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EFFECT OF COMPETITIVE STRATEGIES ON THE PERFORMANCE OF MANUFACTURING FIRMS IN KENYA

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Effect of Competitive Strategies on the performance of Manufacturing Firms in Kenya

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DECLARATION

This thesis is my original work and has not been presented for a degree in any other university.

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To my parents Atikiya Sora and Hadija Abdi and my beloved husband Abduba Mollu and our children; Nuria, Najma and Ramadhan for their moral support, sacrifices and prayers throughout my study period

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ACRONYMS

AMT	-	Advanced Manufacturing Technologies
ANOVA	-	Analysis of Variance
GDP	-	Gross Domestic Product
HRM	-	Human Resource Management
KAM	-	Kenya Association of Manufacturers
KCB	-	Kenya Commercial Bank
RBV	-	Resource-Based View
SBU	-	Strategic Business Unit
SME	-	Small and Medium Enterprises
US	-	United States

DEFINITION OF TERMS

Competitive Strategy: Plan formulated and developed with the purpose of assisting a firm in performing various activities differently from its rivals (Zott, 2003).

Competition: Rivalry in which every seller tries to get what other sellers are seeking at the same time: sales, profit, and market share by offering the best practicable combination of price, quality, and service (Allen & Gale, 2000).

Competitive advantage: Competitive advantages are composed of a firm's relative value that was produced by its resources and relative resource costs for producing such value (Hunt, 2000).

Firm Performance: Is the sum of accomplishments attained by all businesses/departments involved with an organizational goal during a given period of time with the goal either meant for a specific use or on the overall extent (Ling Ya-Hui & Hong Ling, 2010)

Innovation: Implementation of new ideas that create value (Linder, Jarvenpaa & Davenport, 2003). It is also a mental process that leads to the creation of a new phenomenon. This phenomenon may be new material, new service or new technique (Moghli & Others, 2012)

Competitive intensity: It is a situation where competition is fierce due to the number of competitors in the market and the lack of potential opportunities for further growth (Auh & Menguc, 2005).

Competitiveness: Competitiveness of a firm can be taken as its ability to do better than comparable firms in sales, market shares, or profitability (Lall, 2001).

Cost leadership strategy: Is an integrated set of action taken to produce goods or services with features that are acceptable to customers at the lowest cost, relative to that of competitors (Ireland & Hitt, 2011).

Differentiation: Is the ability of a firm to achieve competitive advantage over its rivals because of the perceived uniqueness of their products and services (Acquaah & Ardekani, 2006).

Focus: Implies pursuing specific market segments through overall cost leadership and or differentiation as opposed to engaging in the whole market (Porter, 2001).

ABSTRACT

The purpose of this study was to determine effect of competitive strategies on the performance of manufacturing firms in Kenya. The study aimed at providing insights on competitive strategies used by manufacturing firms in Kenya to achieve competitiveness and increase their performance. Specifically, the study sought to determine the effect of cost leadership strategy on performance of manufacturing firms, to assess the effect of differentiation strategy on performance of manufacturing firms, to find out the effect of focus strategy on performance of manufacturing firms and to establish the moderating effect of competitive intensity on the relationship between competitive strategies and performance of manufacturing firms in Kenya. The study was anchored on Porter's competitive business strategy typology. Survey research design was used covering a stratified sample of 189 firms drawn from the 454 manufacturing firms distributed across the 12 key industrial sub-sectors. The researcher used multi-stage sampling technique. In the first instance, stratified sampling technique was used to classify each of the 12 sub-sectors into individual strata. The sample was then selected using simple random sampling technique from each of the stratum. Questionnaire was used to collect data. Descriptive statistics such as percentage, mean, standard deviation and inferential statistics, namely; correlation analysis and regression analysis were further used as a test of study hypotheses. The results indicate that manufacturing firms in Kenya have largely adopted competitive strategies in order to compete in the market place. The findings of the study revealed that cost leadership, differentiation and focus strategies have positive significant relationship with manufacturing firm performance in Kenya. However, differentiation strategy had a higher coefficient of determination meaning that, it had the greatest effect on firm performance. Moreover, as opposed to Porter's argument that a firm can achieve a higher level of performance over its rival by either being a cost leader or by supplying differentiated product or service, the manufacturing firms in Kenya combined their strategies into cost minimization, product differentiation and focus simultaneously while others chose any of the three strategies. It was further established that competitive intensity had insignificant moderating effect in the relationship between competitive strategies and firm performance. Negative relationship was also reported between the moderating variable competitive intensity and firm performance. The study recommends that manufacturing firms utilize much of differentiation strategy since it seemed to have greatest effect on performance as well as try out the other two strategies of cost leadership and focus simultaneously. It is also recommended that these firms pay more attention to competitive intensity and adopt other ways of coping with challenges presented by external environment. The study further recommends the need to strengthen this study via a longitudinal study and compare the performance of different categories of businesses as well. The implications from the findings point to a configuration approach on the implementation of competitive strategies by manufacturing firms. Manufacturing firms that intend to implement a competitive strategy should evaluate the environment to make sure they gain appropriate fit between the strategy and the environment in order to achieve competitive advantage.

CHAPTER ONE
INTRODUCTION

1.1 Background to the Study

Globalization in the current times has led to more intense competition among manufacturing firms (Baines & Longfield-Smith, 2003). This global shifts and changes in business environment have forced manufacturers to reconsider their status in terms of quality, cost and ability to deliver (Takala, 2002). Similarly, Pearce and Robinson (2007) posit that business environment today has increasingly become more competitive thus making organizations to also become dynamic and aggressive in identifying and adopting competitive strategies which enable profitable existence. According to Johnson and Scholes (2002), competitive strategies entail the basis on which a business unit might achieve competitive advantage in its market.

Thompson and Strickland (2010) on their part, define competitive strategies as consisting of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position. Walker (2004) avers that competitive strategies must grow out of sophisticated understanding of rules of competition that determine an industry's attractiveness. Lester (2009) on his part argues that competitive strategies enable a firm to define its business today and tomorrow and determine the industries or markets to compete in. Jonsson and Devonish (2009) further recognize that firms that have properly planned and applied competitive strategies have a tendency to have higher performance than those that do not.

According to Porter (1985), the major focus of competitive strategy is a firm's relative position in an industry which indicates whether its profitability is above or below industry average. Competitive strategies are formulated and developed with the purpose of assisting firms in performing various activities differently from its rivals (Zott, 2003).

Raduan, Jegak, Haslinda and Alimin (2009) further affirm that a business that does something that is distinctive and difficult to replicate has competitive advantage and is likely to be more profitable than its rivals. Factors such as strategic types, adoption of new technologies, quality products among others have also been considered to have important influence on superior performance of firms. Over the years, business strategies have been found to have direct influence on firm's competitiveness and growth performance (Sandlberg, 1986). To this effect, a number of competitive strategy frameworks have been proposed and empirically tested (Hayes & Schmenner, 1978; Miles & Snow, 1978; Wheelwright, 1978; Porter, 1980; Spanos & Lioukas, 2001; White, 2004) among others. Porter's (1980) generic strategy framework is the most notable one in terms of achieving superior performance and has significantly contributed to development of the strategic management literature and serves an excellent starting point for the framework proposed in this study.

According to this framework, a business maximizes performance either by striving to be the low cost producer in an industry or by differentiating its line of product or services from those of other businesses. However, the results obtained in previous research are far from conclusive. Some authors (Dess & Devis, 1984; Hall, 1980; Hambrick 1983; Kim & Lim, 1988) found many of the most profitable firms having either low cost or differentiated position which supports Porter's position. Others have found that Porter's generic strategies do not represent ways to achieve a higher performance (Dawes & Sharp 1996: Parker & Helms, 1992) and that hybrid strategies are the ones entailing improved performance (Gopalakrishna & Subramanian, 2001; Spanos, Zaralis & Lioukas, 2004).

Porter (1981) also examined the linkage between environment and organization performance and discovered that the environment is the primary determinant of organizational performance. According to Ilesanmi (2000), an organization must be in touch with its external environment to be successful overtime. There must be a strategic fit between what the environment wants and what the firm has to offer as well as what the firm needs and what the environment can provide.

Manufacturing firms are vulnerable to changes in their operating environment in many ways and these have great consequences on their operation. As a result of this vulnerability manufacturing firms are required to be proactive and able to formulate and adopt appropriate competitive strategies that will enable them to overcome the competitive challenges they experience in the environment they operate in. Competitive strategy helps a firm to gain a competitive edge over its rivals and sustain its success in the market. A firm that does not have appropriate strategies cannot exploit the opportunity available in the market and will automatically fail.

The strategic fit between competitive strategies and competitive intensity as one of the environmental aspect is argued to have significant effect on firm performance. Auh and Menguc (2005) define competitive intensity as a situation where an enterprise operates in a market characterized by a high number of competing enterprises, thus limiting potential for growth opportunities. According to Porter (1980) competitive intensity is an important determinant of firm profitability in a given industry.

The level of competitive intensity determines a firm's choice of strategic actions and responses. Competition exists in the manufacturing sector in Kenya due to the high advertising, price wars and frequent product launches experienced. Whilst competitive intensity is acknowledged to have effect on firm profitability, scanty attention has been paid to it by researchers in Kenya. The current study incorporates competitive intensity as a moderator to check how manufacturing firms choose their competitive strategies based on the intensity of competition in the market and how that eventually affects their firm performance.

1.1.1 Global Trends on linkage between Performance and Competitive Strategies

The concept of linking competitive strategy and performance was introduced by Barney (2002). Their research brought to the front the concept that what distinguishes performing firms from their competitors was the consistent way in

which they construct and maintain this competitive essence. However, the relationship between competitive strategies and organizational performance is a controversial and unresolved matter in the field of strategic management (Pearce et al. 2007). O'Regan et al. (2011) further avers that the drivers of firm performance and sources of sustained competitive advantage have been at the core of strategic management research for many years but no consensus has been reached as to what works best. Porter (1980) states that firms should have a clear strategic posture and that firms characterized as stuck-in-the-middle perform poorly unlike those pursuing differentiation and low-cost strategies.

As such, Porter's generic strategies have been one of the most studied fields of strategic management. Nevertheless, empirical findings are inconsistent as to their performance implications. Some studies support Porter's assertion that performance of firms pursuing either cost leadership, differentiation or focus strategies are superior than those firms stuck-in-the- middle (Powers & Hahn, 2004) while others reported better performance for hybrid strategies (Leitner & Guldenberg 2010, Pertusa-Ortega et al. 2009).

Similarly, Baack and Boggs, (2008), Song, Kim and Nam (2007) found that not all generic strategies are associated with high performance in a specific industry. For instance differentiation strategy is best route for e-business to achieve higher performance (Koo, Song, Kim & Nam, 2007) while Baack and Boggs (2008) argue that cost leadership strategy implementation by developed countries multinational companies is rarely effective. This is the groundwork supporting the main objective of this study.

1.1.2 Overview of Manufacturing Sector in Kenya

Manufacturing refers to the processing of raw materials into a final product by use of large- scale industrial production. Manufacturing firms world over are viewed as an essential element of a healthy and vibrant economy. They are seen as vital to the promotion of enterprise culture and the creation of jobs within the economy

(Opondo, 2004). Manufacturing firms is also believed to provide an impetus to the economic progress of developing countries and its importance is gaining widespread recognition. Equally, in Kenya, manufacturing sector makes substantial contribution to the country's economic development (Awino, 2011). The sector has the potential to generate foreign exchange earnings through export and job creation.

Manufacturing firms in Kenya engage in production of a variety of products and services and constitutes 12 key industrial subsectors as indicated in the Kenya Association of Manufacturers (KAM) 2013 directory. They include; Building, mining and construction, Chemical and allied, Energy, electrical and electronics, Food and Beverages, Leather and Footwear, Metal and allied, Motor vehicle and accessories, Paper and board, Pharmaceutical and medical equipment, Textile and apparel, Timber, wood and furniture and finally Plastics and rubber spread across major towns. The study utilized a sample representative from all the 12 key industrial subsectors despite their varied competitive space between them based on the assumption that they operate under similar environment and are confronted with the same challenges. The sub-sectors are all equally expected to contribute collectively to the Gross Domestic Product (GDP) of the country's economy hence the need to understand their collective competitiveness.

Due to its vital role, Kenya's vision 2030 identified the manufacturing sector as one of the key drivers for realizing a sustained annual GDP growth of 10 per cent. Kenya Vision 2030 is the country's new development blueprint aimed at transforming Kenya into a newly industrialized middle income country providing a high quality of life to all citizens by the year 2030. According to Bigsten et al., (2010), manufacturing sector has high potential in employment creation and poverty alleviation. Kenya aims to become the provider of choice for basic manufactured goods in Eastern and Central Africa. This will be achieved through improved efficiency and competitiveness at firm levels.

Kenya also aims to strategically increase the level of value addition in niche exports by additional processing of local agriculture products. The manufacturing sector contributed 8.9 per cent of GDP and provided 12.4 per cent of employment in the formal sector in 2013 (Kenya Economic Report, 2014). Although this seems to be a good performance, it is below the 10 per cent contribution target per annum anticipated in the Kenya's vision 2030. The major problem attributed to this is unfair competition emanating from illicit and illegal trade (Kenya manufacturing survey, 2012).

Similarly, Kenya National Bureau of Statistics 2013 attributes this minimal performance to high costs of production, stiff competition from imported goods, and high cost of credit and drought incidences during the first quarter of 2012 as well as uncertainties due to the 2013 general election. Vision 2030 also acknowledges the vital role played by small and medium enterprises (SMEs) in the economic growth and development of the nation. For instance the SMEs account for 85 per cent of the total number of employees in the manufacturing sector and 47% of the manufacturing firms in 2005 (KIPPRA, 2009).

The findings of the 1993 baseline survey also underscored the importance of SMEs in Kenya's development process (Mutai, 2011). The focus of this study was on manufacturing sector in Kenya since the sector is expected to play a critical role in propelling the economy to a 10 per cent growth rate, in line with the aspirations of Vision 2030 and in supporting the country's social development agenda through the creation of jobs, the generation of foreign exchange, and by attracting foreign direct investment. To meet these goals, manufacturing firms in Kenya require strategy intervention to drastically manage these challenges and achieve superior performance. Particularly, these firms need to embrace the use of competitive strategy as it has been acknowledged by researchers as being critical for such manufacturing firms to remain competitive in the global economy (Tang et al., 2007; Raduan et al., 2009; Porter, 1985; Chandler & Hanks, 1994).

1.2 Statement of the Problem

The aim of competitive strategy is to achieve sustainable competitive advantage (Coyne, 1986; Stalk & Lachenauer, 2004). The results obtained in previous research are far from conclusive. Some authors (Dess & Devis, 1984; Hall, 1980; Hambrick 1983; Kim & Lim, 1988) found many of the most profitable firms having either low cost or differentiated position which supports Porter's position. However, others have checked that Porter's generic strategies do not represent ways to achieve a higher performance well (Dawes & Sharp, 1996; Parker & Helms, 1992) and that hybrid strategies are the ones entailing improved performance (Gopalakrishna & Subramanian, 2001; Spanos, Zaralis & Lioukas, 2004). There is therefore need to progress research to add knowledge in this area. The current study is thus undertaken to advance knowledge in this area.

Studies on competitive strategies have also been conducted by a number of scholars in Kenya. For instance, Warucu (2001) looked at competitive strategies employed by commercial banks. Kiptugen (2003) carried out a research on strategic responses to a changing competitive environment in the case study of Kenya Commercial Bank. Mbwayo (2005) focused on the strategies applied by commercial banks in Kenya in anti-money laundering compliance programme. Gathoga, (2001) in his study focused on competitive strategies used by commercial banks in Kenya. Kimotho, (2012) did a study on the impact of competitive strategies on the financial performance of CFC Stanbic Bank Limited. Murage, (2011) focused on competitive strategies in the petroleum industry. Waiganjo (2013) focused on effect of competitive strategies on the relationship between strategic human resource management and firm performance of Kenya's corporate organizations. Whereas the cited studies focused on competitive strategies and how they are implemented in various organizations, the studies were majorly case study. The current study used survey research design and others for example Waiganjo (2013), used competitive strategy as a moderating variable and used Schuler and Jackson (1987) elements of competitive strategies. The current study utilized competitive strategy as independent variables and tested Porter's generic competitive strategies.

