1922 by two white settlers, George and Charles Hurst. The company is owned by the Dodd family of Kenya. By 1990, most of the shareholders were Kenyan and the company was very successful.

Tanzania Breweries had been started by Kenya Breweries in the 1930s. After being nationalized in 1967, Tanzania Breweries was poorly managed. However, in 1993 the Tanzanian government entered into a joint venture with South African Breweries Limited to run Tanzania Breweries. South African Breweries is one of the largest and most efficient brewing companies in the world. They turned Tanzania Breweries around with extraordinary speed, almost tripling production in the space of three years. In 2002 East African Breweries Limited (EABL) and SABMiller Plc. affected a share swap of their interests in their subsidiaries: Kenya Breweries Limited and Tanzania Breweries Limited. EABL acquired 20% of the equity of Tanzania Breweries. SABMiller Plc. acquired a 20% equity stake in Kenya Breweries.

The partnership between EABL and SAB Miller in Tanzania went through turbulence in 2009, EABL claiming breach of contract by Tanzania Breweries (TBL) that led to low quality of EABL's drinks that were produced by TBL and restriction of some of Diageo's and EABL brands to enter the Tanzanian market. This led to EABL's acquisition of 51% of Serengeti Breweries Limited (SBL) and exit from TBL's shareholder structure through successful IPO through the Dar es Salaam Stock Exchange. SAB Miller sold it stake Kenya Breweries to East African Breweries. In 2003, Kenya Breweries consumed almost 6% of the Nairobi water supply. In 2005, EABL became the first company in East Africa to reach US$1 Billion in value.

1.2 Statement of the Problem

The key concern over time in strategic management has been how to improve performance in firms. The changes and predictability in the external environment in which firms operate determines how they fit competitive strategies and their eventual performance (Machuki, 2011). The choice of competitive strategies is partly determined by firm's competitive forces in the market because firms have to match the turbulence in the environment with their aggressiveness.

East African Breweries Limited is one of the major businesses of the region. As well as creating high quality brands that people enjoy, its business provides jobs, develops skills in people and creates wealth for our employees, investors, customers and suppliers. As a trusted and respected group of companies in the region, EABL believes that the region benefits from its presence. With greater success in its performance, comes more reward for those with a stake in our business and a greater positive impact on the economies of East Africa (EABL, 2012). However, despite this vital role, it has been identified that East African Breweries Limited do not fully apply competitive strategies in their operations as opposed to other organizations in the brewery industry across the world. This less application of competitive strategies is identified as one of

the major reasons for many of the problems faced by East African Breweries Limited in their performance. For instance there have been low profits and reduced market share for the recent years with 15% and 7% drop in the profits and market share in the year 2016 as compared to 2015. This implies that they have not designed strategies that allow for effective interaction with their external environment for the benefit of the organization. Many studies have been carried out on breweries industry in Kenya but have provided mixed and inconclusive results and also taking in to consideration different variables of measurement. Awino, et al (2008) did a study on challenges facing the implementation of differentiation strategies at the Keroche limited. Marshall, (2009) studied on strategic responses of breweries companies in Kenya in the face of changing environmental conditions. None of the mentioned studies has focused on effect of competitive strategies on performance of East African Breweries Limited which are presumed by the study to be crucial in enhancing the organizations overall performance if well formulated and implemented. The study seeks to address this gap by conceptualizing a multi-dimensional joint relationship between competitive strategies and performance of manufacturing firms by answering the questions; how do competitive strategies influence the performance of manufacturing firms in Kenya?

1.3 Objectives of the Study

1.3.1 General Objective of the Study

The general objective of this study was to determine the effect of competitive strategies on performance of manufacturing firms in Kenya with specific reference to East African Breweries Limited.

1.3.2 Specific Objectives

To achieve the primary purpose of this study, the following specific research objectives were formulated:

1. To determine the influence of cost leadership strategy on the performance of East African Breweries Limited
2. To establish the effect of differentiation strategy on the performance of East African Breweries Limited
3. To determine the influence of focus strategy on the performance of East African Breweries Limited

1.4 Research Questions

1. What is the influence of cost leadership strategy on the performance of East African Breweries Limited
2. What are the effects of differentiation strategy on the performance of East African Breweries Limited
3. What is the influence of focus strategy on the performance of East African Breweries Limited

1.5 Significance of the study.

This study will be of beneficial to many stakeholders. To Policy Makers of manufacturing firms, this study may help improve the policy-making capacity in areas of competitive strategies and performance. Improved policies would be geared towards developing the required strategies that would enhance the competitiveness of manufacturing firms and enhance their performance.

This study will also hopefully benefit managers of all cadres by making contributions to the competitive strategies in manufacturing firms. Manufacturing firms generally lack best competitive strategies as well as good responses to the turbulent environment. The findings of this study offer suggestions that could be beneficial to management practices in manufacturing firms.

The study findings will provides an opportunity for researchers to investigate the effectiveness of the competitive models adopted by manufacturing firms. In so doing, they can contribute to the available body of knowledge. This study should enable top management to devise strategies of integrating learning into the initiatives such as Institutional Capacity Building. This will hopefully lead to good governance, improved creativity and innovativeness, and improved performance.

1.6 Scope and delimitation of the study

The study primarily focused on competitive strategies by manufacturing firms with a focus on the activities of the East African Breweries Limited (EABL). A number of employees especially those involved in competitive strategies activities were interviewed for the purpose of this research. Senior managers were interviewed for the same purpose.

The study was limited by the unavailability of some key employees due to business related travels and those who were away on leave. East African Breweries Limited has many personnel working for it and possibility of interviewing most of them were limited by the big population. This though was surmounted by picking a representative sample.

The study was carried out at the East African Breweries Limited plant at Ruaraka in Nairobi. Most of the EABL personnel who are slated to be interviewed are based in Nairobi's Ruaraka

plant. This proximity helped in aiding quick conclusion of data collection and was not as such limit the conduct of the study.

The data set to be collected is that relating to East African Breweries Limited competitive strategies programs. This is informed by the topic of study and the need to answer the research questions. The staff to be interviewed using the questionnaire were expected to do carry out their duties as usual. This likely limited the amount of time that was available to carefully consider all the questions in the questionnaire and give well thought out responses.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This Chapter presents the review of pertinent literature. It covers both theoretical and empirical literature. Theoretical literature focuses on the competitive strategies and the capacity to adapt to the rapid changes in the environment on time. On the other hand, empirical literature lays emphasis on findings of empirical studies on the performance of entities.

2.2 Theoretical Foundation

This study reviewed the following theories, pertinent to competitive strategies and performance: Resource-Based View Theory, Structural contingency theory, game theory and strategic conflict model.

2.2.1 Resource-Based View

Penrose (1959) provided initial insights of the resource perspective of the firm. However, "the resource-based view of the firm" (the RBV) was put forward by Wernerfelt (1984) and subsequently popularized by Barney's (1991) work. Many authors (Zollo and Winter 2002; Zahra and George 2002; and Winter 2003) have made significant contribution to its conceptual development. The essence of the RBV lies in the emphasis of resources and capabilities as the genesis of competitive advantage: resources are heterogeneously distributed across competing firms, and are imperfectly mobile which, in turn, makes this heterogeneity persist over time (Mahoney &Pandian,1992).

The resource-based view (RBV) suggests that competitiveness can be achieved by innovatively delivering superior value to customers. The extant literature focuses on the strategic

identification and use of resources by a firm for developing a sustained competitive advantage (Barney, 1986). International business theorists also explain the success and failures of firms across boundaries by considering the competitiveness of their subsidiaries or local alliances in emerging markets (Luo, 2003). Local knowledge provided by a subsidiary or local alliance becomes an important resource for conceptualizing value as per the local requirements (Johnson, 1987).

According to the Resource Based View theory, resources are inputs into a firm's production process; can be classified into three categories: physical capital, human capital and organizational capital (Crook, 2008). A capability is a capacity for a set of resources to perform a stretch task of an activity. Each organization is a collection of unique resources and capabilities that provides the basis for its strategy and the primary source of its returns.

Fundamentally, it is the valuable, rare, inimitable and non-substitutable resources of the firm that enable or limit the choice of markets it may enter, and the levels of profit it may expect (Wernerfelt, 1984).The manufacturing firms are under pressure to perform and for them to do so resources and their utilization is inevitable. Therefore Resource-Based View theory will help this study in investigating adequacy or otherwise of the resources and optimization of their utilization.

2.2.2 Stakeholder Theory

Stakeholder theory begins with the assumption that value is necessarily and explicitly a part of doing business. It asks managers to articulate the shared sense of the value they create and what brings its core stakeholders together. It also pushes managers to be clear about how they want to

do business, specifically what kinds of relationships they want and need to create with stakeholders to deliver on their purpose (Drazin& Howard, 1984).

It has previously been suggested by scholars that stakeholder theory holds the potential for understanding the financial performance – autonomy relationship stakeholder theorists argue that the organization's FP is determined by their stakeholders' provision of resources in response to the organization's strategies (Fooman, 1999). A stakeholder's decision to either provide or cease to provide resources to the organization is the culmination of complex considerations that coalesce within an overall evaluation of the organization's reputation. Stakeholders are uniquely positioned to affect the FP of the organization whether through withholding or providing efforts through employees, infrastructure through government or cash flow through customers, among other things (Rowley & Berman, 2000).

Jones and Wicks, (1999) critique the Stakeholders theory for assuming a single-valued objective (gains that accrue to a firm's constituencies). The argument of Valdes (1997) suggests that the performance of a firm is not and should not be measured only by gains to its stakeholders. Other key issues such as the flow of information from senior management to lower ranks, inter-personal relations, working environment, etc are all critical issues that should be considered. An extension of the theory, called an enlightened stakeholder theory, was proposed. However, problems relating to empirical testing of the extension have limited its relevance (Jones & Wicks, 1999).

The focus of stakeholder theory is articulated in two core questions (Dessler, 2003). First, it asks: what is the purpose of the firm? And second, what is the benefit to stakeholders? This encourages managers to articulate the shared sense of the value they create, what brings its core

stakeholders together. This propels the firm forward and allows it to generate outstanding performance, determined both in terms of its purpose and market place financial metrics, Eisenhardt and Brown (1998). The purpose of the manufacturing firms and the means of achieving that purpose which is supported by stakeholders theory fits well in this study as it interrogates their worth and their performance.

2.2.3 Game Theory

The game theoretic model is a simulation model for strategic interaction in a rivalry situation between two players, each focusing on the rival behaviour in an attempt to anticipate their likely action to determine their own (Furrer & Thomas, 2000). The model is built on the assumption of rational behaviour, which is common to most microeconomic models. However, game theory models go beyond the limiting rationality presumption of microeconomic models to encompass a wide variety of strategic intent (Saloner, 1991).

In a typical game of finite number of strategies, the perceptions of individual payoffs, can be mapped in a matrix of different combinations of response choice. Amongst the various alternatives, a dominant strategy may exist, which is the one that offers the optimal payoff to a player irrespective of the rival action especially where agent action is required and lead to information is available (Parkhe, 1993).

Game theory is a mathematical theory of decision making by participants in conflicting or cooperating situations. Its goal is to explain, or to provide a normative guide for, rational behaviour of individuals confronted with strategic decisions or involved in social interaction (Netessine & Shumsky, 2001). The theory is concerned with the optimal strategic behaviour, equilibrium situations, stable outcomes, bargaining, coalition formation, equitable allocations,

and similar concepts related to resolving group differences. Game theory has a profound influence on methodologies of many different branches of sciences, especially those of economics, operations research and management sciences.

In the case of manufacturing industry, dilemma and rivalry are the order of the day and therefore the anticipated performance by the corporations must be analysed in line with differentiating their performance depending on how well opportunities are exploited and challenges overcome as suggested by Game theory. Not all manufacturing firms perform the same functions and therefore the difference will lie within the managerial tactics and focus to the ultimate goals that are, as to every action there is a reaction and therefore the success of the corporations will depend on shaping the game they play.

2.3 Empirical Review

Most economic texts classify competition as consisting of four key forms: pure or perfect competition, monopolistic or imperfect competition, oligopolistic competition and monopolies (Reynolds, 2005). Pure competition and pure monopoly environments are the more extreme forms of competition but rarely occur in the real world (Reynolds, 2005). A pure monopoly is characterized by a single seller who controls the supply of a good or service and prevents other businesses from entering the field (Reynolds, 2005).

According to Johnson (1987), pure competition exists when a large number of sellers produce a certain type of product or service that is slightly differentiated. These sellers have low barriers of entry into the market and easily enter or leave it as they choose. No attempt is made in this study to further expound on these extreme forms of competition as it is believed that they present a

hypothetical market structure (Reynolds, 2005). For this reason, focus is accorded mainly to the imperfect forms of competition, namely, oligopolistic and monopolistic competition.

If there are a few sellers in a certain industry, with a high level of interdependence between each other, selling products that are identical or slightly differentiated, then the industry is considered oligopolistic (Reynolds, 2005). Products can be differentiated based on price, quality, image, or some other feature.An alternative market structure is the monopolistic competitive environment where there are many producers and consumers in a market (Wikipedia, 2008). Consumers in this market perceive there to be no price difference among the competitor's products with few barriers of entry for firms. However, these firms do have some degree of control over price.

Porter (2004) identifies competitive strategy actions as positioning, taking an offensive, exploiting change and diversification. Galliers (2006) argues that as it becomes harder to sustain operational advantages in a competitive market, firms turn to strategic positioning in order to gain a cost advantage or premium pricing by competing in a distinctive way. In positioning, the company determines areas where it should confront competition and where it should avoid it, whereas in taking an offensive, the company attempts to cope with competitive forces or alter their causes.

In exploiting change, the company attempts to take advantage of structural changes in the sources of competition whereas in diversification, the company assesses the future potential of the business.

Porter (2004) argues that in order to attain competitive advantage in an industry, it is critical to understand the process of its evolution in order to be able to predict change and strategically

react to this change. He suggests that his model developed with help from Miller (Porter, 1980) of structural analysis of industries be used as a framework for this. By combining this with the product life cycle model (Kotler, (1972) as referenced by Porter, 2004) one may be adequately able to analyze and forecast the evolution of any industry.

Porter (2004) identifies evolutionary forces such as changes in buyer's segments served, diffusion of proprietary knowledge, accumulation of experience, product innovation, process innovation, structural change in adjacent industries and government policy change. Johnson, Scholes and Wittington (2006) cite three key methods of sustaining competitive advantage, namely, by collaborating with competitors, through lock-in strategies, by repositioning a firm's competitive strategy over time and by attempting to anticipate competitor moves using game theory as suggested by Javier (2002).

Depending on the nature of the market, the competitive advantage of any firm may be long term in the case of stagnant markets or short term in the case of hypercompetitive markets. According to Johnson, Scholes and Wittington (2006), firms must therefore adopt strategies that comply with the nature of their competitive environment. Repositioning and overcoming competitor's market-based moves using Game Theory are suitable strategies for hypercompetitive markets, whereas collaboration between potential competitors or between organizations may be more suitable in pure markets. Porter (1990) identifies four key prerequisites to gaining competitive advantage in a global context amid intense competition: the maximum use of endowed resources, the forming of domestic networks, the exploitation of domestic demand, and a suitable industry and environment structure.

This strategy emphasizes efficiency. By producing high volumes of standardized products, the firm hopes to take advantage of economies of scale and experience curve effects. The product is often a basic no-frills product that is produced at a relatively low cost and made available to a very large customer base. Maintaining this strategy requires continuous search for cost reductions in all aspects of the business. The associated distribution strategy is to obtain the most extensive distribution possible. Promotional strategy often involves trying to make a virtue out of low cost product features.

To be successful, this strategy usually requires considerable market share advantage or preferential access to raw materials, components, labour or some other important input. Without one or more of these advantages, the strategy can easily be mimicked by competitors. However, low cost leadership is attached to a disadvantage which is less customer loyalty (Temporal, 2005). Relatively low prices will result in creating a negative attitude towards the quality of the product in the mindset of the customers (Luo, 2003).

Customer's impression regarding such products will enhance the tendency to shift towards a product which might be higher in price but projects an image of quality. With the differentiation strategy, the unique attributes or perceptions of uniqueness and characteristics of a firm's product other than cost provide value to customers. The firm pursuing differentiation seeks to be unique in its industry along some dimension that is valued by customers, which means investing in product R&D and marketing (Porter, 1980).

It is the ability to sell its differentiated product at a price that exceeds what was spent to create it that allows the firm to outperform its rivals and earn above-average returns. A product can be differentiated in various ways. Unusual features, responsive customer service, rapid product

innovations and technological leadership, perceived prestige and status, different tastes, and engineering design and performance are examples of approaches to differentiation (Porter, 1980).

A differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competition. The value added by the uniqueness of the product may allow the firm to charge a premium price for it. The firm hopes that the higher price will more than cover the extra costs incurred in offering the unique product. Because of the product's unique attributes, if suppliers increase their prices the firm may be able to pass along the costs to its customers who cannot find substitute products easily. Competitive advantage results when buyers become strongly attached to these incorporated attributes and this allows the firm to: charge a premium price for its product, benefit from more sales as more buyers choose the product and more buyers become attached to the differentiating features resulting in greater loyalty to its brand.

The focus strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation. The premise is that the needs of the group can be better serviced by focusing entirely on it. A firm using a focus strategy often enjoys a high degree of customer loyalty and this entrenched loyalty discourages other firms from competing directly. Because of their narrow market focus, firms pursuing a focus strategy have lower volumes and therefore less bargaining power with their suppliers. However, firms pursuing a differentiation-focused strategy may be able to pass higher costs on to customers since close substitute products do not exist. Firms that succeed in a focus strategy are able to tailor a broad range of product development strengths to a relatively narrow market segment that they know very well. Some risks of focus strategies include imitation and changes in the target segments.

Furthermore, it may be fairly easy for a broad-market cost leader to adapt its product in order to compete directly. Finally, other focusers may be able to carve out sub-segments that they can serve even better.

2.4 Porters Generic Competitive Strategies

This section discusses Porters generic competitive strategy which includes cost leadership, differentiation and focus.

2.4.1 Cost Leadership Strategy

This strategy emphasizes efficiency. By producing high volumes of standardized products, a firm hopes to take advantage of economies of scale and experience curve effects. The product is often a basic no-frills good that is produced at a relatively low cost and made available to a very large customer base. Maintaining this strategy requires a continuous search for cost reductions in all aspects of the business. The associated distribution strategy is to obtain the most extensive distribution possible. Promotional strategy often involves trying to make a virtue out of low cost product features (Javier, 2002).