Similarly, despite the acknowledged fact on the linkage between competitive intensity and organizational performance as primary determinant of organizational performance (Porter, 1981) none of the cited studies addressed the aspect of competitive intensity. To bridge this gap, the current study introduced competitive intensity as a moderator between competitive strategies and manufacturing firm performance.

Finally, manufacturing sector is experiencing a major problem of stiff competition emanating from illicit and illegal trade (Kenya manufacturing survey 2012). Government of Kenya interventions such as removal of price controls, foreign exchange controls and introduction of investment incentives aimed at improving performance of these organizations has not yielded any major changes (KAM, 2012). To drastically manage this challenge and achieve superior performance manufacturing firms in Kenya require strategy intervention. This study, therefore, investigated the effect of competitive strategies of cost leadership, differentiation and focus on performance of manufacturing firms in Kenya as moderated by competitive intensity.

1.3 Objectives of the study

1.3.1 General Objective

The overall objective of the study was to determine the effect of competitive strategies on the performance of manufacturing firms in Kenya.

1.3.2. Specific Objectives

The study was guided by the following specific objectives:

i. To determine the effect of cost leadership strategy on performance of manufacturing firms in Kenya.
ii. To assess the effect of differentiation strategy on performance of manufacturing firms in Kenya.
iii. To find out the effect of focus strategy on performance of manufacturing firms in Kenya.

iv. To establish the moderating effect of competitive intensity on the relationship between competitive strategies and performance of manufacturing firms in Kenya.

1.4 Research Questions

i. To what extent does cost leadership affect performance of manufacturing firms in Kenya?
ii. To what extent does differentiation strategy affect performance of manufacturing firms in Kenya?
iii. To what extent does focus strategy affect performance of manufacturing firms in Kenya?
iv. To what extent does competitive intensity moderate the relationship between competitive strategies and performance of manufacturing firms in Kenya?

1.5 Research Hypotheses

The following four hypotheses were formulated to test the research questions:

Hypothesis One:

H_{01}: Cost leadership strategy has no significant effect on performance of manufacturing firms in Kenya.

H_{a1}: Cost leadership strategy has significant effect on performance of manufacturing firms in Kenya.

Hypothesis Two:

H_{02}: Differentiation strategy has no significant effect on performance of manufacturing firms in Kenya.

H_{a2}: Differentiation strategy has significant effect on performance of manufacturing firms in Kenya.

Hypothesis Three:

H_{03}: Focus strategy has no significant effect on performance of manufacturing firms in Kenya.

H_{a3}: Focus strategy has significant effect on performance of manufacturing firms in Kenya.

Hypothesis Four:

H_{04}: Competitive intensity has no significant moderating effect on the relationship between competitive strategies and performance of manufacturing firms in Kenya.

H_{a4}: Competitive intensity has significant moderating effect on the relationship between competitive strategies and performance of manufacturing firms in Kenya.

1. 6 Significance of the study

The literature reviewed provides empirical evidence of the existence of the link between competitive strategy and firm performance. The study findings are beneficial to various stakeholders as follows:

1.6.1. Managers

The managers of the manufacturing sector may be sensitized on the importance of competitive strategies in achieving competitiveness and superior performance. The managers shall specifically be able to choose appropriate strategies among the competitive strategies highlighted to grow their businesses based on the environmental challenges they confront. The study may also help managers of other organizations who have not adopted competitive strategies to adopt these strategies in their attempt to improve performance.

1.6.2 Policy-Makers

Manufacturing firms are viewed as an essential element of a vibrant economy hence the outcome of this research may provide policy-makers with information that can be

used as inputs for policy development which are focused on manufacturing sector development. The sector performance is also of national interest since the sector contributes substantially to the nation's economic growth, job creation, generate foreign exchange and attract foreign direct investment.

1.6.3 Researchers and Academia

The findings of this study may be valuable to researchers and academicians in providing knowledge on contributions of competitive strategies to firm performance especially in the context of developing economies. The study further serve as an empirical source for future research and stimulate future research in the area in an effort to build adequate literature on the subject. This study also makes contributions to the already existing literature on competitive strategies and strategic management especially in the context of the developing economies such as Kenya.

1.6.4. Potential investors

When local manufacturing firms perform well based on implementation of the strategies recommended, most foreign and local industries could be attracted to invest in the sector thus improving the GDP hence loosening the hash economic conditions in the country.

1.7 Scope of the study

The study focused on 189 manufacturing firms who are members of Kenya Association of Manufacturers (KAM). KAM is the business member representing organization for manufacturing value-added sector in Kenya. The study was specifically limited to those manufacturing firms located within Nairobi and its environs. This decision was based on the fact that 80% of manufacturing firms are concentrated within Nairobi and its surrounding areas (KAM, 2013).

The sector is also one of the six priority sectors that promise to raise GDP growth rate to the region of 10 per cent in a number of years as envisaged in Kenya's Vision 2030. Moreover, the sector is one of the key economic pillars and is aspired to create jobs, generate foreign exchange and attract foreign direct investment for the country.

1.8 Limitations of the Study

This study targeted firms that are within one geographical region that is Nairobi and its environs. This could be limiting in terms of generalization of the study findings. It is important that further research be conducted in other geographical regions within Kenya to confirm the findings of this study. The current study also adopted perceptual measure of firm performance which may be biased. Although some researchers have argued that perceptual measures tend to be highly correlated with objective indicators which support their validity (Chandler & Hanks 1994), more objective measures need to be used by other researchers to confirm the findings of this study.

Similarly, the study was cross-sectional in nature and therefore, could be limiting, longitudinal study may be conducted to check whether there are changes of strategy selection in different scenarios and environmental changes over time. The company's confidentiality policy further limited respondents' response since most respondents were not willing to share information relating to sales and profits because of fear that the information may be shared with other competitors.

This scenario prompted the researcher to adjust the questionnaire at the pilot stage to test the performance variable using perceptual measure so as to reduce cases of non-response. To ensure that respondents were comfortable sharing their information, firms were also given the option of not disclosing their identities to ensure that information collected is not traced back to the respondents.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter provides a brief review of the literature relating to the study. The chapter captures theoretical background on competitive strategies in an attempt to provide basis for appropriate conceptual and theoretical framework for the current study. The chapter also looked at related past studies and outlines the critique of the existing literature. Finally, the chapter highlights the research gaps that justified the current study.

2.2 Theoretical Framework

Khan (2010) defines theoretical framework as an agenda, outline or construct of a research approach that preceded the literature review. According to Ocholla and Le Roux (2010), theoretical framework forms the rationale for a study that helps a reader make logical sense of relationships between variables relevant to a problem and the theorized relationship between them.

This study focused on the following theories: Porter's Competitive Business Strategy Typology, Configuration theory, Result-based View Theory and Miles and Snow typology in explaining the relationship between competitive strategy and firm performance. The main theory relating to this study is Porter's competitive Business Strategy Typology.

2.2.1 Porter's Competitive Business Strategy Typology

Porter's competitive business strategy typology was founded by Michael Porter in 1980. Porter states that strategy target either cost leadership, differentiation or focus and that a firm must only choose one of the three strategies or risk waste of precious resources.

According to Lu, Shem and Yam (2008), Porter's theory is useful in understanding the competitiveness of organization suggesting that competitive advantage stems

from the competitive strategies adopted to deal with strength, weaknesses, opportunities and threats facing an organization. Anupkuma (2005) states that Porter's (1980) strategic theory postulates that to succeed in business a firm needs to adopt generic competitive strategies comprising of cost leadership, differentiation and focus.

A firm's relative position within its industry determines whether a firm's profitability is above or below the industry average. The fundamental basis of above average profitability in the long run is sustainable competitive advantage. There are two basic types of competitive advantage a firm can possess: low cost or differentiation. The two basic types of competitive advantage combined with the scope of activities for which a firm seeks to achieve them, leads to three generic strategies for achieving above average performance in an industry: cost leadership, differentiation, and focus. The focus strategy has two variants, cost focus and differentiation focus Porter (1980, 1985).

As extended by Porter (1985), in cost leadership, a firm sets out to become the low cost producer in its industry. The sources of cost advantage are varied and depend on the structure of the industry. They may include the pursuit of economies of scale, proprietary technology, preferential access to raw materials and other factors. A low cost producer must find and exploit all sources of cost advantage. If a firm can achieve and sustain overall cost leadership, then it will be an above average performer in its industry, provided it can command prices at or near the industry average. In a differentiation strategy, a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. It selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions itself to meet those needs.

Similarly, Porter (1985) avers that the generic strategy of focus rests on the choice of a narrow competitive scope within an industry. The focuser selects a segment or group of segments in the industry and tailors its strategy to serving them to the

exclusion of others. This strategy has two variants, namely; cost focus and differentiation focus. In cost focus, a firm seeks a cost advantage in its target segment, while in differentiation focus a firm seeks differentiation in its target segment. Both variants of the focus strategy rest on differences between a focuser's target segment and other segments in the industry. The target segments must either have buyers with unusual needs or else the production and delivery system that best serves the target segment must differ from that of other industry segments. Cost focus exploits differences in cost behaviour in some segments, while differentiation focus exploits the special needs of buyers in certain segments.

Porter's generic strategies have been widely accepted by researchers. However, his typology also has critics in the literature, especially the assertion that the generic strategies are mutually exclusive. A number of scholars argue the pursuit of a single generic strategy may lead to lower performance Kim, Nam and Stimpert (2004), Spanos, Zaralis and Lioukas (2004). In relation to this study, the manufacturing firms in Kenya have to some extent adopted Porter's element of competitive strategies. However, the findings revealed that majority of the manufacturing firms in Kenya have adopted these strategies simultaneously unlike Porter's assumption of exclusive application of these strategies. Similarly it was notable that most of the manufacturing firms preferred to use differentiation strategy compared to that of cost leadership and focus respectively.

2.2.2 Configuration Theory

The configuration school which perceive strategy formulation as a transformation process was developed in the 1960s and 70s. Major contributors to configuration school are Chandler (1962), Mintzberg and Miller (late 1970s) and Miles and Snow (1978). The concept of configuration theory postulates that the performance of an organization depends on the fit of environment and organizational design. The basic assumption behind the theory is that the best performance can be achieved when organization structure matches external contingency factor. Only those organizations that align their operation with the current environment achieve maximum output. The

general model implicit in configuration theory assumes that for organizations to be effective there must be an appropriate fit between structure, strategy and environmental context (Fincham & Rhodes, 2005).

Empirical studies regarding configuration have also consistently found evidence that the fit among organizational characteristics is an important predictor of firm performance (Slater & Olson, 2000). According to Gao et al. (2007), any firm's external environment is exogenous, so the firm must adjust its strategy according to the environmental constraints. As such, there are no universally optimal strategic choices for all businesses.

In the context of this study, configuration theory brings out the link between competitive strategies and the competitive intensity as an aspect of external environmental which may influence manufacturing firms in Kenya on the choice of competitive strategies based on the changes in the environment as well as the basis of explaining the necessity to have a fit between competitive strategies, competitive intensity and firm performance. However, manufacturing firms in Kenya seem to adopt competitive strategies without due consideration to the environmental factor hence realizing negative effect on their performance.

2.2.3 Resource-based View Theory

The origin of resource based view can be traced back to earlier research of Seiznick (1957), Penrose (1959) among other researchers. The emphasis on this school of thought was on the importance of resources and its implication for the firm performance.

This theory simply emphasizes the idea that an organization must be seen as a bundle of resources and capabilities to create value and therefore gain competitive advantage (Barney, 1991). The resource-based view further posits that firms can achieve overall competitiveness and performance if they possess tangible or intangible resources that are valuable, rare, inimitable and non-substitutable.

These four characteristics of resources describe what Barley (2007) considers strategic assets that, if properly mobilized build and sustain a firm's competitive advantage and improve its performance. According to Barney (1991), enterprises in the same sector can be heterogeneous in respect to their own resources and as resources are not perfectly transferable among enterprises, the heterogeneity and the consequent competitive advantage achieved could be durable over time. However, resources and capabilities are not valuable on their own and are essentially unproductive in isolation Newbert (2008). As such, Newbert contends that the key to attaining a competitive advantage is by exploitation of a valuable resource-capability combination. This view is further supported by Bitar and Hafsi (2007), who opine that resources and capabilities are sources of competitive advantage, but they do not necessarily contribute to competitive advantage.

However, despite the increased literature devoted to use of RBV. The theory has its own critics. According to Hedman and Kalling (2003), this theory is criticized for neglecting the obstacles to dynamics and managements. Chan et al. (2004) similarly criticizes the theory for its implicit assumption of static equilibrium yet competitive advantages stem from developing current capabilities that are highly effective in responding to the organizational environment.

For firms to attain competitive advantage in this competitive environment, they need to provide value to customers. This value can be derived from either cost advantage, service or differentiated products. Resource-based theory therefore, focuses on the relationship between a firm's internal resource stability and the ability to stay competitive through its strategy formulation. Resource-based view theory (RBV) has also been extended by Grant (1991) to encompass competitive strategy.

According to Grant, Resource-based View Theory links competitive strategies and capabilities to value creation. He posits that not only do capabilities need to be considered as the base to develop competitive strategy but they also need to be renewed and maintained by strategist. Hence RBV is important to understand value

may stem from strategic alignment of resources and competitive strategies. In developing their competitive strategies the manufacturing firms in Kenya may pay attention to the resources existing within the firm so as to be able to create value for its customers.

2.2.4 Miles and Snow Typology

This theory was founded by Miles and Snow in 1978. It is one of the most frequently empirically proven classifications (Peng et al., 2004). Its usefulness has been demonstrated by numerous studies confirming the basic assumptions of the proposed model in the area of strategic management and strategic marketing (Moore, 2005; Andrews et al., 2006; Pleshko & Nickerson 2008).

According to Sumer and Bayraktar (2012), Miles and Snow proposed four strategy types which include; defenders, prospectors, analyzers and reactors that a firm can employ to compete in the industry. The typology proposes that firms develop relatively stable patterns of strategic behaviour that is compatible with perceived environmental conditions. Defenders focus on improving the efficiency of their existing operations by becoming more successful in existing markets with existing products, with the lowest level of uncertainty compared to other strategic types. Companies using this strategy maintain internal focus by concentrating on a narrowly defined product-market domain.

Prospectors always search for new market opportunities and analyzers show some characteristics of both prospectors and defenders. They try to achieve efficient production for current lines and at the same time emphasize the creative development of new product lines. They achieve competitive advantage by company entering markets with new products, by being innovative and by quickly embracing new technologies. The company maintains external focus on constantly adapting to market changes, but with a possible significant loss in operational efficiency.

On the other hand, reactors have no systematic proactive strategy. They react to events as they occur. Miles and Snow contend that the prospector, defender and analyzer styles are capable of leading to competitive advantage within the industry. However, they caution that the reactor style is often a manifestation of a poorly aligned strategy and structure therefore, unlikely to lead to competitive advantage.

The authors believe that companies develop their adaptive strategies based on their own perception of the environment in which they compete. According to Hitt et al., (2001), modern researchers have undoubtedly recognized a great usefulness of Miles and Snow's strategic typology which results precisely from the requirements of the increasing dynamism, complexity and unpredictability of the environment a modern manager has to face. In light of the present research, a moderation approach is adopted in the specification of fit in order to investigate if competitive intensity modifies the strength of the hypothesized relationships.