To be successful, this strategy requires a considerable market share advantage or preferential access to raw materials, components, labour, or some other important input. Without one or more of these advantages, the strategy can easily be mimicked by competitors. When a firm designs, produces and markets a product more efficiently than its competitors such a firm has implemented a cost leadership strategy (Allen et al. 2006). Cost reduction strategies across the activity cost chain will represent low cost leadership (Javier, 2002). Attempts to reduce costs will spread through the whole business process from manufacturing to the final stage of selling the

product. Any processes that do not contribute towards minimization of cost base should be outsourced to other organizations with the view of maintaining low cost base (Akan et al., 2006).

Low costs will permit a firm to sell relatively standardized products that offer features acceptable to many customers at the lowest competitive price and such low prices will gain competitive advantage and increase market share (Porter, 1980). These writings explain that cost efficiency gained in the whole process will enable a firm to mark up a price lower than competition which ultimately results in high sales since competition could not match such a low cost base. If the low cost base could be maintained for longer periods of time it will ensure consistent increase in market share and stable profits hence consequent in superior performance (Tuminello, 2002). However all writings direct us to the understanding that sustainability of the competitive advantage reached through low cost strategy will depend on the ability of a competitor to match or develop a lower cost base than the existing cost leader in the market.

A firm attempts to maintain a low cost base by controlling production costs, increasing their capacity utilization, controlling material supply or product distribution and minimizing other costs including R&D and advertising (Dessler, 2003). Mass production, mass distribution, economies of scale, technology, product design, learning curve benefit, work force dedicated for low cost production, reduced sales force, less spending on marketing will further help a firm to maintain a low cost base (Tuminello, 2002). Decision makers in a cost leadership firm will be compelled to closely scrutinize the cost efficiency of the processes of the firm. Maintaining the low cost base will become the primary determinant of the cost leadership strategy. For low cost leadership to be effective a firm should have a large market share (Gongera, 2007).

New entrants or firms with a smaller market share may not benefit from such strategy since mass production, mass distribution and economies of scale will not make an impact on such firms. Low cost leadership becomes a viable strategy only for larger firms. Market leaders may strengthen their positioning by advantages attained through scale and experience in a low cost leadership strategy. But is there any superiority in low cost strategy than other strategic typologies? Can a firm that adopts a low cost strategy outperform another firm with a different competitive strategy? If firms costs are low enough it may be profitable even in a highly competitive scenario hence it becomes a defensive mechanism against competitors (Roger, 2009). Further they mention that such low cost may act as entry barriers since new entrants require huge capital to produce goods or services at the same or lesser price than a cost leader. As discussed in the academic framework of competitive advantage raising barriers for competition will consequent in sustainable competitive advantage and in consolidation with the above writings we may establish the fact that low cost competitive strategy may generate a sustainable competitive advantage.

Further in consideration of factors mentioned above that facilitate a firm in maintaining a low cost base, some factors such as technology, may be developed through innovation (mentioned as creative accumulation in Schumpeterian innovation) and some may even be resources developed by a firm such as long term healthy relationships built with distributors to maintain cost effective distribution channels or supply chains (inimitable, unique, valuable non-transferable resource mentioned in RBV (Cross, 1999).

Similarly economies of scale may be an ultimate result of a commitment made by a firm such as capital investments for expansions (as discussed in the commitment approach). Also raising

barriers for competition by virtue of the low cost base that enables the low prices will result in strong strategic positioning in the market (discussed in the IO structural approach). These significant strengths align with the four perspectives of sustainable competitive advantage mentioned in the early parts of this literature review (Galliers, 2006).

Low cost leadership could be considered as a competitive strategy that will create a sustainable competitive advantage. However, low cost leadership is attached to a disadvantage which is less customer loyalty (Yakhlef, 2001). Relatively low prices may create a negative attitude towards the quality of the product in the mindset of the customers (Roger, 2009). Customer's impression regarding such products will enhance the tendency to shift towards a product which might be higher in price but projects an image of quality.

2.4.2 Differentiation Strategy

With the differentiation strategy, the unique attributes or perceptions of uniqueness and characteristics of a firm's product other than cost provide value to customers. The firm pursuing differentiation seeks to be unique in its industry along some dimension that is valued by customers, which means investing in product R&D and marketing (Porter, 1980). It is the ability to sell its differentiated product at a price that exceeds what was spent to create it that allows the firm to outperform its rivals and earn above-average returns. A product can be differentiated in various ways. Unusual features, responsive customer service, rapid product innovations and technological leadership, perceived prestige and status, different tastes, and engineering design and performance are examples of approaches to differentiation (Porter, 1980).

Differentiation is aimed at the broad market. It involves the creation of a product or services that is perceived throughout its industry as unique. The company or business unit may then charge a

premium for its product. This specialty can be associated with design, brand image, technology, features, dealers, network, or customer service. Differentiation is a viable strategy for earning above average returns in a specific business because the resulting brand loyalty lowers customers' sensitivity to price. Increased costs can usually be passed on to the buyers. Buyers' loyalty can also serve as an entry barrier – new firms must develop their own distinctive competence to differentiate their products in some way in order to compete successfully (Porter, 2004).

Examples of the successful use of a differentiation strategy are Hero Honda, Asian Paints, HLL, Nike athletic shoes, Apple Computer, and Mercedes-Benz automobiles. Research does suggest that a differentiation strategy is more likely to generate higher profits than is a low cost strategy because differentiation creates a better entry barrier. A low-cost strategy is more likely, however, to generate increases in the market share. This may or may not be true (Johnson, 1987).

A differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competition. The value added by the uniqueness of the product may allow the firm to charge a premium price for it. The firm hopes that the higher price will more than cover the extra costs incurred in offering the unique product. Because of the product's unique attributes, if suppliers increase their prices the firm may be able to pass along the costs to its customers who cannot find substitute products easily. Rather than cost reduction, a firm using the differentiation needs to concentrate on investing in and developing such things that are distinguishable and customers will perceive (Kotler, 1972).

Overall, the essential success factor of differentiation in terms of strategy implementation is to develop and maintain innovativeness, creativeness, and organizational learning within a firm

(Pennathur, 2001). Successful differentiation is based on a study of buyers' needs and behaviour in order to learn what they consider important and valuable. The desired features are then incorporated into the product to encourage buyer preference for the product. The basis for competitive advantage is a product whose attributes differ significantly from rivals‟ products.

Competitive advantage results when buyers become strongly attached to these incorporated attributes and this allows the firm to: charge a premium price for its product, benefit from more sales as more buyers choosing the product and more buyers become attached to the differentiating features resulting in greater loyalty to its brand. Efforts to differentiate often result in higher costs. Profitable differentiation is achieved by either keeping the cost of differentiation below the price premium that the differentiating features command, or by offsetting the lower profit margins through more sales volumes (Huber, 2004).

Kotler (2001) insists that anything that a firm can do to create buyer value represents a potential basis for differentiation. Once it finds a good source of buyer value, it must build the value, creating attributes into its products at an acceptable cost. These attributes may raise the product's performance or make it more economical to use. Differentiation possibilities can grow out of actions performed anywhere in the activity cost chain. The risks associated with a differentiation strategy include imitation by competitors and changes in customer tastes. Additionally, various firms pursuing focus strategies may be able to achieve even greater differentiation in their market segments.

2.4.3 Focus Strategy

The focus strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation. The premise is that the needs of the group can

be better serviced by focusing entirely on it. A firm using a focus strategy often enjoys a high degree of customer loyalty, and this entrenched loyalty discourages other firms from competing directly. Because of their narrow market focus, firms pursuing a focus strategy have lower volumes and therefore less bargaining power with their suppliers. However, firms pursuing a differentiation-focused strategy may be able to pass higher costs on to customers since close substitute products do not exist. Firms that succeed in a focus strategy are able to tailor a broad range of product development strengths to a relatively narrow market segment that they know very well. Some risks of focus strategies include imitation and changes in the target segments. Furthermore, it may be fairly easy for a broad-market cost leader to adapt its product in order to compete directly. Finally, other focusers may be able to carve out sub-segments that they can serve even better.

2.5 Competitive Strategies and Organizational Performance

Porter (1995) discussed the basic types of competitive strategies firms' possess (low-cost, Differentiation and focus) to achieve sustainable competitive advantage. Sustainable competitive advantage is the prolonged benefit of implementing some unique value-creating strategy not simultaneously being implemented by current or potential competitors along with the inability to duplicate the benefit of this strategy.According to Porter (1980), a business attempting to combine more than two approaches invariably ends up stuck in the middle. He argues that the competitive strategies and positioning are based on incompatible assumptions and thereby create trade-offs within the organization.

A creative and distinctive strategy that sets a company apart from its rivals and yields a competitive advantage is the company's most reliable ticket for earning above average

performance. Thompson et al. (2007) stress that without this, a company risks being out competed by stronger rivals and/or being locked into the mediocre financial performance. Organizations around the world are bracing themselves for stiffer competition emerging in the market place fuelled by increasingly uncertain environments. As such there is need for establishing clear organizational strategy, focused on narrow objectives of what is at stake in the current moment, and aligning those strategies with the entire organization. Despite much debate on strategy, there is little consensus as to whether organizational capabilities or market competition are more important in shaping firms' actions and performance. According to Huber (2004), reciprocal interactions at multiple levels of analysis between the market environment and firm capabilities shape business strategy and performance, while interactions between strategy and performance, in turn; shape both organizational capabilities and competitive environments.