2.3 Conceptual Framework

According to Mathieson et al., (2001), a conceptual framework is a virtual or written product, one that explains either graphically or in narrative form, the main things to be studied. A conceptual framework explores the relationship between independent variables and dependent variables. The conceptual framework for this study was based on the following independent variables: cost leadership strategy, differentiation strategy and focus strategy which influences the dependent variable firm performance.

Competitive intensity as one of the environmental aspect is expected to moderate the relationship between competitive strategies and firm performance. The development of the conceptual framework was guided by Porter's competitive business strategy typology which argues that three generic strategies of cost leadership, differentiation, and focus help create a defendable position that contributes to a competitive advantage.

The conceptual framework of this study was based on available literature that states that Porter's (1980) typology seems to be the most popular paradigm and has received more research attention than any other typologies (Kumar, Subramanian & Strandholm, 2001). It is further acknowledged that Porter's framework of generic strategies is also inherently tied to firm performance (Powell, 1995). Figure 2.1 shows this relationship.

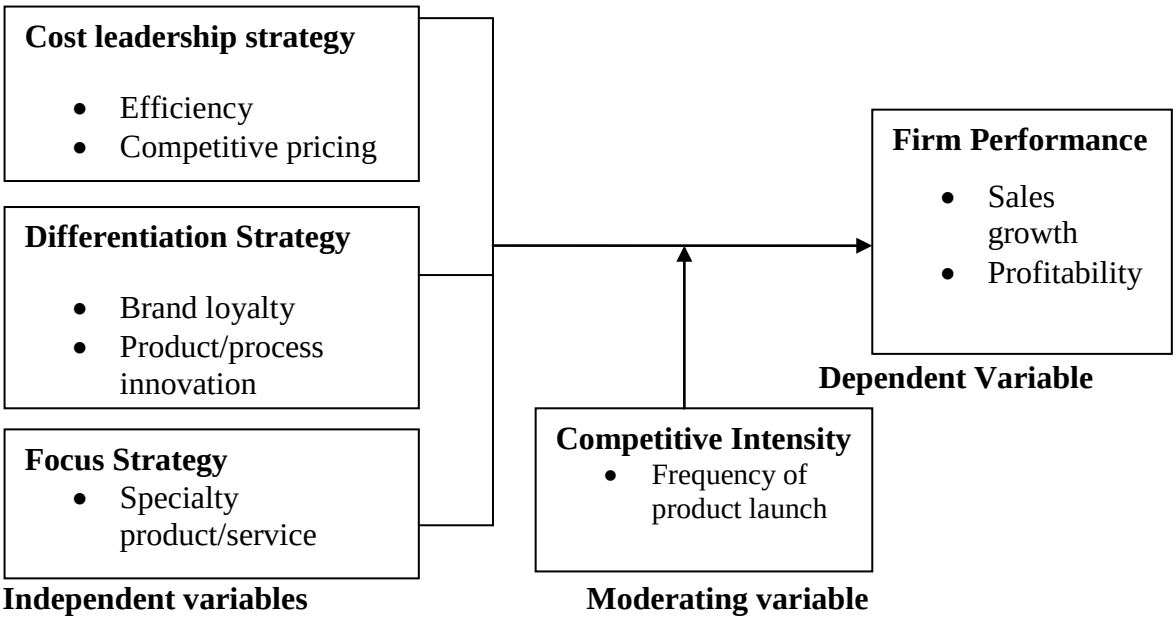

Figure 2.1: Conceptual Framework

Source: (Adopted from Porter model, 1980, 1985; Jaworski & Kohli, 1990)

2.3.1 Generic Competitive Strategies

According to Porter (1980), in coping with competitive forces, there are three potentially successful generic strategic approaches to outperform other firms in an industry that is overall cost leadership, differentiation and focus. Figure 2.2 show that one can adopt three types of competitive strategies to gain strategic advantage.

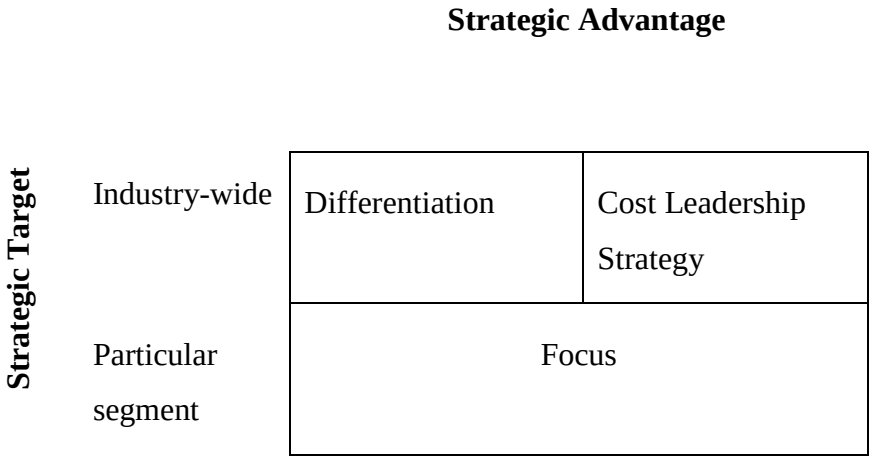

Fig. 2.2: Three Generic Competitive Strategies
(Source: Porter, 1980)

2.3.2 Cost Leadership Strategy

Cost leadership strategy refers to gaining competitive advantage through charging sustainably lower prices than other competitors (Porter, 2001). This is achieved by reducing costs incurred in production and distribution in order to lower the overall price of commodities. In markets where there is price control, this is still possible through automation, flexibility and improved production thereby eliminating large percentage of inefficiencies in the production process. When a company keeps lowering prices without a reduction in operating costs, it runs the risk of depletion of resources and consequently becoming insolvent especially in a fiercely competitive market (Woodruff, 2007).

This strategy faces many challenges in different sectors and is only applicable in certain environments such as in the manufacturing where the level of output is higher as compared to the market size thereby being able to achieve economies of scale. Marrison and Roth (1992) advanced the view that, for manufacturing firms to be competitive, they need to adopt cost leadership, characterized by tight control of overhead and variable costs, optimal use of production capacities and pricing below competitive price levels. This is aimed at achieving superior results. Zahra (2000) posits that, outsourcing is a popular method of reducing salary costs while maintaining workforce size and productivity.

Cost leadership strategy seeks to improve efficiency and control costs throughout the organization supply chain (El-Kelety, 2006). The strategy further requires management to focus its attention on competing on cost (Cheah et al., 2007). A low-cost position gives a firm a defense against rivalry from competitors, because its lower costs means that it can still earn returns after its competitors have exhausted their profits through rivalry (Porter 1980). Firms adopting cost leadership strategy try to be the low-cost producers in the markets. Sources of cost advantages depend on industrial structure. Cost advantages may come from economies of scale, economies of scope, propriety technology, preferential access to materials and other factors. With cost advantages, firms are able to have above-average return or can command price.

Grant (2005) argues that common to the success of Japanese companies in consumer goods industries such as cars, motorcycles, consumer electronics, and musical instruments has been the ability to reconcile low cost with high quality and technological progressiveness. This position is further supplemented by Barney and Hesterley (2006) who affirm that few layers in the reporting structure; simple reporting relationships, small corporate staff, and focus on narrow range of business functions are elements of organizational structure that allow firms to realize the full potential of cost leadership strategies.

Li and Li (2008) posit that cost leadership strives to supply a standard, high-volume product at the most competitive price to customers. It is important to note that a company might be a cost leader but that does not necessarily imply that the company products would have a low price. In certain instances, the company can for instance, charge an average price while following the low-cost leadership strategy and reinvest the extra profits into the business Lynch (2003). The risk of following the cost leadership strategy, however, is that the company's focus on reducing costs even sometimes at the expense of other vital factors may become so dominant that the company loses vision.

Efficiency

According to Baack and Boggs (2008), cost leadership is mainly created through a focus on efficiency which is rooted in various economics of the production process for example economies of scale, marketing and so on. In some cases efficiency is the result of proprietary or innovation or as a result of management focus on cost control, employee productivity and economic use of assets. Tajeddini (2011) avers that cost efficiency is about the measure of how effective resources can be used to solve a particular problem which leads to cost reduction.

Competitive pricing

Pricing defines a firm's competitive position in the market. It is derived from the interdependence of balancing of fixed and variable cost on one side and the demand and profitability on the other (Taher & El basha, 2006). According to Fratto, Jones and Cassill (2006), when firms compete for the same customers with homogeneous product offerings, price defines the competitive position and become a powerful competitive tool. However, if a firm is not accustomed to having to compete on price, it often becomes hard to adjust to that notion.

2.3.3 Differentiation Strategy

Differentiation is one of the key business strategies (Allens & Helms, 2006). According to Koskela, (2000), a firm differentiates itself from competitors if it can be unique at something that is valuable to customers. Murphy (2011) posits that differentiation occurs when a firm tries to make the product/service more appealing to the customer than the competition thereby potentially commanding a higher price. Thus differentiation is concerned with creating something that is perceived as unique by buyers (Cheah et al., 2007). Porter (1985) opined that differentiation strategy may be explained based on differentiation through technology, brand, positioning, design or innovation. Differentiation strategy involves the development of strengths that can give a firm a differential performance advantage above other competitors. An example of this is a firm that competes by having the most inclusive branch network open at customers' convenient time, and is able to cut down waiting time

and speed up service delivery or one that is able to cut down lending time without securities.

A firm adopting differentiation strategy tries to differentiate its products or services from competitors by using unique attributes which are widely valued by buyers. Uniqueness can be achieved through service/product innovations, superior service, creative advertising, better supplier relationships leading to better services, or in an almost unlimited number of ways. With unique attributes, a firm can charge premium prices for the products and services.

Differentiation has been adopted in an increasing numbers of industries, specifically in industries that need quality for success Bacanu (2010). A differentiation strategy is also based upon persuading customers that a product is superior in some way to that offered by competitors. In differentiation strategies, the emphasis is on creating value through uniqueness, as opposed to lowest cost.

A differentiation strategy occurs when a firm gains an unprecedented position within the sector of operation by differentiating its products or services. Barney and Hesterley (2006) assert that the rarity of a differentiation strategy depends on the ability of individual firms to be creative in finding new ways to differentiate their products. As rivals try to imitate these firms' last differentiation move, creative firm will already be working on new moves and therefore, remain one step ahead of competition.

Baum, Locke and Smith (2001) also suggest that firms implementing differentiation strategies like innovative and high quality products achieve the highest growth. Some problematic areas of differentiation include the difficulty on the part of the firm to estimate if the extra costs entailed in differentiation can actually be recovered from the customer through premium pricing. Moreover, successful differentiation strategy of a firm may attract competitors to enter the company's market segment and copy the differentiated product Lynch (2003). Mosey (2009) posits that manufacturing

firms which repeatedly introduce innovative new products end up openings up new market niches, which is essential to their survival. Slater and Olson (2001) lament that the effectiveness of differentiation strategy depends on how well the firm can balance product benefits and product costs for the customer relative to competitive offering. Moreover, Acquaah and Ardekani (2006) avers that differentiating firms are able to achieve competitive advantage over their rivals because of the perceived uniqueness of their products and services.

Brand Loyalty

A brand is a distinguishing name intended to differentiate the goods of one seller from another (Ghodeswar, 2008). According to Aaker and Joachimsthaler (2010), brand identity needs to reflect the business strategy and firms willingness to invest in the programs needed for brand to live up to the expectation of the customers. Firms' therefore, need a thorough understanding of customer beliefs, attitudes, behaviour and competitors in order to build a reputable brand since strong brands enjoy customer loyalty, potential to charge premium prices and considerable brand power to support new product/service launches.

Innovation

The increasing competitive pressure requires organization to engage in activities that will generate high performance and a competitive advantage (Jones and Linderman (2014). As a result different firms show distinction in their motivation to innovate (Chan & Yuan, 2007).

Product/service innovation can be an important source of competitive advantage that leads to improved performance. It is central to any analysis of flexible manufacturing systems (Camiso'n & Lopez, 2010). Therefore, to reduce both the time used to introduce new product and to modify existing products, firms need to acquire advanced manufacturing systems.

2.3.4 Focus Strategy

According to Porter (2001), focus strategy implies pursuing specific market segments through overall cost leadership and or differentiation as opposed to engaging in the whole market. It involves, first, market segmentation and then specialization in the chosen segment which is useful in gaining competitive advantage. The firm can choose to focus on a selected customer group, product range, geographical area or service line (Darrow et al., 2001). Focus is based at growing market share through operation in a niche market, in markets not attractive to or overlooked by larger competitors.

A successful focus strategy depends upon an industry segment large enough to have good growth potential but not of key importance to other major competitors. Focus strategies are most efficient when customers have distinct preferences and when the niche has not been pursued by rival firms (David, 2000).

The disadvantage of this strategy is that it may put an organization in danger if the focused segment is too small to be economical, or if it declines. The focus strategy differs from the other strategies in one aspect. While in the differentiation and cost strategies wide fractions of customers are being appealed to, the firms that follow a focus strategy prefer to appeal to a certain geographical area or a certain fraction of customers. To capture those markets, firms may use cost focus or differentiation focus strategy.

Different cost structures in different market segments allow a firm to use cost focus strategy. Meanwhile, different market segments also have different wants and needs; therefore, a firm takes the opportunity by designing products or services to satisfy customer wants and needs in a specific market segments. The focus on costs can be difficult in industries where economies of scale play an important role. There is also an evident danger that the niche may disappear over time, as the business environment and customer preferences change Lynch (2003).

According to recent scholars, the success in any of these strategies is achieved through having effective and clear objectives. However, others also argue that firms cannot succeed by only employing a single strategy and that the success currently experienced is due to effective application of multiple strategies notably low cost in addition to differentiated services or products. It is worth noting that Porter (1980) has been criticized in relation to the dynamics of the generic strategy framework.

Grimm (2005) as well states that one problem with Porter's framework is that it tends to view industries as in equilibrium and competitive advantage as sustainable. However, today's environment is fast changing and dynamic. Companies need constantly to reassess their strategic position and adapt their strategies. Thus, some scholars have argued that using Porter's framework with the purpose of committing in the longer term may lead firms to a poor position with lower than average performance. Abidin et al., (2011) also warn that focus strategy will hinder the firm movement if they have a vision to internationalize their firms.

2.3.5 Competitive Intensity

To achieve competitive advantage Yu, (2007) advises that organizations should recognize their external environment quickly so as to take the corresponding action. According to Porter (1980, 1985), obtaining and sustaining a competitive advantage depends, in part, on environmental forces encountered and firm's abilities to maintain optimal positioning in the market. Similarly, in studying the effect of the strategic actions of a business on its performance, there must also be some consideration given to the instabilities and changes in the environment that a business operates in as such changes can affect the mode of operation of a business and its performance. Consistent with marketing and in support of the present shift of introducing environmental measures from alternate streams into strategic management research (Voss & Voss, 2000) & Jaworski and Kohli's (1993) interpretation of environmental turbulence (competitive intensity) is incorporated in the present study as a moderator in the relationship between competitive strategies and firm performance.

According to Ramani and Kumar (2008), competitive intensity is the ability of competitors to erode a firm's product based advantage by imitating or improving the product being offered. The pattern of strategic fit with the external environment will differ from one strategy dimension to another for instance, different fit for differentiators and another one for cost leaders (Chan et al., 2004).

In highly competitive markets, firms face attacks from competitors of different strategic dimensions. In turn, enterprises must show high market responsiveness to monitor competitive moves, identify strengths and weaknesses, develop their own competitive strategies, anticipate and respond to competitors' actions (Gatignon & Xuereb, 1997).

Scholars have argued that a cost-leadership strategy is appropriate for stable and predictable environments and a differentiation strategy is suitable for dynamic and uncertain environments (Porter, 1980; Miller, 1988). In environments which have low levels of complexity and dynamism, it may not be necessary for firms to make large fixed investments for sustaining low unit costs and hence the risks can be minimized. In such environments, organizations need not go for high levels of innovation and product enhancement because the main competitors do not normally make huge changes in their strategies Kabadayi et al., (2007). This position is further reinforced by Beal (2000) who argues that firms employing integrated strategies by combining cost-leadership and differentiation in mature industries need to scan the external environment and analyze information regarding their own resources and capabilities.

Competitive intensity is one of the factors contributing to environmental hostility (Dibrell, 2007: Kumar & Subramanian, 2000). It is a situation where competition is fierce due to the number of competitors in the market and the lack of potential opportunities for further growth (Auh & Menguc, 2005). And as competition intensifies, Auh and Menguc (2005) suggest that, the results of a firm's behaviour will no longer be deterministic but stochastic as the behaviour is heavily influenced

by the actions and contingencies undertaken by competitors. Thus, under conditions of intensifying competition, predictability and certainty diminish.

Zuniga-Vicente and Vicente-Lorente (2006) suggest that when the competition is less tense, firms can operate with their existing systems to fully capitalize on the transparent predictability of their own behaviour. However, when competition is intense, firms will have to adapt accordingly. At this time, firms will need to engage in risk-taking and proactive activities that require both bold learning and exploration to break out of price or promotion wars.

This is substantiated by Zahra (2006) who suggests that when rivalry is fierce, companies must innovate in both products and processes, explore new markets, find novel ways to compete, and examine how they will differentiate themselves from competitors. Sorensen (2009), however, argues that competitive intensity within the industry may lead to poor firm performance. Jaworski and Kohli (1993) further explained that higher competitive intensity will give customers more options leading to lesser market dominance of the firm and reduced sales.

2.3.6 Firm Performance

Laitinen (2002) suggests that performance is the ability of an object to produce results in a dimension determined in relation to target. Extensive reliance on financial performance indicators has been questioned by a number of scholars (Hillman & Keim, 2001). According to Rauch et al., (2009), there are two types of firm performance.

They are perceived firm performance and archival data. Archival data involve aspects of firm performance especially related to financial performance measured from secondary sources kept in a company while perceived firm performance involves use of perceptions of owners/managers in a firm about the company's performance. Newbert (2008) similarly posits that there are three types of performance measures which are regularly employed in the strategy literature,

namely; objective financial performance, subjective financial performance and objective non-financial performance. O'Shannassy (2009), however, simply categorized the organization performance in the strategy literature into two measures, namely; strategic (for example sales growth, market share, customer satisfaction, quality) and financial objectives (for example return on asset, return on equity, return on sales).

According to Cheah et al., (2007), competitive performance is often measured by the business volume including sales and profit. Kalayci (2005) and Alpkan (2003) found that sales, sales growth, net profit and gross profit were among the financial measures preferred by the researchers who conducted their studies in Turkish manufacturing firms. Profitability has been used as the indicator for business performance as well. Studies by Cheng et al, (2010) and Saari, (2011) indicate that business performance has been measured by this indicator with success over time.

This study preferred to use perceived indicators to measure firm performance. Although some researchers have argued that archival data are more ideal and less biased. Zhang (2008), Gruber, Heinemann and Bretel (2010) however, posit that perceptual performance is preferred by respondents since objective measures such as profit or revenue are seen as confidential. Use of multi-dimensional measures based on perceptual firm performance further facilitates comparison across firms and contexts such as across industries, time horizons and economic conditions (Song, Droge, Hanvanich & Calantone, 2005).

Chandler and Hanks (1994) further aver that earlier studies have indicated that perceptual measures tend to be highly correlated with objective indicators which support their validity. Furthermore, as this study sought to understand how owner/mangers initiate a certain set of strategies, it necessitates a focus on managers' perception and perceived indicators as being crucial for this study. For this reasons, this study found perceived measures of firm performance to be appropriate

indicators. A similar approach to assessing the level of satisfaction arising from specific factors and actions was adopted by other researchers (Luo & Park, 2001).

2.4 Empirical Review

Tehrani (2003) discusses the impact of five types of competitive strategies (product differentiation, low cost, marketing differentiation, focus product differentiation, and focus low cost) on prominent performance among sixteen segments of high-tech industries in the US and EU. The results indicate that the relationship between competitive strategy and performance depends on the geographies the firm operates in, since US firms that adopt product differentiation, low cost, and focus product differentiation had superior performance than others while in Europe, only the low cost firms outperformed other firms.

Kaya (2004) examined the relationship among advanced manufacturing technologies (AMT), competitive strategies, and firm performance. The study, which was conducted in manufacturing firms, located in Gaziantep, revealed that AMT use and adoption of differentiation strategy are both positively and significantly influential on firm performance. Another significant finding is that implementation of a dual strategy (combination of cost leadership and differentiation) as having a positive impact on performance especially when AMTs use is higher. Yasar (2010) in his research on effect of competitive strategies on firm performance on Gaziantep carpeting sector found that there is no significant relationship between competitive strategies and firm performance in Gaziantep carpeting industry. The result however, suggested that in order to improve firm performance and get sustainable competitive advantage in global markets, competitive strategies should be used resolutely and cost and differentiation strategies implemented simultaneously by decision-makers.

Cater and Pucko (2005) investigated Porter's generic strategy framework in relation to 225 Slovenian firms within different industry settings. The authors reveal that the average financial performance of groups of firms strategic business units (SBUs) with different corporate strategies differs significantly between these groups: firms

that are ‘stuck in the middle’ achieve a significantly worse financial performance than firms with any one of the suggested four generic business strategies; and firms with a (focused) differentiation strategy perform slightly better than firms with a (focused) cost leadership strategy.

A study by Marques et al., (2000) surveying 12 large manufacturing firms from Portugal’s glass industry, concluded that companies that had a higher return on equity pursued a cost leadership strategy based on the efficiency of production and a cost leadership strategy derived from production innovation. Similarly, Silva et al., (2000) applied Porter’s typology in 43 firms in the Portuguese manufacturing industry proving the effectiveness of differentiation as a preferred strategic orientation. Shah et al., (2000) in a more extended study in Japan, German and US found that Japanese firms apply low cost and performed better than US and German companies that apply a 'stuck in the middle' strategy.

A study by Allen et al., (2007) of 101 Japanese Managers investigated current strategic syntheses and the degree to which Japanese management is embracing “The Porter Prize” in Japan. They concluded that Japanese companies mainly apply cost leadership, and to a lesser degree employ a product differentiation strategy, and none of the emerging strategic factors appeared to represent a focus strategy. In addition, Allen et al., (2007) claim that some firms reported using strategic practices that fit into multiple strategic factors as few real world organizations implement pure strategies.

A meta-analysis study by Kirca et al., (2005) found that competitive intensity supported as a moderator for firm performance but some studies showed that the relationship is insignificant (Gray et al.; 1999, Slater & Narver, 1994; Pulendran et al., 2000; Subramaniam & Gopalakrishna, 2001).

Leu (2002) in his empirical study of 383 US computer and electronics firms identified that higher product quality and lower production costs are the most

important competitive factors. Spanos et al., (2004), in their study examined the impact of firm and industry specific factors on profitability. Their sample consisted of Greek manufacturing companies and investigated Porter's applicability based on a modified version of his typology. They concluded that hybrid strategies are clearly preferable to Greek manufacturing firms and that the more generic strategy dimensions are included in the strategy mix, the more profitable there strategy is, provided that one of the key ingredients is low cost. Additionally, companies found employing a single generic strategy appear to produce below average results, and are less profitable even when compared with firms having no clear strategy.

Similarly, various studies have been carried out on competitive strategies across different contexts and sectors in Kenya. Mutunga and Minja (2014) focused on competitive strategies that firms adopt in the Kenyan beverage industry. The results indicated that 56.2 per cent of the firms embraced duo strategies of cost leadership and differentiation simultaneously while 25 per cent were exclusively on cost leadership and 18.8 per cent were exclusively using differentiation.

In his study of implementation and effects on performance of large private sector firms in Kenya, Waweru (2008) found that there were three strategic groups of low cost leaders, differentiators and duo strategists in the proportion of 1:3:6. Warucu (2001) evaluated competitive strategies employed by commercial banks that participate in clearing house. The study found that focus and product differentiation are some of the major strategies that the banks have employed in their quest to outdo each other. Similarly, Kiptugen (2003), in his case study of KCB, looked at the strategic responses to a changing competitive environment and established that proactive rather than reactive strategies such as research on changing customer needs and preferences form the basis of its strategic planning.

George (2010) examined the relationship of competitive strategies and firm performance in the mobile telecommunication service industry. The findings revealed that the strategies adopted by Safaricom Kenya Limited so as to cope with

the competitive environment included vigorous pursuits of cost reduction; providing outstanding customer service; improving operational efficiency; controlling quality of products/services; intense supervision of frontline personnel; developing brand or company name identification; targeting a specific market niche or segment; and providing specialty products/services. The findings also revealed a significant relationship between the strategies adopted by Safaricom Kenya Limited and its performance with respect to the following objective performance indicators used: total revenue growth, total asset growth, net income growth and market share growth.

Waiganjo (2013) looked at the effect of competitive strategies on the relationship between strategic human resource management and firm performance of Kenya's corporate organizations. The study revealed that business performance will improve when HR practices mutually reinforce the choice of competitive strategy. The study further revealed that organizations that coordinate their business strategy and HRM practices achieve better performance. Karanja, (2002) did a survey of competitive strategy of real estate firms on perspective of Porter's general model. The study findings were that firms in different industries adopt different competitive strategies which are unique in each context. Murage, (2011) focused on competitive strategies in the petroleum industry and found that service stations used differentiation as a way of obtaining competitive advantage.

A study by Thathi (2008) focused on competitive strategies used by advertising firms in Kenya and found that discounts, competitive pricing and quality service provision were major strategies applied by advertising firms under focus. Murimiri (2009) in his study found that Commercial Banks in Kenya pursued cost reduction, outstanding customer service and operational efficiency with respect to performance indicators of revenue growth, asset growth and market share.

Gathoga, (2001) in his study focused on competitive strategies used by commercial banks in Kenya. The study findings indicated that banks in Kenya use various strategies in order to remain competitive and concluded that opening branches were

examples of other ways used by the banks as additional strategy. Kimotho, (2012) did a study on the impact of competitive strategies on the financial performance of CFC Stanbic Bank Limited. The results indicated that those companies that are effective at rapidly innovating new products gained a huge competitive edge in today's business world. Powers and Hahn (2004) in their study critical competitive methods, generic strategies and firm performance found that firms which adopted cost leadership strategy performed better than those who adopted differentiation and focus strategies.

Maluku (2008) in his study on competitive strategies on performance of dairy firms in Kenya found that focus strategy was most preferred by dairy firms in Kenya compared to cost leadership and differentiation strategies. Mary (2014), in her study assessment of the relationship between generic strategies and competitive advantage among organizations in the tourism industry in Kenya also found that compared to other generic strategies, focus strategy was the factor that had the most significant effect on the company's competitive advantage. Gitonga (2003) in his study application of Porters generic strategies framework in hospitality establishments in Nairobi, found that cost leadership was the one applied by hospitality establishments to cope with competition.

2.5 Critique of the Existing Literature Relevant to the Study

Majority of the empirical literature reviewed have been carried out in the context of developing countries such as United States and other European countries. The reviewed literature also pointed out a number of conflicting perspectives on the relationship between competitive strategies and firm performance which is also one of the key concerns of business strategy research. Some studies (Dess & Devis, 1984; Hall 1980; Hambrick, 1983) found many of the profitable firms having either low or differentiated positions which support Porter's position, other studies have checked that Porter's generic strategies do not represent ways to achieve a higher performance well (Daves & Sharp 1996; Parker & Helms, 1992) and that hybrid

strategies are the ones yielding improved performance (Spanos, Zaralis & Lioukas, 2004).

The literature analysis also revealed that there seems to be no agreement on one single theory that is most appropriate in achieving competitive advantage as well as improved performance. For instance, Sumer and Bayraktar (2012) in their study on business strategies and gaps in Porter's typology found that porter's typology was insufficient in explaining business competitiveness. Porter argues that enterprises that prefer any of the three strategies would gain competitive advantage and perform better than their rivals. In addition, he indicated that those who do not prefer one of these strategic orientations would be 'stuck in the middle' and their profitability would decrease.

Accordingly, enterprises that implement two conflicting strategies of cost leadership and differentiation strategy simultaneously cannot be successful (Acquaah & Ardekani, 2008). However, this perception has been losing its legitimacy in part due to applications such as quality management systems, flexible production systems and networks that enable cost leadership and differentiation to be implemented together. Hitt et al., (2007). Furthermore, scholars have shown that increase in quality, increases demand for products which gives the firm the chance to reduce the costs (Prajogo, 2007).

The more recently developed theories such as Result-based View (RBV) considered to be one of the most widely accepted theories of strategic management (Powell, 2001; Priem & Butler, 2001a) has also been seen to suffer similar limitations. For instance, despite an increase in literature devoted to advancing the RBV conceptually and empirically, advocates (Barney, 2001) and critics (Priem & Butler, 2001a) point to a number of issues that require further theoretical and empirical attention (Srivastava, Fahey, & Christensen, 2001). They assert that RBV's acceptance appears to be grounded more on the basis of logic and intuition than on empirical evidence (Newbert, 2008).

Empirical literature also shows relatively little knowledge about how environmental, strategic and organizational factors combine across categories in a comprehensive model of firm performance. The studies which looked at competitive intensity are largely done in the marketing field and have shown mixed results. For instance, Kirca et al (2005) found insignificant evidence to support the moderating role of competitive intensity in their study while Gatignon and Xuereb (1997) found significant effect.

According to Porter (1980), competitive intensity is an important determinant of a firm profitability in a given industry. The level of competitive intensity determines a firm's choice of strategic actions and responses. However, the reviewed study has not looked into effect of competitive intensity on strategy-performance relationship critically. Criticisms cited above provide evidence that much research is needed in this area especially in the context of developing countries such as Kenya. Hence, the researcher identified these gaps which were filled by focusing on the effect of competitive strategies on performance of manufacturing firms in Kenya and the moderating role of competitive intensity.

2.6 Summary

The chapter elaborated on the theoretical background and conceptual framework through extensive literature review. Most empirical studies have reported positive effect of competitive strategies on firm performance. The researcher examined the way in which competitive strategies may be used to attain competitiveness and improve firm performance. This led to the suggestions that manufacturing firms intending to achieve competitiveness and improve their performance should pursue competitive strategies of cost leadership, differentiation and focus either exclusively or simultaneously in order to achieve superior performance. The constantly changing customer demands and a dynamic competitive environment also require that firms be flexible in applying these strategies together.

Review of examining the fit between competitive intensity as one of the aspects of external environment, competitive strategies and firm performance has also been advanced. This was done as the existing literature showed that competitive strategy has strong relationship with environment and that the environment influence competitive strategy as well as firm performance**.** Appropriate selection of competitive strategy also depend on the understanding of external environmental hence the fit between competitive strategies, competitive intensity and firm performance is of paramount importance. The next chapter outlines the methodology used in this study.

2.7 Research Gaps

The existing literature showed that research has been done on competitive strategy and firm performance. However, most studies examining the influence of competitive strategies on firm performance have been conducted in developed countries for example United States (US). To fill this gap, and to establish existence of such a relationship, it is imperative to conduct research in developing economies context such as Kenya. The reviewed literature pointed out a number of conflicting perspectives on the relationship between competitive strategies and firm performance which is also one of the key concerns of business strategy research. This provides evidence that much research is needed to add to the debate in this area.