In an effort to improve organizations profitability, and the overall performance, Barney (1986) notes that managers continuously make decision whether to launch new strategic initiatives as well as how to respond or counter other competitors' moves. He however points out that managers are able to make more effective decisions if they fully understand the firm's competitive environment.

Kotler et al. (2008) noted that the quest for improved performance often leads managers to consider market entry opportunities. Such opportunities involve either pioneering a market or entering a market that is already occupied by others. High and comprehensive knowledge of the market is needed because there are many crucial factors to consider including whether a first move can create a competitive advantage. It is however noted by Thompson et al. (2007) that this does not create sustainable competitive advantage because second comers often perfect the

product and erode the advantage earlier enjoyed by the pioneers. Specifically, sales and profits are enjoyed at an average period of 5 years, which is the reason why firm executives should develop thorough strategies that enhance performance of the firm in the competitive environment.

The concept of competition pointed out by Reuer (2004) is gaining popularity among firms in a bid to improve efficiency. This is through joint ventures, strategic alliances and organizational networks that enable an organization to avoid duplication of resources. However, cooperation exposes the firm to certain risks including loss of control over key operations and potential exploitive behaviours by partners. Therefore, focusing on competition with other firms avoid such risks and enables a firm to be innovative and efficiently manage resources.

Pearce et al. (2003) note that the application by organizations of concepts such as strategic fit between resources and opportunities, generic strategies low cost versus differentiation versus focus and the strategy hierarchy of planning goals, strategies, and tactics often abets the process of competitive decline. There are two contrasting models of strategy which are meant to entrench a competitive advantage over firm's rivals: one is for maintaining strategic fit while the other focuses on leveraging resources. The two are not mutually exclusive, but they represent a significant difference in emphasis that deeply affects how competitive battles get played out over time.

Porter (1998) acknowledges that both models recognize the problem of competing in a hostile environment with limited resources, but while the emphasis in the first is on trimming ambitions to match available resources, the emphasis in the second is on leveraging resources to reach seemingly unattainable goals. Both models recognize that relative competitive advantage

determines relative profitability. The first emphasizes the search for advantages that are inherently sustainable; the second highlights the need to accelerate organizational learning to outpace competitors in building new advantages.

Porter (1980) suggested that there are three types of competitive advantages through strategic positioning a company can own: low cost, differentiation and focus. The domination through costs strategy is specific to organizations which produce and sell standardized products. The aimed market is vast, with numerous segments. Adopting this strategy implies intensifying the investments, which afterwards implies a productivity growth, a better organization of the production processes, rationalizing the products gamut, and so on. This strategy is generally used by organizations with a big financial power.

The domination through differentiation strategy is adopted by organizations which offer strongly individualized products. This strategy gives the organization a domination power exactly because of the uniqueness of the product's characteristics or services. It also implies a growing attention to maintain this advantage in front of the competitors (Boyne, 2001). The focusing strategy implies the firm to concentrate over a narrow market segment on which they will try to obtain superior advantages from the ones obtained by the industry in its ensemble, by optimizing the differentiating cost. This strategy is generally adopted by small and medium companies, in order to avoid direct confrontation with stronger competitors.

2.6 Knowledge gap

There have been a number of studies carried out both globally and locally on competitive strategies and have yilded mixed and inconclusive results which creates a gap to be filled. For instance Okumus (2001) studied the role of competitive strategies in organizational development

and strategy implementation framework involving hypotheses testing to examine the strength of relationship between the variables being Investigated.. The data-collection method was a self-administered, close-ended questionnaire. The study only focused on strategy formulation and its links with organizational outcomes with little attention to the both generic and Ansoff competitive strategies which are considered in this study. Mwema (2008) studied a strategic model of Kenyan Public Corporation Self-sustainability. The study focused on Kenyan local authorities in Eastern province adopting an exploratory design. A semi-structured survey questionnaire was used to collect data which was analyzed using descriptive and inferential statistics. He found that 78% of the Kenyan public corporations were unable to self-sustain their operations due to internal inefficiencies that required pragmatic restructuring. He specifically affiliated anomalies to poor work ethics, rigidity in management, misallocation of resources, and structural inefficiencies but failed to take in to account the competitive strategies applied and also focused in Kenyan state corporations which the current study diverts to manufacturing firms to fill the gap that may be existing in the industry. The current study therefore seeks to conceptualize the competitive strategies as applied in the manufacturing industry and measure with respect to performance in order to come up with a working model that may assist the management and policy making process on the influence of competitive strategies on performance of manufacturing firms.

2.6 Conceptual Framework

The conceptual framework illustrates the dependent and independent variables. The independent variables include cost leadership strategy, differentiation strategy and focus strategy. The dependent variable is the firm performance of manufacturing firms.

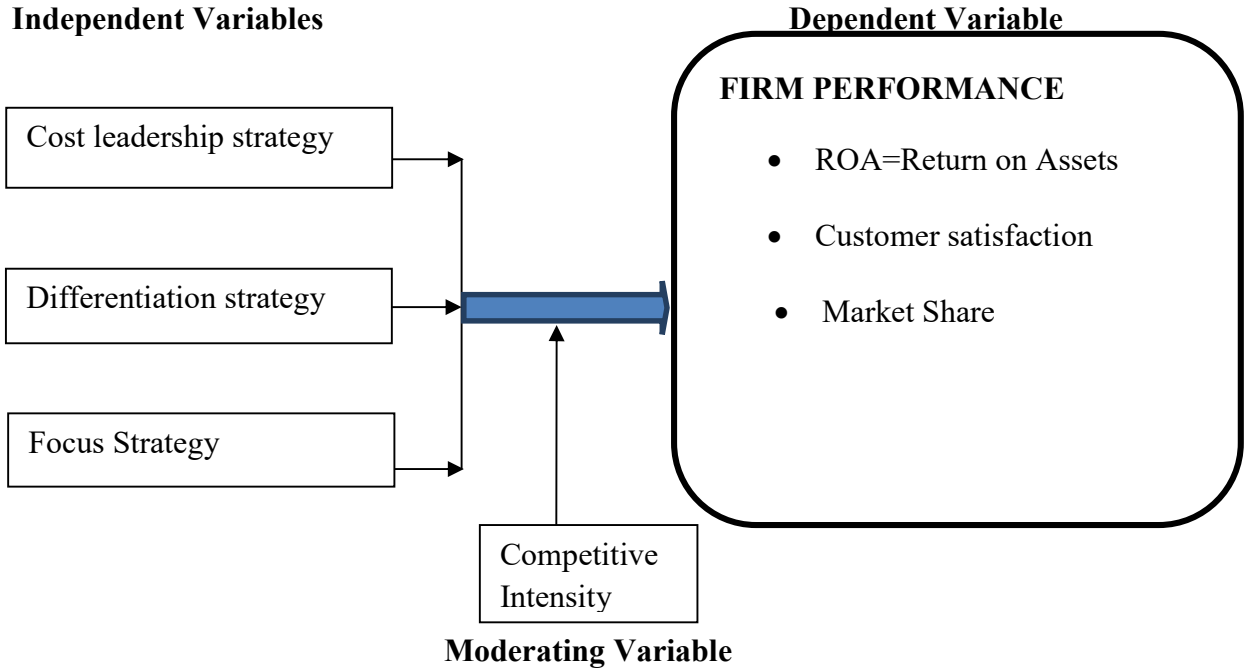


Figure 2.1: Conceptual Framework

Source: Porter's Model, (2004)

The researcher avers that the three independent variable (cost leadership strategy, differentiation strategy and focus strategy) influence firm performance. The study seeks to determine the effects of the three variables both individually and collectively on firm performance. Competitive intensity is incorporated in the present study as a moderator in the relationship between competitive strategies and firm performance.

CHAPTER THREE
RESEARCH DESIGN AND METHODOLOGY

3.0 Introduction

Methodology encompasses the entire process of conducting research that includes planning, carrying out the actual research study, analyzing the findings and making deductions. Essentially it's a theoretical analysis to the methods applied in a given study.

3.1 Research Design

Research design can be defined as a guide, a plan or structures detailing on how an investigation or research was carried out to answer research questions and achieve research objectives (Copper and Schindler, 2000). Mugenda and Mugenda (2003) look's at research design as the specific methods and procedures for collecting and analyzing data. It's an outline that guides the research which includes research methods that determines the data needed to be collected. It also defines the sampling methods, sample size, measurement and data analysis process. A descriptive and qualitative research design based on a phenomenology approach was used in this research. A phenomenological study allows a researcher to observe and obtain the essence of the lived experience of a respondent in the phenomenon that is being investigated.

According to Schindler and Cooper (2003) descriptive studies are conducted when nature of the problem is not clear with the expectation that further research would be necessary to yield further evidence and insight. The descriptive and quantitative study was used to examine the effect of competitive strategies on organizational performance focusing on East African Breweries limited. This is because a descriptive study helps in answering the "what" question in terms of the effect of competitive strategies on EABL.

3.2 Target population

Population refers to a complete set of cases, individuals or objects with common observable traits of characteristics (Mugenda and Mugenda, 2003). In this study the population comprised employees of EABL especially those working in higher positions within the organization. These employees would be found in various departments of EABL that's located in Ruaraka area of Nairobi. In total East African Breweries has 1,853 employees spread across the East African region according to information on its website and most of these employees are based at their Kenyan subsidiary, in Ruaraka Nairobi which has 1,553 employees. More specifically employees were stratified sampled from all departments including those working in Human resource, finance, marketing and production departments.