Other similar researches carried out in Kenya (Warucu, 2001; Kiptugen, 2003) are sector specific and adopted case study research design and may not be generalized to fairly represent this study. It is, therefore, imperative to undertake a study in manufacturing sector and use other methodology, thus this study utilized a survey research design. Others, for instance, Otieno (2012) looked at manufacturing sector in Kenya but used a smaller sample of five sub-sectors and studied competitiveness of manufacturing firms operating under East African Regional Integration. The current study looks at sample drawn from of all manufacturing firms in Kenya in the 12 key industrial sub-sectors.

Waiganjo (2013) used Schuler and Jackson, (1987) measures of competitive strategy and used competitive strategies as a moderator in her study effect of competitive strategies on the relationship between strategic human resource management and firm performance of Kenya's corporate organizations. There is need to test other models of competitive strategy, thus the current study used Porter's model to conceptualize competitive strategies and competitive strategies as independent variables.

More specifically, the study demonstrates the effect of elements of the Porter's model that is cost leadership, differentiation and focus strategies on performance of manufacturing firms in Kenya. Finally, the reviewed studies did not address the effect of competitive intensity as an aspect of external environment which affect the relationship between competitive strategies and firm performance. This study, therefore, uses competitive intensity as a moderator in the relationship between competitive strategies and manufacturing firm performance to provide the link between the competitive strategies, competitive intensity and firm performance.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

The chapter sets out the methodology adopted in this study. The methodology includes research design, population, sample and sampling technique, instruments for data collection, data collection procedure, pilot test and data processing and analysis. The chapter also describes the measurement of variables and the model estimation.

3.2 Research Design

A research design constitutes the blue print for the collection, measurement, and analysis of data. Cooper and Schindler (2008) define research design as the plan and structure of investigation conceived so as to obtain answers to research questions. According to Kothari (2004), research design is a master plan that specifies methods and procedures for collecting and analyzing the needed information. There are two research approaches, the deductive approach and inductive approach Saunders et al., (2003). The deductive approach owes more to positivism and the deductive approach to interpretive. In positivist research, there is likely to be an emphasis on theory setting. It is concerned with objective precision in measuring outcomes while interpretive research seeks to build theory as a result of empirical insights. This study was based on positivism philosophy.

The study adopted survey research design using both quantitative and qualitative approaches. The aim of a survey is to explore and describe a phenomenon. Surveys are more efficient and economical (Kothari, 2009). They help the researcher to understand more about opinions, and attitudes of the respondents. According to Mugenda (2003), a survey attempts to collect data from members of a population in order to determine the current status of that population with respect to one or more variables. Wibowo (2008) argues that qualitative and quantitative are the two main approaches that define any research. According to Zikmund and Babin (2007), quantitative approach is a design that sets out to quantify data in order to use statistics to analyze a data set. In addition it is the most popular research approach

used to examine relationship between different variables and measure objective theories (Creswell, 2009). In this study quantitative approach was used to quantify the hypothesized relationship between dependent variable firm performance and the independent variables cost leadership, differentiation and focus.

The approach was also used because the data collected through the questionnaire was analyzed using standard statistical tools. Qualitative approach was adopted to provide in-depth understanding of the situation about competitive strategies and firm performance. Open-ended questions were used which met the criteria described by Cooper et al., (2006) about qualitative research. The two approaches complement each other in that qualitative approach provide in-depth explanations while quantitative approach provide the hard data needed to meet required objectives.

3.3 Target Population

Target population refers to the total number of subjects of interest to the researcher. According to Berg (2001), target population refers to the population to which the researcher intends to generalize the results of the study. The target population of this study was all the 454 manufacturing firms drawn from the 12 key industrial subsectors located in Nairobi and its surroundings. The study respondents were 189 managers of the targeted manufacturing firms. The target population was identified based on the fact that 80% of all manufacturing firms are located within Nairobi and its surrounding area hence a high concentration of manufacturing firms which led to ease of accessing the manufacturing firms.

The sector is also one of the six priority sectors that are expected to raise GDP growth rate to the region of 10 per cent in a number of years as envisaged in Kenya's Vision 2030. The manufacturing sector being the third leading sector in contributing to GDP in Kenya also has a great potential of promoting economic growth and competitiveness in a developing country like Kenya. Moreover, the sector has formal procedures that are documented and registered with Kenya Association of Manufacturers hence easy access to information.

3.4 Sampling Frame

A sampling frame is a list of all the items where a representative sample is drawn for the purpose of the study, (Nachmias & Nachmias, 2008). The sampling frame for this study was all of the 454 manufacturing firms in the 12 key industrial sub-sectors obtained from the directory of Kenya Association of Manufacturers (2013). These sub-sectors include; building, mining and construction, chemical and allied, energy, electrical and electronics, food and beverages, leather and footwear, metal and allied, motor vehicle and accessories, paper and board, pharmaceutical and medical equipment, plastics and rubber, textile and apparels, timber, wood and furniture.

3.5 Sample and Sampling Technique

A sample is a set of observations drawn from a population by a defined procedure. Samples are collected and statistics are calculated from the samples so that one can make inferences or extrapolations from the sample to the population. According to Mugenda and Mugenda (2003), there are different types of sampling techniques which are applicable in sampling such as simple random sampling, stratified sampling, purposive sampling, among others.

Sampling involves drawing of a target population for observation. It is appropriate when it is not feasible to involve the entire population under study. The sample of the study was identified using multi-stage sampling technique. This technique was chosen as it is said to reduce within-stratum variances (Kothari, 2007). The researcher first used stratified sampling technique to divide the manufacturing firms into 12 strata according to sub-sectors with each sub-sector forming a stratum. Stratified random sampling was found to be appropriate as it enables the researcher to represent not only the overall population but also key sub-groups of the population.

Stratification also helps reduce standard error by providing some control over variance. The technique also provides a better comparison across strata (Saunders, et. al., 2007).

In the second stage, the researcher used simple random sampling technique to determine the sample size. This allowed equal representation of all individuals in the defined population to be selected as a member of the sample (Kombo & Tromp, 2006). This is important as it helps reduce biases that may arise.

The study assumed that 70% of manufacturing firms will have adopted competitive strategies. Sample size determination formula recommended by Kothari (2004) was used to select 189 firms for intensive study. The sample size represents more than the 10% of the accessible population that is generally recommended by social researchers required for statistical data analysis (Gay, 1981) and at least 100 cases as suggested by Orodho (2005). Table 3.1 shows the sample size of the study.

The following formula was used to calculate the sample size.

$$n = \frac{z^2 \times p \times q \times N}{e^2 (N-1) + z^2 \times p \times q}$$

$$= \frac{1.96^2 \times 0.7 \times 0.3 \times 454}{0.1^2 (454-1) + 1.96^2 \times 0.7 \times 0.3}$$

$$= \frac{366.2581}{1.9392} = 189$$

where: n = sample size

z = confidence level at 95% (Standard value of 1.96)

p = proportion in the target population estimated to have adopted competitive strategies

q = proportion in the target population estimated not to have adopted competitive strategies

N = size of target population

e = margin of error in the 95% confidence interval

Table 3.1: Sample Size

Sub-sector	Population	Sample Size
Building, Mining & Construction	13	5
Chemical & Allied	66	27
Energy, Electrical & Electronics	33	14
Food & Beverages	88	37
Leather & Footwear	5	2
Metal & Allied	46	19
Motor vehicle & accessories	31	13
Paper & Board	57	24
Pharmaceutical & Medical Equipment	23	10
Textile and Apparel	27	11
Timber, Wood & Furniture	14	6
Plastics & Rubber	51	21
Total	**454**	**189**

Source: (KAM directory 2013)

3.6 Data Collection Instrument

Although several tools exist for gathering data, the choice of a particular tool depends on the type of research. These include; focus group discussions, observations, interview and questionnaire. Since this study sought to examine how owners or managers of manufacturing firms in Kenya view effect of competitive strategies on firm performance, a research instrument which could investigate and measure their perception is required. In this study, a questionnaire was seen as the most appropriate tool.

A questionnaire is perceived as the most accurate tool for measuring self sufficiency existing relationship, objects or events as well as self-reported beliefs and behaviour

(Newman, 1997). Further, the questionnaire was seen to be appropriate as it allowed data to be collected in a quick and efficient manner. The use of questionnaire also makes it possible for descriptive, correlation and inferential statistical analysis (Saunders et al., 2007). The researcher developed the questionnaire used in this study on the basis of previous studies. The items used in this study were adopted and modified from a questionnaire of Dess and Devis (1984) and Jaworski and Kohli (1993). Use of previous questionnaire assists in the reliability and validity of the current instrument as well as saving much time spent in developing new questionnaire (Morgan & Hunt 2004).

A five-point likert scale was used for most questions in the survey except for the section dealing with firm background information and a few open-ended questions. Likert type scale is an ordinal scale comprising of a set of qualitative variations of a particular attribute or entity ordered sequentially from least to most (Nunnaly & Bernstein, 1994) and has been commonly used in business research Sakaran (2000).

Five choices were provided for every question or statement. The choices represent the degree of agreement to the given question. The choices ranged from strongly agree, through agree, neutral and disagree to strongly disagree. Other questions also provided respondents with choices ranging from much worse, worse, indifferent, better and much better. The Likert type of questions enabled the respondents to answer the questions easily. In addition, these allowed the researcher to carry out the quantitative approach effectively with the use of statistics for data interpretation.

3.7 Data Collection Procedure

The researcher carried out a detailed review of published and unpublished literature relevant to the study. Primary data were collected using semi-structured questionnaire. The questionnaires contained both closed-ended questions and few open-ended questions to encourage higher response rate. Open-ended questions provided the respondents with a chance to express their own personal opinions beyond the researcher’s span of knowledge.

These questions also aided in enriching the qualitative methodology effectively. The questionnaires further provided anonymity as most respondents did not want their identity revealed. Before embarking on the field study, the researcher recruited and trained three research assistants so that they were able to get quality data. Since the data were collected from top level managers or their equivalent it required booking appointments. Appointments were booked and the questionnaires administered by the research assistants at agreed times. This approach helped in clarifying any item that required some explanation by the respondents. The approach also helped reduce delayed response usually associated with CEO/managers where there is no personal contact.

3.8 Pilot Study

To test the validity of the questionnaire used for this study, the researcher pilot-tested the questionnaire. According to Mugenda (2003), pilot test is necessary for the validity of a study. Orodho (2003) posits that a pilot study is necessary for testing the reliability of data collection instruments. The data collection in this study was spread over two stages where a pilot study was conducted in the first stage before the actual survey with the respondents. The pilot study was conducted to refine the questionnaire, identify loopholes in the questionnaire and anticipate any logistical problems during the actual survey. This was done by administering the questionnaires to identified pilot unit.

According to Mugenda and Mugenda (2003), one tenth of the sample size is sufficient for pilot testing. Therefore, 19 sample questionnaires were tested on 19 manufacturing firms that were selected randomly from the target population. Appropriate corrections were then made based on the results of the pilot study. For instance, some of the managers expressed concern about the confidentiality of their information but their concerns were allayed after they were explained the steps taken to protect their information. Similarly, the managers were hesitant to give factual information about their performance in terms of sales and profit.

This prompted the researcher to change the firm performance measure to perceived financial performance measure.

3.8.1 Reliability

Regardless of the research procedure used and the method employed, researchers need to critically assess to what extent it is likely to consistently measure what it ought to accurately. According to Orodho (2003), reliability is the extent to which results are consistent over time and an accurate representation of the total population under study is said to be reliable if the results of a study can be reproduced under a similar methodology then the research instrument is considered to be reliable.

Data reliability was measured using Cronbach's alpha method. The coefficient alpha is an appropriate measure of variance attributable to subjects and variance attributable to the interaction between subjects and items. In terms of the specific testing of internal reliability, the following scores were obtained; cost leadership strategy 0.68; differentiation strategy 0.77; focus strategy 0.69; competitive intensity 0.65 and firm performance 0.9. This indicates that the internal reliability of the instrument was reasonable as a Cronbach's alpha of 0.60 as a minimum level was said to be acceptable (Zinkmund, 2003). Cronbach's alpha is a general form of the Kunder-Richardson (K-R) 20 formula.

The formula is as follows;

$$KR_{20} = \frac{(K)\,(S^2-\Sigma s^2)}{(S^2)\,(K-1)}$$

KR_{20} = Reliability coefficient of internal consistency

K = Number of items used to measure concept

S^2 = Variance of all scores

s^2 = Variance of individual items

3.8.2 Validity

During questionnaire development, various validity checks were conducted to ensure the instrument measured what it was supposed to measure. Validity is the extent to which a construct measures what it is supposed to measure (Hair et al., 2007). There are three important approaches to assessing measurement validity: content validity (also referred to as face validity), construct validity and criterion validity. The current study utilized content and construct validities.

a) Content Validity

Content validity is the most important validity test (Hair et al., 2007). It is based on the extent to which a measurement reflects the specific intended domain of content. Validity is not quantified using statistical methods, meaning that validity is a qualitative measure. To ensure content validity, discussions were held with experts during the questionnaire formulation stage to ensure that the measure included an adequate and representative set of items that tapped the content. The questionnaire used also borrowed from that used by Dess and Devis (1984) and that of Jaworski and Kohli (1993) in measuring competitive strategy and competitive intensity respectively.

b) Construct Validity

Construct validity assesses what the construct or scale is in fact measuring. Construct validity was maintained through anchoring of the constructs to the theory from which they were derived.

3.9 Data Processing and Analysis

Data analysis is the process in which raw data was ordered and organized so as to extract useful information (Smith, 2001). This study generated both quantitative and qualitative data. First, the researcher examined the data collected to make inferences through a series of operations involving editing to eliminate inconsistencies, classification on the basis of similarity and subsequent tabulation to relate variables.

3.9.1 Quantitative Data Analysis

Quantitative data were analyzed through descriptive statistics and inferential statistics which enabled meaningful distribution of scores or measurement using indices and statistics. According to McClave and Sincich (2003), descriptive statistics utilize numerical and graphical methods to look for patterns in a data set to summarize the information revealed in a data set and to present the information in a convenient form.

The main descriptive statistical analysis used included mean, percentages, standard deviation and frequencies to cater for the likert scales that had been used in the study. According to Orodho (2008), the advantage of descriptive statistics is that they enable the researcher to use one or more numbers (for example mean and standard deviation) to indicate the average score and variability of scores of a sample. Inferential statistics were used to analyze relationship between variables. This was done through correlation and regression analysis.

Pearson product moment of correlation was used to determine the effect of competitive strategies on performance of manufacturing firms while linear multiple regression analysis was used to explain the extent to which competitive strategies, that is, cost leadership, differentiation and focus strategies (independent variables) explained variation in firm performance (dependent variable). Moderated multiple regression was further used to establish the estimate interaction effect and test the moderating effect of competitive intensity on competitive strategies and performance of manufacturing firms in Kenya.

Standard F-test was used to test the overall combined effect of the independent variables on performance and where the p-value was greater than 0.05, it was concluded that there was no significant effect and cannot be used to explain the variations in the dependent variable.

T-test was used to test the direction of the relationship between the independent variable and the dependent variable, that is, whether the relationship was positive or negative. A positive value indicates that as one variable increases, the other variable increases whereas a negative value means that as one variable increases, the other variable decreases.

ANOVA, the test inbuilt in the multiple regression analysis tests was used to determine whether the model works in explaining the variable relationships. If the p-value was greater than 0.05, it implied that none of the independent variables predict, the dependent variable, thus implying that the model does not work. Where the p-value was less than 0.05, it implied that the model works and therefore, establishing a significant relationship between the study variable.

Before testing the fit of the model, multicollinearity analysis was performed to establish the possibility of a collinearity problem of the predictor variables having some explanatory power over each other. This was assessed using correlation matrix. Pallant (2005) argues that a value of 0.8 or 0.9 shows that there is a relation of multi-collinearity between two variables. However, no multicollinearity was noted as all the variables had correlation coefficient of less than 0.80.