The target population was picked from the identified population from human resource, finance, marketing and production departments. Mugenda and Mugenda, (2003) defines target population as "that population to which a researcher wants to generalize the results of a study" Also Adams and Schavaneveldt (1985) also defines target population as one of which the study results is generalized through statistical inference. The study population is one that's operationalized to achieve clear criteria and establish elements that were included or excluded. A list of staff was sourced from the human resource department of EABL from which those to be interviewed were picked randomly.

Table 3.1: Population of the study

Category	Target Population	Percentage
Human Resource department	377	24.3
Finance department	261	16.8
Marketing department	304	19.6
Production department	611	39.3
Total	1553	100

3.3 Description of the Sample and Sampling Procedures

Sampling refers to the process of selecting a subset or subsets of individuals or units from within the entire population to enable a researcher estimate the features or characteristics of a population and draw generalizations.

The sampling process comprises several stages which include need to clearly define the population to be studied. The sample frame then needs to be identified and the sampling method specified. Another important aspect of sampling is determining the sample size after which the researcher needs to draw a sampling plan and thereafter draw a plan for data collection and analysis.

3.3.1 Sampling frame

The sampling frame refers to a description where the population to be studied is found. Cooper and Schindler (2003) define sampling frame as a list of elements and events from which a sample is drawn which has close resemblance to the population in terms of characteristics. In this study

the sampling frame constituted the official register of employees of EABL and was sourced from the human resource department.

3.3.2 Sampling Technique

The researcher used the systematic random sampling method where every K^{th} variable was selected till the entire population is exhausted. The sampling technique to be applied in this study was systematic random sampling. A method of selecting sample members from a larger population according to a random starting point and a fixed, periodic interval; typically, every "K^{th}" member was selected from the total population for inclusion in the sample population. Systematic sampling was applied for being random, as long as the periodic interval was determined before hand and the starting point is random.

The reason for choosing this technique was to increase the sample's statistical efficiency and to provide adequate data for analyzing the various departments. This gives an equal chance for all the people in the sample frame to be picked.

3.3.3 Sample Size

Mugenda and Mugenda, 1999 defines sampling size as the number of items to be selected from the population that constitutes the sample. It's an important element of a study where the goal is to make inferences or generalizations about a given phenomenon or populations. In order to calculate the sample size, the estimated population size of 103 employees and the margin of error or confidence interval of +/-10% were assumed. Confidence levels of 90% (Z score1.645) and a standard deviation of 0.5- this standard deviation number ensured that the sample size is large enough. The following formula helped to establish the sample size.

Necessary Sample Size = (Z-score) ² * StdDev*(1-StdDev) / (margin of error)²((1.645)² x .5(.5)) / (0.1)² which returns a sample size of 103.

This formula does not need the use of population when calculating the sample size. It is therefore preferred because it's simple to use and gives a representative sample that's not too big and neither too small as to be unrepresentative of the entire population. The sample population was given as in Table 3.2:

Table 3.2: Sample Size *Distribution*

Category	**Target Population**	**Sampled population**
Human Resource department	377	25
Finance department	261	17
Marketing department	304	20
Production department	611	41
Total	1553	103

3.4 Data Collection Instruments and Procedures

3.4.1 Description of research instruments

The research instrument to be employed in conducting this research includes majorly conducting interviews by use of a questionnaire. Organization analysis and social impact analysis was also used. The questionnaire contained few questions. This is informed by the need to ensure that respondents are able to give responses adequately by not presenting to them a questionnaire that's too long but also ensuring it's not too short either to be ineffective. A questionnaire with

too many questions may prove daunting for many respondents and they may gloss and skim over it as they fill it to get done with it. The instrument was divided into five sections each corresponding to the specific research objectives. Section A covered questions of a general nature while section B covered questions related to competitive strategies while section D covered financial and non-financial performance aspects. This ensured collection of as much data that's relevant to each specific objective.

3.4.2 Description of the data collection procedures

Primary and secondary methods of collecting data were employed to collect the necessary data for the study. Questionnaires and interviews were employed as primary methods of collecting data. Secondary data was gleaned from already published sources on financial performance including financial statements from company websites, magazines and any relevant reliable sources of data. In this study questionnaires were used to collect the necessary data from respondents in the survey. The questionnaire contained five sections to correspond with specific research objective to enable collection of relevant data. Secondary data refers to data collected for other studies to be sourced from journals, publications on competitive strategies especially in Kenya, other relevant research on the subject of competitive strategies.

A pilot study was conducted using the questionnaire to assess its practicality and its weaknesses on data collection. Potential challenges with the instrument will be noted and rectified before proceeding. Results of the preliminary study were included in the final data for presentation. Researcher ensured that the questionnaire is not too long and easy to fill with the objective being ensuring that the respondents fill the form without refusing because form is too long. Eligible respondents was determined by use of a screening form.

During data collection, one research assistant was hired to assist in collecting data by use of questionnaire. As data was collected, its reliability was continually assessed by use of techniques like test-retest and the equivalent-form technique for selected portion of the population. After data collection exercise is completed, all questionnaires were compiled and collated into a compendium. Data was edited, analyzed and any redundancies and irrelevant data eliminated.

3.5 Reliability and validity of data collection

The internal consistency of the research instrument was assessed using Cronbach's alpha coefficient which is commonly used when there are multiple rating scale questions in a survey/questionnaire that form a scale. The internal consistency Cronbach's Alpha (α) ranges from 0 to 1 and it is a reliability coefficient that reflects how well the measurements items positively correlate to one another. In line with Nunnaly (1978) recommendation, only constructs with cut off of 0.7 and greater were considered for further analysis in the study. To enhance the reliability of the survey instrument for this study, a pilot study was conducted on one organization that will not be used in the final study then Cronbach's Alpha coefficient will be calculated to establish internal consistency of the instrument.

Validity was measured using the methodology proposed by Crocker *et al* (1986) which calculates validity coefficients that identify what percentage of variance in the criterion variable is accounted for by the testing measure, or predictor variable. The calculation of both reliability and validity was done using the results of the pilot study. The aim is to get their feedback on the clarity and adequacy of the questions in collecting the target information (Nunnaly, 1978). In the current study pilot questionnaires was administered through drop and pick method to one organization which was not included in the target sample. Their feedback was used to improve the questionnaires and compute the reliability coefficient.

3.6 Description of Data Analysis Procedures

According to Cooper and Schindler (2006), data analysis usually involves reducing accumulated data to a manageable size, developing summaries, looking for patterns and applying statistical techniques. It can also be described as a measure that allows the researcher to inspect, transform and model data with the goal of highlighting useful information, suggesting conclusions and supporting decision making. The data collected was first scrutinized to ensure completeness and accuracy before entering it into the Statistical Package for Social Scientists (SPSS) version 21. Using this package the researcher was able to derive measures of central tendency, frequency distributions, measures of association and measures of dispersion. The researcher then used descriptive quantitative analysis to describe the effects of competitive strategies on firm performance. In the case where the data is quantitative, tables and figures were used in data presentation. In addition advanced statistical techniques (inferential statistics) were used. Regression analysis was used to determine the relationship between the independent variables and dependent variable. The researcher used content analysis to analyze qualitative data. A multivariate regression model was applied to determine the relative importance of each of the variables with respect to competitive strategies on firm performance.

The regression model to be used was as follows:

$y = \beta 0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + ẹ$

Where:

Y = Firm performance

$\beta 0$ = Constant Term

β_1= Beta coefficients

X_1= Cost leadership strategy

X_2= Differentiation strategy

X_3= Focus strategy

ẹ= error term (residual term that includes the net effect of other factors not in the model and measurement errors in the dependent and independent variables).

3.7 Ethical considerations in data collection

There are a number of ethical issues that must be considered when planning any kind of data collection. This is essentially because data collection costs the respondents valuable time and energy in giving responses or filling questionnaires. Before data collection commences it was important firstly to get approval from the authorities in order to administer instruments of data collection.

Common cause of ethical challenges in research arises from conflicts of interest between the researcher and the researched. Researcher may at times employ unethical means to get data. This can be risky and it's incumbent upon the researcher to gauge the extent of risk that he can bear.

In conducting this research, the participants' consent was sought individually and also through their organization before conducting this research. This also means that the respondents should be made to know exactly what they are being asked and that they are free to respond. There was also no pressure for individuals to take part in this study. In general no incentive was given to encourage participation. Individual autonomy was respected. Respondents who feel after filling the questionnaire that their views should not be incorporated have their wish granted. In addition anonymity and confidentiality of the respondents was maintained by ensuring that the respondents name is removed from the instrument of data collection.

CHAPTER FOUR
DATA ANALYSIS, INTERPRETATION AND DISCUSSION

4.1 Introduction

This part of the research deals with the analysis, interpretation and discussion of the data gathered from the desk study and questionnaire survey. Information in this chapter is divided into two sections. The first section details the analysis of general information of the respondents while the second section deals with analysis of data on the objectives based on descriptive and inferential statistics.

4.2 Questionnaire Response Rate

Detailed questionnaires were designed and distributed to establish the effects of competitive strategies on performance of EABL. To make the analysis more comprehensive a total of 103 questionnaires were distributed out of which 98 were filled and returned which is a response rate of 95.15%. The response rate is considered satisfactory for the study.