3.9.2 Qualitative Data analysis

Qualitative technique took into account the respondents' feelings, suggestions and opinions. The study used likert scale to provide a measure for qualitative data generated that needed to be subjected to statistical processes.

3.9.3 Measurement of Variables

a) Measure of independent variables

The dimensions of competitive strategy in this study was based on Porter's (1980, 1985) competitive strategy typology. To measure the three strategy dimensions in this study, the researcher used the variables suggested by Dess and Devis (1984) in their operationalization of Porter's generic strategies and commonly adopted in

strategy studies. For the purpose of conducting analysis of this study, three independent variables were taken into account, namely; cost leadership strategy, differentiation strategy and focus strategy. Each of the variables were measured using five-point likert scale ranging from 1= strongly agree to 5 = strongly disagree).

b) Moderating variable

Competitive intensity was measured using modified scale of Jaworski and Kohli (1993), which constituted 6 items, namely; our industry is very competitive, there are many promotion wars in our industry, anything that one competitor can offer, others can match readily, price competition is a hallmark of our industry and one hears of a new competitive move almost daily. Six additional items were added to suit the current study.

c) Measure of dependent variable

Perceived financial performance measure was used as the degree of satisfaction with the firm's profitability and sales growth. This measure is said to be preferred by respondents since objective measures such as profit or revenue are seen as confidential (Gruber, Heinemann & Bretel, 2010). Use of multi-dimensional measures based on perceptual firm performances further facilitates comparison across firms and contexts across industries, time horizons and economic conditions (Song, Droge, Hanvanich & Calantone, 2005).

Chandler and Harks (1994) also aver that earlier studies have indicated perceptual performance measures tend to be highly correlated with objective indicators which support their validity. A five-point response scale ranging from (1= much worse, to 5 = much better) was used to get response to statements relating to sales growth rate, sales, profit growth rate, profit, profitability ratio and overall performance.

3.9.2 Statistical Model

For bivariate relationship, the hypotheses were tested on the basis of Pearson's bivariate correlation (r) with the degree of correlation in magnitude and statistical significance joint effect based on regression analysis from the following models;

i) $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$

ii) $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_{1m} X_1 M + \beta_{2m} X_2 M + \beta_{3m} X_3 M + e$

Where; Y = firm performance

β_0	=	Constant
β_i	=	Regression coefficient for X_i (i =1, 2, 3)
X_1	=	Cost leadership strategy
X_2	=	Differentiation strategy
X_3	=	Focus strategy
M	=	Competitive intensity (Moderator)
X_iM	=	Product term/ interaction term of the moderating variable with each of the independent variables (X_1, X_2, X_3)
e	=	error term

3.9.3 Study hypotheses

To test the hypothesis different tests were carried out and the results are as included Table 3.2.

Table 3.2: Study hypothesis

Objectives	Hypothesis	Type of Analysis	Interpretation
To determine the effect of cost leadership strategy on performance of manufacturing firms in Kenya.	H_{01}: Cost leadership strategy has no significant effect on performance of manufacturing firms in Kenya.	Pearson correlation Linear regression analysis	If p value < 0.05 reject null hypothesis if p value is > 0.05 fail to reject the null hypothesis.
To assess the effect of differentiation strategy on performance of manufacturing firms in Kenya.	H_{02}: Differentiation strategy has no significant effect on performance of manufacturing firms in Kenya.	Pearson correlation Linear regression analysis	If p value < 0.05 reject null hypothesis if p value is > 0.05 fail to reject the null hypothesis.
To find out the effect of focus strategy on performance of manufacturing firms in Kenya.	H_{03}: Focus strategy has no significant effect on performance of manufacturing firms in Kenya.	Pearson correlation Linear regression analysis	If p value < 0.05 reject null hypothesis if p value is > 0.05 fail to reject the null hypothesis.
To establish the moderating effect of competitive intensity on the relationship between competitive strategies and performance of manufacturing firms in Kenya.	H_{04}: Competitive intensity has no significant moderating effect on the relationship between competitive strategies and performance of manufacturing firms in Kenya.	Pearson correlation Moderated multiple regression analysis	If p value < 0.05 reject null hypothesis if p value is > 0.05 fail to reject the null hypothesis.

3.9.3 Control variables

The study used age and size of the study sample as control for its effects on firm performance. For instance older firms may have more experience and therefore have more knowledge advantage over the smaller firms. On the other hand larger firms may have more resources and therefore able to implement competitive strategies better than smaller firms.

3.9.4 Summary

In summary, this chapter discussed the research design and methodology as used in this study. Specifically, the chapter outlined the instrument and procedures used for data collection as well as the statistical techniques used for data analysis. The next chapter provides a detailed explanation of the results and findings of data analysis in relation to the study hypotheses.

CHAPTER FOUR
RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter provides the results of the study performed to test the conceptual model and research hypotheses. First, it evaluates the response rate, reliability and validity of the survey constructs. Secondly, it collates the general background information of the respondents and descriptive analysis of the study variables. Finally, the chapter reviews the results of statistical analysis to test the research hypotheses as well as presenting discussions of the results and implication arising from the findings.

4.2 Response Rate

Response rate is the percentage of people who responded to a survey. According to Orodho (2003), response rate is the extent to which the final data sets include all sampled members and is calculated as the number of respondents with whom interviews are completed and divided by the total number of respondents of the entire sample including none respondents. The study sample consisted of 189 manufacturing firms. The researcher distributed one hundred and seventy (170) questionnaires. Among the 170 questionnaires distributed, 130 were returned (see appendix IV).

The overall response rate was 76%. According to Kothari (2004), a response rate of 50% is considered average, 60-70% is considered adequate while anything above 70% is considered to be excellent response rate. This response rate was, therefore, considered good representative of the respondents to provide information for analysis and derive conclusions.

4.3 Reliability Analysis

In evaluating the survey constructs, reliability test was done. Reliability test is said to examine the degree to which individual items used in a construct are consistent with their measures (Nunnally, 1978). The widely used Cronbach's coefficient alpha was employed to assess internal consistency. Bryman and Cramer (1997) stated that

reliability of 0.70 is normally acceptable in basic research. Zikmund (2003) also posits that a Cronbach alpha of 0.60 as a minimum is acceptable. All the alpha coefficients ranged between 0.65 and 0.9 as shown in Table 4.1. Based on the coefficient values, the items tested were deemed reliable for this study.

Table 4.1: Reliability coefficient of the study variables

Cost Strategy	**Number of items**	**Reliability Cronbach's Alpha**	**Comments**
Leadership strategy	9	0.68	Accepted
Differentiation strategy	11	0.77	Accepted
Focus strategy	6	0.69	Accepted
Competitive intensity	7	0.65	Accepted
Firm performance	6	0.9	Accepted

4.4 Validity of the Research Instrument

Validity refers to the degree to which the research instrument measures correctly what it ought to measure. Validity is concerned with whether the findings are really about what they appear to be about (Balta, 2008). Content validity should be established prior to any theoretical testing (Hair et al., 2007). In the current study, all of the measures are selected based on the existing scales for which validity was already established.

In addition, the questionnaire was tested by discussions with experts during the questionnaire formulation stage to ensure that the measure included an adequate representative set of items that tapped the content. Construct validity was also ensured by anchoring the constructs to the theory and empirical review of data from which they were derived.

The researcher further conducted a pilot test with 19 manufacturing firms selected randomly from the sample population which also helped validate the instrument. During the pilot study, both the researcher and the research assistants were jointly involved in administering the research instruments and in clarifying all unclear issues emerging from the research instrument. Before printing the final questionnaire, all the issues raised during the pilot study were addressed through the supervisors' guidance so as to retain the original intention of the research instrument.

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 multi-collinearity between two variables. In this research, the correlation coefficients of the variables are cost leadership strategy (0.253), differentiation strategy (0.374), focus strategy (0.251) and competitive intensity (-0.182). 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 multi-collenearity was deemed necessary.

4.6 Descriptive Analysis

Before proceeding with the regression analysis to test the hypotheses proposed by the research model, it was worth examining the general descriptive statistics of this study sample data. In view of this, descriptive analysis was done to provide summaries through the use of frequencies, percentage, mean, standard deviation and graphical presentations.

4.6.1 Company Legal Structure

The respondents were asked to indicate the legal structure of their firms. The majority of the companies sampled indicated that they are legally registered companies as represented by a valid percentage of (76%). Sole trade companies are represented by 12% while the remaining 12% represents partnership businesses as indicated in Figure 4.1. This an indication of a fair distribution of the ownership structure thus giving all firms a fair playing ground.

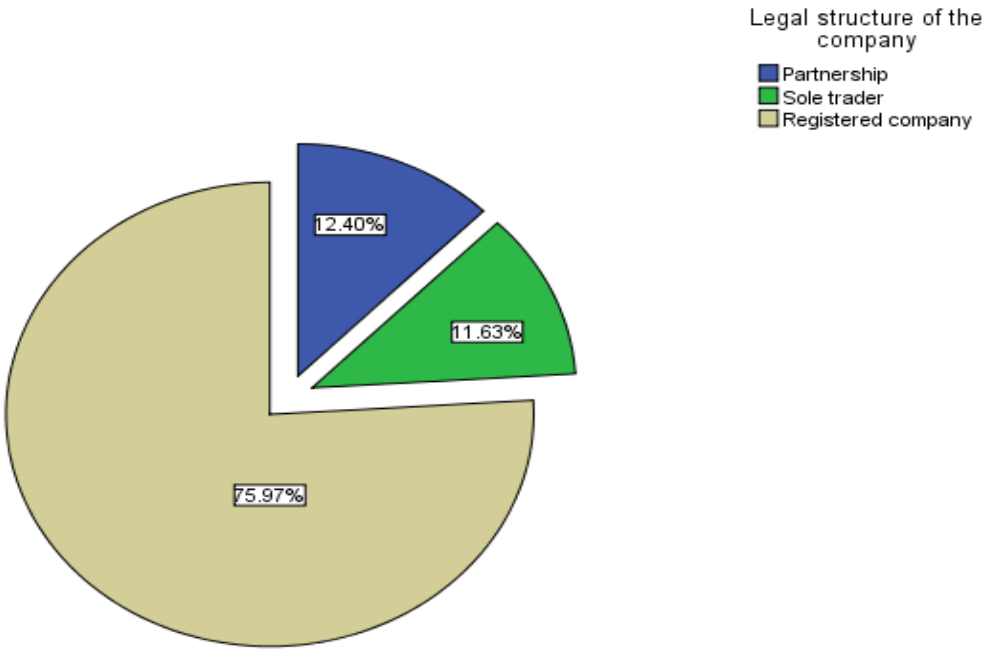

Figure 4.1: Company Legal Structure

4.6.2 Age of the Study Sample

Firm age was measured in terms of the number of years of operation of the companies. The results showed that 31.3% of the businesses had existed for more than 20 years, 28.1% of the businesses have been in operation for a period ranging between 6 to 10 years, followed by 24.2% which have been in operation for a period ranging between 11 to 20 years and 16.4% had operated for a period of 0 to 5 years.

For these firms to have survived in the market for all these years is an indication of their competitiveness. It is also an indication of the fact that they have adequate expertise and knowledge of the Kenyan markets and dynamism. The distribution of these firms for the years they have been in operation is as shown in Figure 4.2.

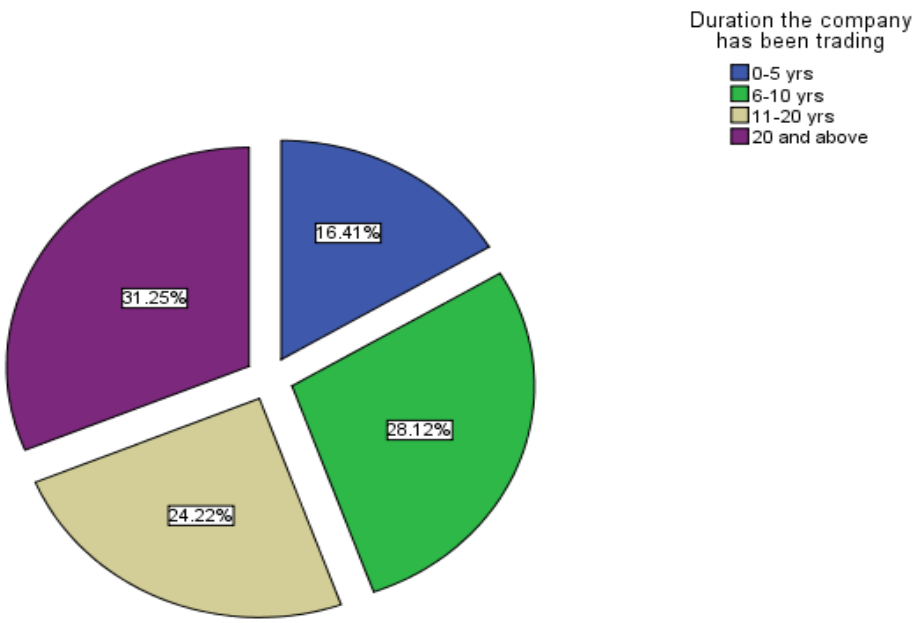

Figure 4.2: Age of the Study Sampled Companies

4.6.3 Size of the Study Sample

Size of the firm was measured using the number of full-time employees in the company. The findings of the study indicate that 38% had recruited above 100 employees in their organizations, followed by 28.2% who had employed less than 20 employees. Moreover, the findings revealed that 21.8% of the manufacturing firms had between 20 and 50 employees while 11.2% of the manufacturing firms had between 50 - 100 employees.

Eight firms did not indicate however indicate their number of employees. The findings reflect representation of all the three categories of firms that is, small, medium and large enterprises based on the number of employees held. However, majority of firms sampled had 100 employees with medium size firms being the minimal at 10.7%. This shows the huge disparity of firms operating in this sector. The distributions of employees of these firms are as shown in Table 4.2.

Table 4.2: Size of the Study Sample

Number of full-time employees	Frequency	Percentage %
Below 20	35	28.2
20-50	30	21.8
50-100	14	11.2
Above 100	44	38.0
Missing	8	0.8

4.6.4 Sub-sector to which the firms belongs

The respondents were asked to indicate the sub-sector they belonged to. 20.8% of the manufacturing firms sampled were drawn from food and beverages sub sector, followed by 15.4% in building and construction sector, while 13.8% were operating in motor vehicle and accessories. It is important to note that only 1.5% of the manufacturing firms were operating in textile and apparel sector, leather and footwear sub-sectors respectively. Since the study was soliciting responses from all the sub-sectors, the findings implied that the respondents were well-spread across the 12 key sub-sectors hence representative of the population thus enhancing accuracy of the responses. The sub-sector distributions of the manufacturing firms are as shown in Figure 4.3.