This response rate was good and representative and conforms to Mugenda and Mugenda (2003) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. The questionnaires that were not returned were due to reasons like, the respondents were not available to fill them in at that time and with persistence follow-ups there were no positive responses from them. The response rate demonstrates a willingness of the respondents to participate in the study. Table 4.1 below shows the number of questionnaires distributed and the number of questionnaires returned from the respondents including their percentage response rate.

Table 4.1: Response Rate

Respondents	Questionnaire Distributed	Questionnaire Returned	Response Rate
	103	98	95.15%

4.3 Reliability Analysis

The results of the item analysis conducted to determine the reliability of the summated scores calculated for the various factor categories are reported in this section. The Item analysis was conducted for all items (statements) in the questionnaire that were summated into scores for the 5 factor categories. For each factor Cronbach's coefficient α was calculated and a factor analysis specifying a one factor model was conducted. Tests for the internal reliability of the factors in each category were conducted by determining their Cronbach's coefficient α value.

*Table **4.2:** Reliability Analysis*

Variable	Cronbach's Alpha
Cost leadership	.83
Differentiation	.80
Focus strategy	.82

Source: Researcher, (2017)

Cronbach's α value for all factor categories were > .70, which is regarded as adequate proof of internal consistency. It should be noted that Cronbach's α values of 0.50 to 0.70 are acceptable.

4.4 Demographic Information

The study sought to establish the demographic information in order to establish the effect of competitive strategies on performance of manufacturing firms with a focus on East African Breweries Limited.

The demographic information of the respondents included position of the respondent, education levels of the respondents, gender and duration of service.

4.4.1 Gender of respondents

The study found it paramount to determine the respondents' gender in order to ascertain whether there was gender parity in the positions indicated. The findings are as indicated in Figure 4.1.

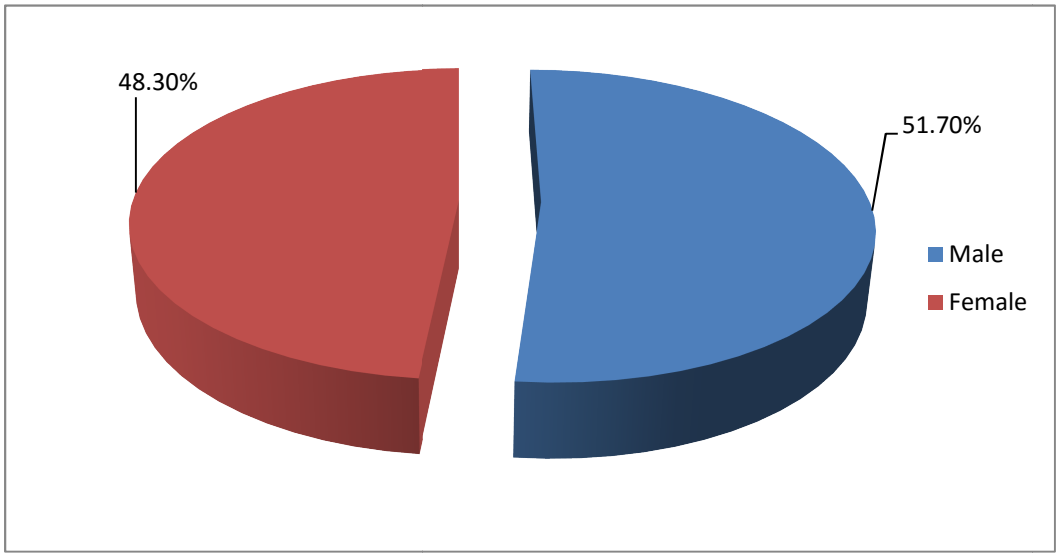


Figure 4.2: Gender of the respondents

According to the analysis it was evident that majority of the respondents were male which represented (51.70%) while (48.30%) were female. Acker (2006) observed that gender equality was a very important trait since it can be used to improve performance of all the staff involved.

He argued that it fosters teamwork and also creates a sense of unity and the aspect of working together for a common goal with every individual effort whether male or female being important to the attainment of the overall objectives. A gender responsive firm provides a conducive working environment where a staff/manager is supposed to interact with other colleagues of the opposite gender in pursuit of excellence and achievement of set targets.

4.4.2 Age Bracket of the respondents

The researcher sought to determine if the respondents were mature enough to provide valuable responses that pertain to the effects of competitive strategies on organizational performance.

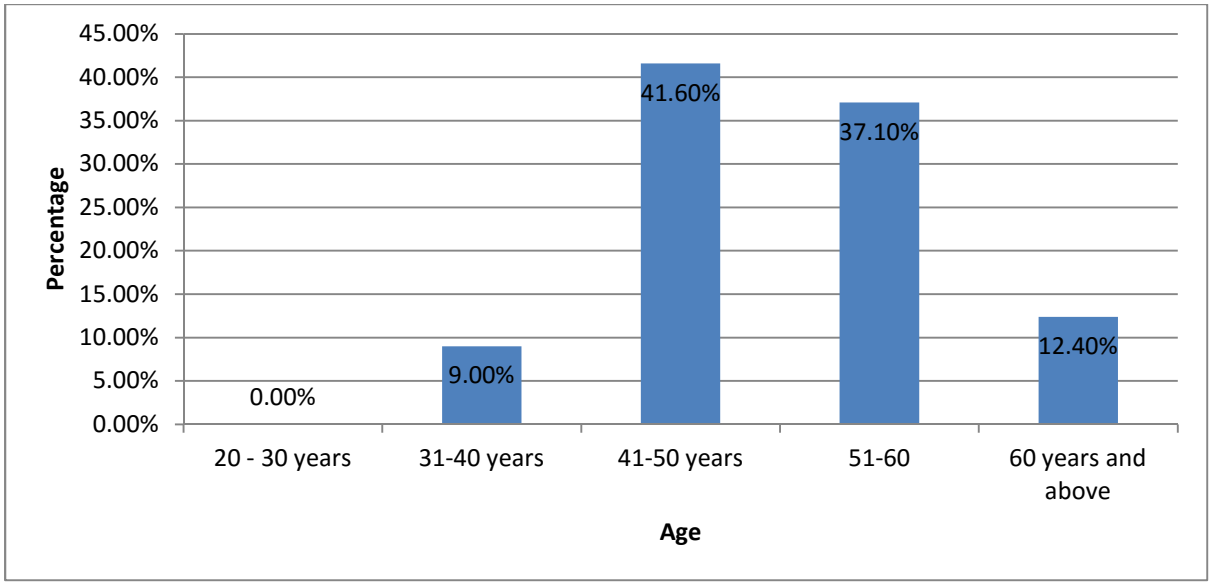


*Figure **4.3:** Age Bracket of the respondents*

The respondents were required to indicate their age where the study findings indicated that majority (41.6%) indicated that their age bracket was between 41 and 50 years. Analysis of findings also indicated that 37.10% of the respondents were between 51 and 60 years of age. The findings further indicated that 12.4% were 60 years and above.

While the remaining 9.0% indicated that they were 31-40 years. The finding therefore implies that the respondents were mature and experienced to provide valuable responses that pertain to the effects of competitive strategies on organizational performance.

4.4.3 Level of education of the respondents

The Table shows the respondents level of education.

Table 4.1: Level of education of the respondents

	Frequency	**Percentage**
Secondary education	0.0%	
Diploma	12	13.5%
Bachelor's degree	58	65.2%
Master's degree	19	21.3%
Total	**89**	**100.0%**

The study sought to find out the respondents level of education. The findings of the study are tabulated as in table 4.4. From the findings, majority (65.2%) had university degrees followed by 21.3% who indicated that they had master degree and the remaining 13.5% indicated that they have attained college diplomas. Therefore the findings conclude that most respondents had adequate education to execute their pertaining to competitive strategies on organizational performance.

4.4 Descriptive Statistics

The study performed descriptive analysis of the data gathered on competitive strategies and organizational performance. The findings are discussed in the sections below.

4.3.1 Competitive Strategies and Organizational Performance

The competitive strategies comprised cost leadership, differentiation and focus. The study sought to establish the influence of the three competitive strategies on performance of EABL.

4.3.1.1 Cost Leadership Strategy

This study sought to establish the extent to which cost leadership strategy had an influence on the performance of manufacturing firms in Kenya. The descriptive statistics of this study on the influence of cost leadership strategy on organizational performance are presented in Table 4.3.

Table 4.4: Descriptive Statistics for Measures of Cost Leadership Strategy

Attributes	N	Mean	Std. Deviation	Coefficient of Variation (%)
Our organization has optimum level of personnel	134	3.5224	.89876	26
Our organization continuously trains staff on effective resource utilization	134	3.6343	.94623	26
Our organization maximizes on profitability through cost reduction strategies	133	3.6466	.93091	26
Our organization improves on production/service delivery process to cut on waste and duplication	133	3.7895	.74927	20
Our organization minimizes cost through innovation	133	3.8120	.86296	23
Our organization emphasizes on time management	134	4.1866	.85986	21
Our organization emphasizes on efficiency	134	4.1940	.75072	18
Overall Mean Score		**3.385**	**.8486**	**23**

Source: Field data (2017)

The respondents were asked to rate factors considered during the organizations costing on a Likert scale of 1(strongly disagree) to 5 (strongly agree) in the last five years. The results in Table 4.3 indicate that in general the respondents moderately agreed that cost leadership strategy influences the performance of Manufacturing firms(mean= 3.385). The low coefficients of variation ranging from 18% to 26% imply that the influence of cost leadership factors on the performance of manufacturing firms was less varied across the organizations. In addition, most influential cost leadership strategy on the performance of manufacturing firms was the respondents' organization emphasizing on efficiency as depicted by the mean score of 4.194, standard deviation of .7507 and CV of 18%. It was followed by the respondent's organization emphasizing time management as portrayed by the mean score of 4.187, standard deviation of .859 and C.V of 21%. On the other hand the most varied cost strategy that influence the performance of Manufacturing firms, according to the respondents, were organization's optimum level of personnel, continuously training staff on effective resource utilization and organization's maximization on profitability through cost reduction strategies (C.V of 26%).

Cost reduction strategies across the activity cost chain will represent low cost leadership (Tehrani 2003, Beheshti 2004). Low costs will permit a firm to sell relatively standardized products that offer features acceptable to many customers at the lowest competitive price and such low prices will gain competitive advantage and increase market share. Decision makers in a cost leadership firm will be compelled to closely scrutinize the cost efficiency of the processes of the firm. Maintaining the low cost base will become the primary determinant of the cost leadership strategy. For low cost leadership to be effective a firm should have a large market share (Gongera, 2007).

4.3.1.2 Differentiation Strategy

Differentiation is aimed at the broad market that involves the creation of a product or service that is perceived throughout its industry as unique. A differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competitor. The value added by the uniqueness of the product may allow the firm to charge a premium price for it. In this study these differentiation factors were captured on the extent to which they influence performance. The findings are presented in Table 4.4.

Table 4.4: Means and Standard Deviation for Differentiation

Attributes	N	Mean	Std. Deviation	Coefficient of Variation (%)
Our organization offers products/services with unique characteristics	132	3.6439	.83009	23
Our organization does research to match products/services with customer needs	133	3.6466	.91449	25
Our organization creates and maintains products/services with appealing features	133	3.6617	.81545	23
Our organization offer products/services at affordable prices	133	3.7519	.84751	23
Our organization always strives to lead in product/service delivery in our sector	133	3.9248	.70307	18
Our organization always keeps our customers always aware of our	133	4.1429	.81782	20

product/service attributes			
Overall Mean Score	3.795	.8214	22

Source: Field Data (2017)

The respondents were to indicate to on a scale of 1(strongly disagree) to 5 (strongly agree) in the last five years. The results shown in Table 4.4indicated on overall respondents agreed that differentiation influences performance of EABL mean score of 3.795. The most influential differentiation factors on the performance of the corporations were; the organization always keeps their customers always aware of their product/service attributes and the organization always strives to lead in product/service delivery in their sector with (Mean score=4.143, standard deviation=0.818,C.V=20%),(Mean score=3.925, standard deviation=0.703, C.V=18%) respectively. All other statements had mean scores above 3.0, that is to say the organization offers products/services with unique characteristics (mean=3.6439, standard deviation of .83009 and variation of 23%), the organization creates and maintains products/services with appealing features (mean=3.6617, standard deviation of .81545 and variation of 23%), the organization does research to match products/services with customer needs (mean=3.6466, standard deviation of .91449 and variation of 25%) and the organization offer products/services at affordable prices (mean=3.7519, standard deviation of .84751 and variation of 23%). On further analysis the C.V depict that the influence of differentiation strategy on the performance was less varied across the organizations.

Overall, the essential success factor of differentiation in terms of strategy implementation is to develop and maintain innovativeness, creativeness, and organizational learning within a firm (Pennathur, 2001). Successful differentiation is based on a study of buyers' needs and behaviour in order to learn what they consider important and valuable. The desired features are then incorporated into the product to encourage buyer preference for the product. The basis for

competitive advantage is a product whose attributes differ significantly from rivals products. Kotter (2001) insists that anything that a firm can do to create buyer value represents a potential basis for differentiation. Once it finds a good source of buyer value, it must build the value, creating attributes into its products at an acceptable cost. These attributes may raise the product's performance or make it more economical to use. Differentiation possibilities can grow out of possibilities performed anywhere in the activity cost chain.

4.3.1.3 Focus Strategy

The focus strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation. The premise is that the needs of the group can be better serviced by focusing entirely on it. A firm using a focus strategy often enjoys a high degree of customer loyalty, and this entrenched loyalty discourages other firms from competing directly.

Based on this argument, this study sought to evaluate the extent to which focus was important in organizational performance. Various statements depicting the different manifestations of focus were posed and respondents were required to indicate the extent of agreement to which these statements applied to their organization. The results are presented in Table 4.5.

Table 4.5: Descriptive Statistics for Measures of Focus strategy

Attributes	N	Mean	Std. Deviation	Coefficient of Variation (%)
Our organization always reviews changes in the niche market	130	3.8923	.73922	19
Our organization always updates its mandate in line with changes in the market	133	4.0150	.74858	19
Our organization always strives to remain in its market	130	4.0231	.78222	19

Our organization specializes on its target market	131	4.0458	.77323	19
Our organization understands its focus and mandate	133	4.3158	.79170	18
Overall Mean Score		**4.058**	.7670	19

Source: Field Data (2017)

The results in Table 4.5 show high agreement with respect to the influence of focus strategy on organizational performance of Manufacturing firms generally (Mean scores 4.058, SD=0.767). The C.V of 19% indicates that there was minimal variation of the views on focus strategy amongst the corporations. The most influential and least varied focus strategy on performance according to the respondents was that the organization understands its focus and mandate (Mean=4.3158, SD=.79170 and CV=18%) with the least influential focus strategy on performance was pointed out as that the organization always reviews changes in the niche market (Mean=3.8923, SD=.73922 and CV=19%). The findings imply that focus as a competitive strategy is practiced by the Manufacturing firms to high extent in order to enhance the competitive advantage. Firms that succeed in a focus strategy are able to tailor a broad range of product development strengths to a relatively narrow market segment that they know very well. Furthermore, it may be fairly easy for a broad-market cost leader to adapt its product in order to compete directly and more importantly other focusers may be able to carve out sub-segments that they can serve even better.

4.5 Multicollinearity

Multicollinearity exists when there are more than one variable measuring the same value (Haire et al., 2006). Multicollinearity is concerned with high correlation between independent variables that are supposed to predict a certain dependent variable. Existence of multicollinearity may lead

to significant impact on the regression and statistical results. Multicollenearity can be detected using the value of correlations.

According to Pallant (2005), a value of 0.8 or 0.9 shows that there is a relation of multicollinearity between two variables. In this research, the correlation coefficients of the variables are cost leadership strategy (0.23), differentiation strategy (0.22), focus strategy (0.19). These values are all less than 0.8 and therefore, implies that there is no correlation between the study variables hence no further test of multicollinearity was deemed necessary.

4.6 Inferential statistics results

The influence of competitive strategies (cost leadership, differentiation and focus) on the performance of manufacturing firms was established through the following hypothesis:

Competitive strategies have significant influence on the performance of manufacturing firms.

This hypothesis was tested using a multiple linear regression model where the values of performance were regressed on the values of each of the three competitive strategies. The results are presented in Table 4.6.

Table 4.6: Regression Results for Effect of Competitive Strategies on Performance

a) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.494[a]	.244	.198	.52833

Note: Predictors: (Constant), Cost leadership, Differentiation, Focus

b) ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4.414	3	1.471	5.271	.003[b]
	Residual	13.677	49	.279		
	Total	18.091	52			

Note: Dependent Variable: Organizational performance
Predictors: (Constant), Cost leadership, Differentiation, Focus

c) Individual coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	220.527	15.144		14.562	.000
	Cost leadership	.090	.516	.019	.175	.861
	Differentiation	-1.080	.684	-.174	-1.579	.117
	Focus	1.531	.712	.219	2.151	.033

Note: Dependent Variable: Organizational performance

d) Combined coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.951	.763		1.247	.218
	Competitive strategies	.787	.243	.416	3.236	.002

Note: Dependent Variable: Organizational performance

<0.05

Source: Field Data (2017)

As shown in Table 4.6 (a) coefficient of correlation R=0.494 is an indication of relatively moderate or average relationship between competitive strategies and performance. The coefficient of determination R^2 =.244 thus competitive strategies explained 24.4% of

organizational performance. The other variables in the organizations explained the remaining 75.6%.

The analysis from the model had the F value of 5.271 with p-value of 0.003 which is less than 0.05, the findings, thus, were sufficient to support the idea of the influence of competitive strategies, implying that competitive strategies had statistically significant effects on organizational performance thus the hypothesis was accepted. The results of the combined effects of competitive strategies showed that a unit increase in competitive strategies will cause a .787 increase in organizational performance. Further, on individual effects of the competitive strategies manifestations, a unit increase in cost leadership results in 0.090 units increase in performance while holding differentiation and focus constant. A unit increase in differentiation results in 1.080 units decrease in performance while holding cost leadership and focus constant. Similarly, a unit increase in focus results in 1.531 units increase in performance while holding cost leadership and differentiation constant. Based on p-values of individual predictors; cost leadership (t value = 0.175, p-value = 0.861), differentiation (t-value = -1.579, p-value = 0.117) and focus (t-value = 2.151, p-value = 0.033); then only focus was a significant predictor since it's corresponding p-value< 0.05 whereas cost leadership and differentiation were not significant predictors since their corresponding p-values> 0.05.