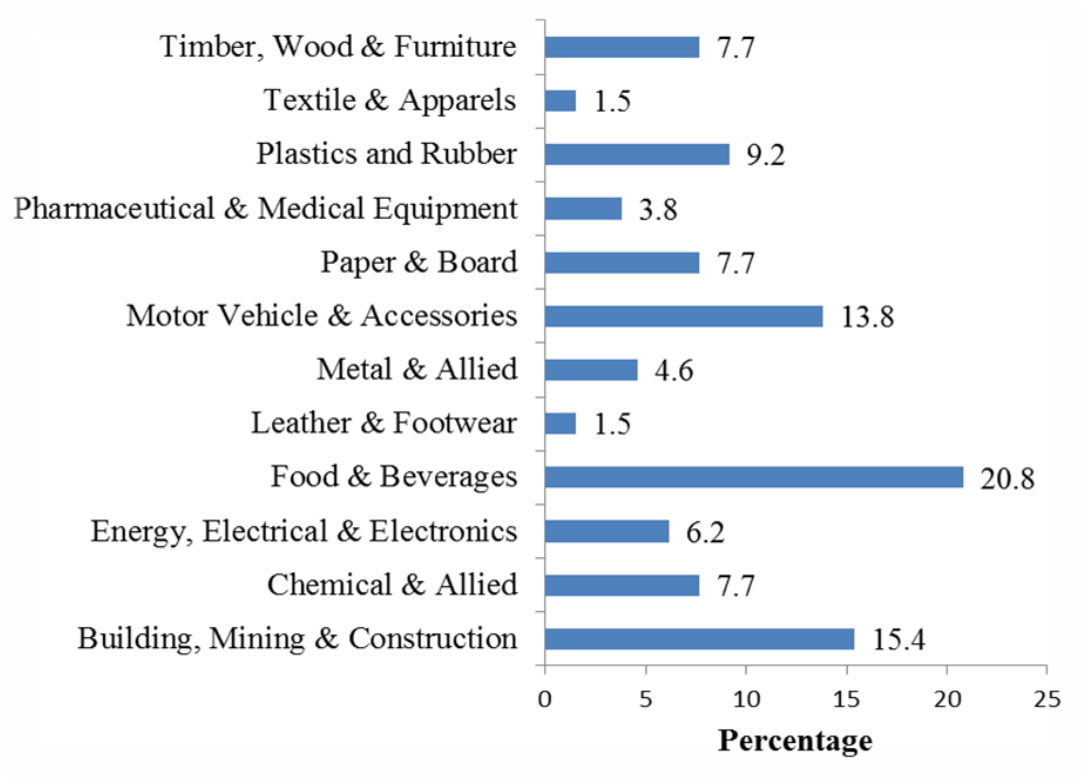

Figure 4.3: Sub-sector to which the company belongs

4.6.5: Effect of Cost Leadership on Performance of Manufacturing Firms in Kenya

Using a five-point likert scale, the study sought to know respondents' level of agreement on various statements relating to cost leadership strategy in relation to firm performance adopted by manufacturing firms. Descriptive statistics such as frequency, percentage, mean and standard deviation were jointly used to summarise the responses as presented in Table 4.3. The study findings showed that 43.5% of the respondents charged lower price compared to their competitors. Manufacturing firms are also involved in aggressive sales and promotions as indicated by a mean of 3.8. Moreover, most of the manufacturing firms indicated that they reduce their labour cost through automation of their production process as accounted for by 42.3%.

When asked to state how they charged for their product/services compared to other competing firms, the respondents agreed that they charged higher than their

competitors as accounted for by mean of 3.8. 3.9% strongly disagreed that they charged higher than their competitors. In addition, the study findings showed that 35.4% agreed that they sourced their supplies from suppliers who provided a discount while 29.2% agreed that they do not emphasize on cost cutting and efficiency. Further, 48.8% agreed that they vigorously persued cost reduction. 30% agreed that their competitors products are sold at relatively affordable prices. The major expenditure for manufacturing companies was on technology as accounted for by a mean of 3.8.

Forty three point four per cent of the respondents agreed that they outsource functions so as to control costs while 35.4% agreed that they have cheaper sources of raw materials as compared to their competitors. Further, 50.4% agreed that they strived to reduce cost in administration activities while 46.5% agreed that they continuously exercise tight cost control and pay attention to details to cut costs while 48.1% agreed that they strive to identify underperforming areas in order to cut costs. Finally, 50% agreed that they focused on product design technique that economizes on cost of materials.

From the findings of the study, it is further noted that responses to the statements used to measure cost leadership strategy ranged between the mean of 3.4 – 4.2 save for four items which had a mean of 2.6 -3.4 as reflected in table 4.3. This shows that majority of the respodents were in agreement with the statements that were used to measure cost leadership strategy. Similarly, the standard deviation of majority of the items are in the range of 1.0. It could then be deduced that the responses to the items were not deviating much from the expected responses. It is, however, important to note that two items had a standard deviation of 1.3 each. This is expected since some of the respondents may not have had access to crucial information on where the company sources its supplies as well as cost cutting and efficiency programme used within the organization.

Table 4.3: Cost leadership strategy and manufacturing firm performance

	%					Mean	S.D
Cost Leadership Strategy	**SD**	**D**	**N**	**A**	**SA**		
We charge lower price than our competitors	4.6	6.1	22.1	43.5	23.7	3.8	1.0
We heavily invest in sales promotion	2.3	7.6	16.8	49.6	23.7	3.8	0.9
We reduce labour input through automations	3.8	13.8	26.2	42.3	13.8	3.5	1.0
We charge higher than our competitors	3.9	6.2	26.4	38	25.6	3.8	1.0
We source for our supplies from those suppliers who provide discount	11.5	7.7	12.3	35.4	33.1	3.7	1.3
We do not emphasize on cost cutting and internal efficiency programme	22.3	23.1	20	29.2	5.4	2.7	1.3
We vigorously pursue cost reduction	3.1	6.2	17.1	48.8	24.8	3.9	1.0
Our competitors' products are sold at relatively affordable prices	4.6	16.2	35.4	30	13.8	3.3	1.1
We have access to low-cost raw materials than our competitors	4.6	17.7	32.3	35.4	10	3.3	1.0
We strive to reduce cost in administration activities	1.6	7	22.5	50.4	18.6	3.8	0.9
Our major expenditure is on technology based delivery system to lower costs	1.6	8.5	21.7	44.2	24	3.8	1.0
We outsource functions to control costs	4.7	22.5	20.2	43.4	9.3	3.3	1.1
We continuously exercise tight cost control and pay attention to details	1.6	10.1	17.8	46.5	24	3.8	1.0
We identify underperforming areas in order to cut costs		8.5	20.9	48.1	22.5	3.8	0.9
We focus on product design technique that economizes on cost of materials	0.8	8.6	15.6	50	25	3.9	0.9

n=130

SD=Strongly disagree D=Disagree N=Neutral A=Agree SA= Strongly agree S.D=Standard deviation.

4.6.6 Effect of Differentiation Strategy on Performance of Manufacturing Firms in Kenya

The study sought to find out the effect of diferentiation strategy on perfromance of manufacturing firms in Kenya. Table 4.4 shows that 51.2% of manufacturing firms agreed that they offered broad range of products while 38.8% agreed that they make conscious effort to differentiate their products from those of their competitors. 35.7% concured that they offer a narrower range of products than their competitors while 45.7% agreed that they continously develop new products. 41.1% of the respondents agreed that their companies do not utilize technology as a method of production, while 36.2% agreed that their major expenditure is on technology so as to differentiate their products and 39.5% agreed that they innovate to introduce better products than their competitors.

The results further showed that 39.5% of the manufacturing firms agreed that they are always the first to introduce products before their competitors, while 42.3% concured that they heavily invested in research and development. Finally, 50% agreed that their products/services have developed strong brand identification and 33.1% agreed that they always followed actions of competitors.

Looking at the mean of the items used to measure differentiation strategy and firm performance, it is important to note that the mean of the items ranged between 3.4 – 4.2 as indicated in Table 4.4 meaning that majority of the respondents were in agreement with the statements. One of the items had a mean of 3.2, this may be as a result of the respondents not being sure whether the company followed action of their competitors as there may be no such information available to them to respond sufficiently to the question. The standard deviation of all the items are within the range of 0.8 – 1.0 meaning that the responses are not much dispersed from each other hence converging towards the expected feedback.

Table 4.4: Differentiation strategy and manufacturing firm performance

	%					Mean	S.D
Differentiation Strategy	**SD**	**D**	**N**	**A**	**SA**		
We offer a broad range of products	1.6	5.4	14	51.2	27.9	4.0	0.9
We offer a narrower range of products than our competitors	2.3	27.1	16.3	35.7	18.6	3.4	1.1
We continuously develop new products	3.1	9.3	24.8	45.7	17.1	3.6	1.0
We introduce innovative product better than our competitors	1.6	7	18.6	44.2	28.7	3.9	0.9
Our company does not utilize much technology as a method of production	5.4	17.1	22.5	41.1	14	3.4	1.1
Our major expenditure is on technology to differentiate product	3.8	12.3	23.8	36.2	23.8	3.6	1.1
We are always the first to introduce new products before our competitors	3.1	10.1	33.3	39.5	14	3.5	1.0
We heavily invest in research and development	3.8	10	22.3	42.3	21.5	3.7	1.0
Our product/services have developed strong brand identification	1.5	3.1	10.8	52.3	32.3	4.1	0.8
We strive to build strong reputation within the industry	0.8	2.3	11.5	50	35.4	4.2	0.8
We always follow actions of competitors	8.7	16.5	29.9	33.1	11.8	3.2	1.1

n=130

SD=Strongly disagree D=Disagree N=Neutral A=Agree SA= Strongly agree

S.D=Standard deviation.

4.6.7: Effect of Focus Strategy on Performance of Manufacturing Firms in Kenya

The third objective of the study sought to find out the effect of focus strategy on performance of manufacturing firms in Kenya. Study respondents were asked to indicate on a five-point Likert scale their level of agreement on several statements describing the focus strategy in relation to firm performance. The findings revealed that 53.5% agreed that they served a diverse market segment, while majority strongly disagreed (mean =3.0) that they served specific geographic market and 43.3% agreed that they emphasized on market speciality product.

Forty three per cent agreed that they dealt with broad product serving wider market while 32.8% disagreed that they constantly targeted a specific market and 47.7% agreed that they sought to provide products/services in different geographical locations. Further, 32.6% agreed that they produce products/service for higher price segments, while majority agreed that they met their customer needs more than their competitors as reflected by a mean of 4.1 and 48.1% agreed that they offered tailored services/product to meet customer demand. Moreover, 49.2% agreed that they quickly responded to changes in demand of their customers and majority agreed that they offered products in lower price market segments as reflected by a mean of 3.5.

From the analysis of the means, it can also be noted that the means of all the items used to measure focus strategy are in the range of 3.4 – 4.1 as shown in Table 4.5. This implies that the items used were appropriate in measuring the variable since the respondents are all in agreement with the statements given. The standard deviation similarly ranged between 0.8 – 1.0 with only one item having a standard deviation of 1.2 meaning that the responses were not much dispersed from the expected feedback.

Table 4.5: Focus strategy and manufacturing firm performance

	%					Mean	S.D
Focus Strategy	**SD**	**D**	**N**	**A**	**SA**		
We serve diverse market segment	1.6	8.5	14.7	53.5	21.7	3.9	0.9
We serve specific geographical market	17.7	29.2	26.2	20	6.9	2.7	1.2
We emphasize on marketing specialty product	3.1	21.3	20.5	43.3	11.8	3.4	1.0
We deal with broad product serving wider market	4.7	10.9	28.9	43	12.5	3.5	1.0
We constantly target a specific market	10.9	32.8	26.6	22.7	7	2.8	1.1
We seek to provide products/services in different geographical locations	1.5	10.8	17.7	47.7	22.3	3.8	1.0
We produce products/services for higher price segments	3.9	14.7	32.6	27.1	21.7	3.5	1.1
We meet our customer needs more than our competitors	0.8	3.1	14.6	50.8	30.8	4.1	0.8
We offer tailored services/product to meet customer demand	5.4	6.2	8.5	48.1	31.8	3.9	1.1
We quickly respond to changes in demand of our customers	0.8	3.1	15.4	49.2	31.5	4.1	0.8
We offer products in lower prices market segments	3.1	9.2	36.2	37.7	13.8	3.5	1.0

n=130

SD=Strongly disagree D=Disagree N=Neutral A=Agree SA= Strongly agree

S.D=Standard deviation.

4.6.8 Strategy Adopted

The study sought to establish the competitive strategies employed by manufacturing firms in Kenya. The findings of the study revealed that manufacturing firms that embraced combined strategies of cost leadership, differentiation and focus simultaneously were 37.7%. These findings are consistent with the work of Waweru (2008) which showed that firms employed duo strategies for diversification and survival. The findings were further consistent with that of Aosa (1992) who observed that low cost and differentiation were practiced in many companies under focus. The finding further supports the work of Spanos, Zaralis and Lioukas (2004) done in Greek manufacturing firms and found that hybrid strategies were preferable to pure strategies.

From the analysis of the findings, differentiation strategy was the most preferred among the three competitive strategies employed by manufacturing firms in Kenya as indicated by a response of 23.9%. This is in line with the work of Murage (2011), which established that service stations used differentiation as a method of obtaining competitive advantage over other service stations. Manufacturing firms following focus strategy are represented by 23%. This means that there is a segment of market not served well by cost leadership strategy or differentiation strategy hence the need for some of the manufacturing firms to adopt focus strategy to meet the needs of this segment. Finally, cost leadership strategy is represented by 15.4%. The finding is congruent with Porter's (1980) assertion that cost leadership strategy has a positive impact on market share. These findings are shown in Table 4.6.

Table 4.6: Strategy pursued by manufacturing firms

	Strategies	Frequency	Percent
	Cost leadership strategy	20	15.4
	Differentiation strategy	31	23.9
	Focus strategy	30	23
	All of the above	49	37.7
	Total	**130**	**100.0**

4.6.9 Efficiency in Securing Raw Materials

Respondents were asked whether they emphasized efficiency in securing raw materials, their responses revealed that 84.6% emphasized efficiency for sourcing raw materials while 9.2% did not. This is in line with Baack and Buggs, (2008) assertion that cost leadership is mainly created through a focus on efficiency which is rooted in various economies in the production and distribution process. Table 4.7 shows these findings.

Table 4.7: Emphasis on Efficiency in Securing Raw Materials

		Frequency	Per cent
Efficiency	No	12	9.2
	Yes	110	84.6
Missing	System	8	6.2
Total		**130**	**100.0**

4.6.10 Strong Brand Identification

The study revealed that most of the manufacturing firms had strong brand identification as represented by 84.6% of the responses as indicated in Table 4.8. 9.2% however, reported that they had no strong brand identification. Brand identity is based on a thorough understanding of the firms' customers, competitors and

business environment. Strong brand enjoys customer loyalty, the potential to charge premium prices, and considerable brand power to support new product and services launched. The results indicate that majority of manufacturing firms in Kenya have thorough understanding of customer beliefs, behaviours, products and service attributes and competitors.

Table 4.8: Emphasis on building strong brand identification

		Frequency	**Per cent**
Brand identification	No	12	9.2
	Yes	110	84.6
Missing	System	8	6.2
Total		**130**	**100.0**

4.6.11 Target Specific Group of People

The study sought to establish whether the manufacturing firms target a specific market or not. The findings of the study showed that 63.9% of the manufacturing firms do not target a specific group while 26.9% said that they targeted a specific group. This implies that majority of manufacturing firms in Kenya provided broad goods/services that target a wider market with only a small percentage targeting a specific group of market. These findings are shown in Table 4.9.

Table 4.9: Target a specific group

		Frequency	**Per cent**
Target specific group	No	83	63.9
	Yes	35	26.9
Missing	System	12	9.2
Total		**130**	**100.0**

4.6.12: Competitive Intensity

The study findings revealed that 93.2% either agreed or strongly agreed that their industry is very competitive. 35.1% of the respondents agreed that there are many promotion wars within their industry and 58.6% agreed that anything that a competitor can offer, others can match readily. 56.9% of the respondents agreed that price competition is the hall mark in their industry, 41.2% agreed that there are new competitive moves almost on daily basis while majority agreed that their competitors are relatively weak (mean =2.7). 36.2% agreed that there are almost new products launches daily while 63.8% agreed that their customers had a wide range of products/services to choose from. 47.3% agreed that they experience launch of substitute products or services; 51.1% agreed that there are many price wars within their industry, while 52.7% agreed that competition in their respective industry is not bad, 32.1% however agreed that their competitors are relatively strong.