The findings are supported by differences in the mean scores and coefficient of variation for the three competitive strategies namely: focus, cost leadership and differentiation. As evident in table 4.4, 4.5 and 4.6, focus leads with an overall mean of 4.058 and coefficient of variation of 19%. It is followed by differentiation with a mean of 3.795 and coefficient of variation of 22% and lastly cost leadership with a mean of 3.385 and coefficient of variation of 23%.

Clearly, focus strategy has the highest mean and lowest variability, which appear to have contributed to the beta level of coefficient observed in the regression output. However, the influence of focus strategy appears to have declined in the presence of the two other strategies.

Based on regression coefficients results in Table 4.1 the regression equation can be written as follows;

$Y = 220.527 + 0.090X_1 - 1.080X_2 + 1.531\ X_3$ where Y = Performance of Manufacturing firms, X_1= Cost Leadership, X_2 = Differentiation, X_3 = Focus.

CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the study and makes conclusion based on the findings. The recommendations of the study and areas for further research are also presented.

5.2 Summary of Findings

The study aimed at establishing the influence of competitive strategies on the performance of EABL. These were cost leadership, differentiation and focus. Overall, the results show that competitive strategies had a moderate but positive relationship with performance which was statistically significant. The individual contribution of each of the variables defining competitive strategy on performance gave mixed results. The results indicate that cost leadership positively influenced performance but the influence was moderately and statistically significant. Differentiation on the other hand had negative influence although it was not significant. Focus had positive effect on performance and was statistically significant. Differentiation strategy is aimed at the broad market that involves creation of a product or service that a perceived throughout its industry as unique. This implies that manufacturing firms and more so EABL have not fully embraced differentiation in terms of design, brand image, technology, features, dealer network, or customers' service. However, manufacturing firms have embraced cost leadership and focus that enable them produce goods at a lower price. The findings supports the empirical literature of Porter, (1988) who argued that low costs permit the organizations to sell relatively standardized products that offer features acceptable to many customers at the lowest competitive price and such low prices lead to competitive advantage and increase in market share.

From the findings, positive effects were reported for cost leadership and focus but a negative effect was reported on differentiation. This negative change could be attributed to the fact that most manufacturing firms apply differentiation strategy minimal and the fact that competitors produce substitutes in a better way. The findings were sufficient to support influence of competitive strategies, implying that competitive strategies had statistically significant effects on organizational performance.

In an effort to improve organizations profitability, and the overall performance, Barney (1986) notes that managers continuously make decision whether to launch new strategic initiatives as well as how to respond or counter other competitors' moves. He however points out that managers are able to make more effective decisions if they fully understand the firm's competitive environment.

5.3 Conclusions

The competitive strategies comprised cost leadership, differentiation and focus. The study sought to test the influence of the three competitive strategies on performance of manufacturing firms; a case study of EABL. According to Porter (1985) competitive strategy refers to how a firm intends to compete in a given business. It is concerned with how a company can gain a competitive advantage through a distinctive and different way of competing. The organization emphasized efficiency had the highest mean score followed by emphasis on time management. This means that the two factors were the most practiced by the firm.

In this study these differentiation measures were captured in terms of the extent to which they influence performance. The measures of the extent of application of differentiation strategy had average mean score of 3.795 implying that differentiation influences performance. The current

study sought to determine the extent to which focus was important in organizational performance. Various statements depicting the different manifestations of focus were posed and respondents were required to indicate the extent of agreement to which these statements applied to their organization. The results show high agreement with respect to different manifestations on focus in manufacturing firms.

The highest score was on statements that the organization understands its focus and mandate with the lowest score being on the statement that the organization always reviews changes in the niche market implying that focus as a competitive strategy is practiced by the manufacturing firms to high extent in order to enhance the competitive advantage. Firms that succeed in a focus strategy are able to tailor a broad range of product development strengths to a relatively narrow market segment that they know very well. Furthermore, it may be fairly easy for a broad-market cost leader to adapt its product in order to compete directly and more importantly other focusers may be able to carve out sub-segments that they can serve even better.

5.4 Recommendations

One of the important findings from the study is that competitive strategies greatly influence performance. Competitive strategies that are cost leadership, differentiation and focus are critical because they influence decision making and organizational performance. The study therefore recommends that government should develop guidelines and policies that will define the required competitive strategies and their application by all the manufacturing firms in Kenya. This would ensure that manufacturing firms have the required competitive strategies that can create a proper fit between their organizations and the environment hence developing strategies that will make them competitive internationally.

It is clear from the findings that competitive strategies influenced organizational performance. The individuals in the company who are tasked with selecting and developing competitive strategies in order to ensure that organizations have the right kind of strategies in competitive environment will be guided by this study when searching for the best strategies to apply as proven in this study they positively influence performance. Management should formulate internal organizational processes that will guide the development of strategies of the organization. The issue of comprehensiveness of the process is critical as management is able to evaluate available alternatives in adapting strategies.

Management should align the organization to the environment and achieve the fit that comes with competitiveness. This will enable the organization compete not only in the region but internationally. Given the importance of the study variables in organizational performance, Management should ensure that not only are they put in place, but that also measures to define how they will be monitored within the organization is developed because they are the determinants of their competitiveness and sustainability.

5.5 Suggestions for Further Research

Arising from the findings in this study, future researchers could consider the following areas and issues for further study. This study concentrated on establishing the influence of each of the competitive strategies on the performance of manufacturing firms. It would be interesting if the individual competitive strategies dimensions were tested against performance indicators. The findings may be different from the ones obtained in this study. The context of the study was manufacturing firms in Kenya. Future research could be undertaken to replicate this study but instead compare the performance of manufacturing firms with that of other sectors of the economy to check whether the findings will be the same. Further, the same study could be

replicated but in a different context. For example a researcher could carry out a study for commercial banks in Kenya using the same variables.

This study used only three variables. Given the fact that there are many other factors that may affect performance, other researchers may seek to unravel the influence of such other factors like corporate governance, resource allocation and so forth on the performance in EABL. It would be interesting to find out whether the results would be similar when different variables are used.

Given the critical role that competitive strategies play in charting out the strategic direction of organizations, it would also be interesting for future research to study the influence of competitive strategies as an independent variable and competitive advantage as a dependent variable. Further future research could also establish the influence of competitive strategies on the individual performance dimensions.

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APPENDIX 1- QUESTIONNAIRE

Dear respondent,

This questionnaire is meant to find information on the effect of competitive strategies on the performance of manufacturing firms in Kenya. The information will be used for academic purposes only. Your responses will be totally anonymous and accorded the highest degree of confidentiality. Therefore, I request you to openly respond to the following questions.

SECTION A: GENERAL INFORMATION

1. Position of the person filling the questionnaire**.....**

2. Please indicate your highest level of formal education

Certificate ☐ Diploma ☐ University first degree ☐ Post graduate ☐

3. What is your gender?

Female ☐ Male ☐

4. For how long have you worked in the company?

Less than 5 years ☐ 5-10 years ☐ above 10 years ☐

PART B: COMPETITIVE STRATEGIES

1. Kindly indicate your agreement or disagreement with the following statements concerning competitive strategies in your organization where 1=strongly disagree; 2= disagree; 3=neither disagree nor agree; 4=agree; 5=strongly agree.

Items	**1**	**2**	**3**	**4**	**5**
Cost leadership					
Our organization does costing of all products and services					
Our organization maximizes on profitability through cost reduction strategies					
Our organization improves on production/service delivery process to cut on waste and duplication					
Our organization minimizes cost through innovation					

Our organization has optimum level of personnel						
Our organization emphasizes on efficiency						
Our organization emphasizes on time management						
Our organization continuously trains staff on effective resource utilization						
Differentiation						
Our organization offers products/services with unique characteristics						
Our organization creates and maintains products/services with appealing features						
Our organization does research to match products/services with customer needs						
Our organization offer products/services at affordable prices						
Our organization always strives to lead in product/service delivery in our sector						
Our organization always keeps our customers always aware of our product/service attributes						
Focus						
Our organization understands its focus and mandate						
Our organization always updates its mandate in line with changes in the market						
Our organization specializes on its target market						
Our organization always strives to remain in its market						
Our organization always reviews changes in the niche market						

SECTION C: FINANCIAL PERFORMANCE

9. Please give the percentage (%) figure relating to the increase or decrease in the parameters in the table below for the period of five years. For increase or decrease the benchmark is 100%

Constructs considered	**Annual growth or decline as a percentage (%) age**						**Overall Annual growth**
	2011=100%	**2012**	**2013**	**2014**	**2015**	**2016**	
Company profits	100%						
Sales	100						
Return on Investment	100%						

Return on Equity	100%						

SECTION D: NON FINANCIAL PERFORMANCE

10. Please indicate to what extent you agree with the following statements with reference to the non-financial performance in your organization:

Give your ratings in the scale of 1-5 (where 1=Strongly Disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; and 5 = Strongly Agree)

	Respondent's rating				
	1	**2**	**3**	**4**	**5**
Competitive strategies enhances the image of my organization					
Competitive strategies impoves my organizations market share through reduced competition					
Competitive strategies enhances stakeholders satisfaction					
There is enhanced government goodwill in my organization due to engagement in competitive strategies					
Customers are satified with our involvement in competitive strategies					
Employees are much satisfied with our involvement in competitive strategies					

11. Kindly suggest any other ways through which competitive strategies can be enhanced in your organization

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Thank you for your cooperation