From the results of the means of the items, it can be noted that all the means fall within the range of 3.8 – 4.0 apart from one item which had a mean of 2.7 as shown in Table 4.10. This implies that majority of the respondents agreed with the statements hence implying that the items well captured the element of competitive intensity. Moreover, the standard deviation also falls within the range of 0.8 -1.0 meaning that the responses are not very much dispersed from each other. However, one item had a standard deviation of 1.5 which is expected for this particular item, based on the results shown in Table 4.10, competition in manufacturing firms in Kenya is high therefore the quest to develop and sustain a competitive strategies within the manufacturing firms can be attributed to the high level of competitive intensity in the industry.

Table 4.10: Competitive intensity

	%					M	S.D
Competitive intensity	**SD**	**D**	**N**	**A**	**SA**		
Our industry is very competitive	1.5	0.8	4.6	44.3	48.9	4.4	0.7
There are many "promotion wars" in our industry	4.6	8.4	27.5	35.1	24.4	3.7	1.1
Anything that one competitor can offer, others can match readily	0.8	2.3	15.6	58.6	22.7	4.0	0.7
Price competition is a hallmark of our industry	3.8	8.5	14.6	56.9	16.2	3.7	1.0
One hears of a new competitive move almost everyday	1.5	17.6	20.6	41.2	19.1	3.6	1.0
Our competitors are relatively weak	16.9	34.6	23.8	15.4	9.2	2.7	1.2
There are new products launched almost everyday in our industry	3.1	22.3	26.2	36.2	12.3	3.3	1.1
Our customers have access to a wide range of products/services to choose from		3.8	6.9	63.8	25.4	4.1	0.7
We experience launch of substitute products/services	0.8	13	20.6	47.3	18.3	3.7	0.9
There are many "price wars" in our industry	0.8	6.9	19.1	51.1	22.1	3.9	0.9
Competition in our industry is not bad	7.6	9.9	16	52.7	13.7	3.5	1.1
Our competitors are relatively strong	8.4	13	31.3	32.1	15.3	3.3	1.1

n=130

SD=Strongly disagree D=Disagree N=Neutral A=Agree SA= Strongly agree

M=Mean S.D=Standard deviation.

4.6.13: Firm Performance

Several parameters were used to measure firm performance in the current study. The respondents were requested to indicate their opinions with regard to firm performance measurement on a five point Likert scale. The study findings showed that 45.7% of the respondents reported that their firm's sales growth rate was better, whereas 54.3% reported that their sales were greater. Second, 52% of the manufacturing firms reported that their profit growth rate was better, while 59.5% reported that their profit for the last five years improved and 50.4% reported that their profitability ratio was enhanced.

On overall, 56.3% reported that their firms overall performance improved as represented in Table 4.11. This supports the earlier findings by Allen et al., (2006), Thompson et al. (2008) and Datta (2009) who contends that generic strategies can successfully be linked to organizational performance. The researcher then concludes that competitive strategies have a strong predictive effect on performance of manufacturing firms in Kenya.

Table 4.11: Firm performance

	%					M	S.D
Firm performance	**MW**	**W**	**I**	**B**	**MB**		
Sales growth rate for the past 5 years	1.6	8.7	15	45.7	29.1	3.9	1.0
Sales for the past 5 years	3.1	2.4	15.7	54.3	24.4	3.9	0.9
Profit growth rate for the past 5 years	2.4	7.1	18.1	52	20.5	3.8	0.9
Profit for the past 5 years	0.8	8.7	14.3	59.5	16.7	3.8	0.8
Profitability ratio for the past 5 years	1.6	7.9	22	50.4	18.1	3.8	0.9
Overall performance for the past 5 years		4	18.3	56.3	21.4	4.0	0.7

n=130

MW *=Much worse* ***W*** *= worse* ***I*** *= Indifferent* ***B****=Better* ***MB*** *= Much Better,* ***M****=Mean*

S.D*= Standard deviation*

4.6.14 Competitive Strategies and Firm Performance

Further, the researcher sought to find out the relationship between competitive strategy and firm performance. To achieve this, the respondents were requested to indicate on a five-point Likert scale their level of agreement on several statements describing the relationship. Results of the study showed that 57.3% of the manufacturing firms agreed that cost leadership strategy had a positive impact on their sales, while 51.6% agreed that cost leadership strategy greatly improved their profits and 50.8% agreed that cost leadership strategy significantly improved their overall performance. 50.4% agreed that differentiation strategy has greatly improved their sales, while 45.6% agreed that differentiation strategy improved their profit over the years and 45.2% agreed that differentiation strategy greatly improved their overall performance. 48.4% agreed that focus strategy significantly improved their sales, while 43.5% agreed that focus strategy improved their profit significantly and 39% agreed that focus strategy largely contribute to their overall performance.

Forty eight point three per cent either strongly disagreed or disagreed (48.3%) that none of the three strategies (cost leadership, differentiation and focus strategy) contributed to improved sales, profit and overall performance. This implies that overall the strategies employed influenced the performance indicators. These findings agree with earlier studies that confirm that competitive strategies enhanced performance Herold, (1972) and that of Jonsson and Devonish (2009) which established that firms that had properly planned and applied competitive strategies having a tendency of high performance than those which did not. These findings are captured in Table 4.12.

Table 4.12: Competitive strategy and firm performance

	%					M	S.D
	SD	D	N	A	SA		
Cost Leadership strategy positively impact on our sales	1.6	3.2	12.9	57.3	25	4.0	0.8
Cost Leadership strategy has greatly improved our profit	0.8	4	18.5	51.6	25	4.0	0.8
Cost Leadership strategy significantly improved our overall performance	0.8	4.8	22.6	50.8	21	3.9	0.8
Differentiation strategy has greatly increased our sales	4	3.2	22.4	50.4	20	3.8	0.9
Differentiation strategy has improved our profit over the years	3.2	4.8	21.6	45.6	24.8	3.8	1.0
Differentiation strategy has greatly improved our overall performance	1.6	3.2	25	45.2	25	3.9	0.9
Focus strategy has significantly improved our sales	0.8	8.9	20.2	48.4	21.8	3.8	0.9
Focus strategy has improved our profit significantly	0.8	8.1	23.4	43.5	24.2	3.8	0.9
Focus strategy largely contribute to our overall performance	0.8	8.1	26.8	39	25.2	3.8	0.9
None of these strategies has improved our sales, profit and our overall performance	32.2	16.1	14.4	22	15.3	2.7	1.5

n=130

SD=Strongly disagree D=Disagree N=Neutral A=Agree SA= Strongly agree M=Mean S.D=Standard deviation.

4.7: Inferential Statistics

Having described the study variables using descriptive statistics, the study sought to establish the effect of cost leadership strategy, differentiation strategy and focus strategy on manufacturing firm performance. The researcher sought to esatblish the bivariate nature of both dependent and independent variables.

To evaluate the strength of the relationship, a bivariate correlation analysis was used. Linear multiple regression analysis was further used to establish the nature of the relationship. In addition, the inferential statistics were used to test the null hypothesis for possible rejection or acceptance. The 5% level of significance was taken as the level of decision criteria whereby the null hypothesis was rejecetd if the p-value was less than 0.05 and accepted if otherwise. Firm performance (y) was calculated as an agregate of all the parameters measuring performance in the research instrument.

4.7.1: Bi-variate Linear Relationship between Study Variables

Before running the regression analysis, the researcher run the correlation matrix in order to check whether there was association between variables and also checked whether there was a multicollinearity within the variable. Pearson product moment correlation coefficient (r) was used to aid in establishing correlation bewteen the study variables of interest. Correlation coefficient shows the magnitude and direction of the relationship between the study variables.

The correlation coefficient varies over a range of +1 through 0 to -1. When r is positive, the regression line has a positive slope and when r is negative, the regression line has a negative slope. Table 4.13 shows bivariate linear relationship between the study variables.

The findings of the correlation analysis indicated that there is a positive correlation between cost leadership strategy and manufacturing firm performance (r=0.253, p-value=0.004). Therefore, an increase in use of cost leadership strategy led to an increase in firm performance. Regarding differentiation strategy, the correlation coefficient was also positive (r = 0.374, p-value < 0.001). This means that an increase in use of differentiation strategy in manufacturing firm led to an increase in firm performance.

Results of the study also showed that there is a significant positive correlation between focus strategy and firm performance (r=0.251, p-value =0.005) implying that an increase in use of focus strategy improved the rate of performance of the manufacturing firms. This means that the variables could be selected for statistical analysis like regression analysis. It is important to note that focus strategy improved manufacturing firms performance but not to the extent of cost leadership and differentiation strategy. The study findings also showed that competitive intensity is negatively correlated with firm performance (r = -.182, p-value =0.040). This means that an increase in competitive intensity decreases the rate of manufacturing firm performance.

Table 4.13: Bi-variate linear relationship between study variables

Correlations

		X1	X2	X3	M	Y
X1	Pearson Correlation	1	.571**	.317**	.226**	.253**
	Sig. (2-tailed)		.000	.000	.009	.004
	N	131	130	130	131	127
X2	Pearson Correlation	.571**	1	.560**	.181*	.374**
	Sig. (2-tailed)	.000		.000	.039	.000
	N	130	130	130	130	126
X3	Pearson Correlation	.317**	.560**	1	.030	.251**
	Sig. (2-tailed)	.000	.000		.739	.005
	N	130	130	130	130	126
M	Pearson Correlation	.226**	.181*	.030	1	-.182*
	Sig. (2-tailed)	.009	.039	.739		.040
	N	131	130	130	131	127
Y	Pearson Correlation	.253**	.374**	.251**	-.182*	1
	Sig. (2-tailed)	.004	.000	.005	.040	
	N	127	126	126	127	127

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Key Y=Firm performance X1= Cost leadership strategy X2=Differentiation strategy X3=Focus strategy M=Competitive intensity.

4.8 Effect of the Independent Variables on Dependent Variable

The initial effort to examine the relationships proposed by the research model involved conducting multiple regression analysis. Multiple regression analysis is used to analyze the relationship between a single dependent variable and several predictor variables (Hair et al. 2006). The researcher used linear regression analysis to test the first three null hypotheses. Linear regression is an approach to modelling the relationship between a scale of variable Y or more variables denoted as X. To test hypothesis four, the researcher used moderated multiple regression analysis to estimate the interaction effect and test the moderating effect of competitive intensity on the relationship between competitive strategies and performance of manufacturing firms in Kenya.

The F-test was used further to determine the validity of the model while R squared was used as a measure of the model goodness of fit. The regression coefficient summary was then used to explain the nature of the relationship between the dependent and independent variables.

Hypothesis One: Cost leadership strategy has no significant effect on performance of manufacturing firms in Kenya.

4.8.1 Cost Leadership Strategy and Firm Performance Model Summary

The coefficient of determination (R squared) of 0.064 shows that 6.4% of firm performance can be explained by cost leadership strategy. The adjusted R-square of 5.7% indicates that cost leadership strategy in exclusion of the constant variable explained the change in firm performance by 5.7% , the remaining percentage can be explained by other factors excluded from the model. R of 0.253 shows that there is positive correlation between firm performance and cost leadership strategy. The standard error of estimate (0.70124) shows the average deviation of the independent variables from the line of best fit. These results are shown in Table 4.14.

Table 4.14: Cost leadership strategy and firm performance Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.253[a]	.064	.057	.70124

a. Predictors: (Constant), X1

a) Cost Leadership Strategy and Manufacturing Firm Performance ANOVA

The result of Analysis of Variance (ANOVA) for regression coefficient as shown in Table 4.15 revealed (F=8.557, p value = 0.004). Since the p-value is less than 0.05 it means that there exists a significant relationship between cost leadership strategy and performance of manufacturing firms in Kenya.

Table 4.15 Cost leadership strategy and manufacturing firm performance ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4.208	1	4.208	8.557	.004[a]
	Residual	61.468	125	.492		
	Total	65.676	126			

a. Predictors: (Constant), X1

b. Dependent Variable: Y

b) Cost Leadership Strategy and Manufacturing Firm Performance Regression Weights

The study hypothesized that cost leadership strategy has no significant effect on performance of manufacturing firms in Kenya. The study findings indicated that there was a positive significant relationship between cost leadership strategy and performance of manufacturing firm (β=0.338 and p value=0.004). Therefore, a unit

increase in use of cost leadership strategy index led to an increase in manufacturing firm performance index by 0.338. Since the p-value was less than 0.05 as shown in Table 4.16, the null hypothesis was rejected and the alternative hypothesis accepted. It can then be concluded that cost leadership strategy influences firm performance of manufacturing firms in Kenya.

Table 4.16 Cost leadership strategy and firm performance regression weights

		Unstandardized Coefficients		**Standardized Coefficients**		
Model		B	Std. Error	Beta	**T**	**Sig.**
1	(Constant)	2.648	.421		6.286	.000
	X1	.338	.116	.253	2.925	.004

a. Dependent Variable: Y

1. Discussion of Findings on the Relationship Between Cost Leadership Strategy and Firm Performance

The regression analysis on Table 4.16 revealed that cost leadership strategy had an influence on firm performance of manufacturing firms in Kenya. For every unit increase in cost leadership strategy, there was a corresponding increase by 0.338 in manufacturing firm performance. The Pearson product moment correlation coefficient revealed a moderate, positive and significant correlation between cost leadership strategy and firm performance ($r = 0.253$, p-value = 0.004) significant at 0.05 level of significance. Use of cost leadership was positively and significantly associated with other competitive strategies as revealed by the results of the correlation matrix on Table 4.13.

These results are consistent with previous studies investigating the influence of cost leadership on firm performance.

The findings of a study conducted by Marques et al (2000) who surveyed 12 large manufacturing firms from Portugal's glass industry and found that companies that had a higher return on equity pursued a cost leadership strategy based on efficiency

production and a cost leadership strategy derived from product innovation and that of Shah et al (2000) which found that Japanese firms applying low cost performed better than US and German companies that applied a “Stuck in the middle” strategy.

The study findings also support the work of Thathi (2008) which focused on competitive strategies used by advertising firms in Kenya and found that discounts, competitive pricing and quality of service provision were major strategies applied by advertising firms in Kenya. The findings are also consistent with the findings of Murimiri (2008) who found that cost reduction, outstanding customer service and operational efficiency were utilized by commercial banks in Kenya as a means of attaining competitiveness.

The study results also concur with the work of Powers and Hahn (2004) which looked into whether or not there were links between competitive methods, generic strategies and firm performance and found that a cost leadership strategy did perform better than differentiators and focus strategies and that of Gitonga (2003), which found that cost leadership is one of the strategies applied by hospitality establishments in Nairobi.

It is, therefore, evident from the foregoing discussion that manufacturing firms in Kenya vigorously pursued cost reduction mechanism by focusing on product design technique that economized on cost of materials, lowering prices than that of their competitors, investing in sales promotion, reduction of administration cost and investing in technology-based delivery system to lower their costs among others.

The study findings are thus congruent with Porter’s (1980) assertion that cost leadership strategy has a positive impact on market share in general since a firm that manages to sustain a competitive advantage in cost structure can offer the prices to customers. Based on its cost advantage, the firm produces and sells higher volumes than competitors which in turn increase its cost leadership. The study findings led to the rejection of the null hypothesis and acceptance of the alternative hypothesis that

cost leadership has a significant effect on performance of manufacturing firms in Kenya.

Hypothesis Two: Differentiation strategy has no significant effect on performance of manufacturing firms in Kenya.

4.9 Differentiation Strategy and Firm Performance Model Summary

From Table 4.17, the coefficient of determination (R-squared) of 0.14 shows that 14% of manufacturing firm performance can be explained by differentiation strategy. The adjusted R-square of 13.3% depicts that differentiation strategy in exclusion of the constant variable explained the change in manufacturing firm performance by 13.3%, the remaining percentage can be explained by other factors excluded from the model. An R of 0.374 implies that there was a positive relationship between differentiation strategy and performance of manufacturing firms' in Kenya.

Table 4.17: Differentiation strategy and manufacturing firm performance model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.374a	0.14	0.133	0.65977

a Predictors: (Constant), Differentiation

a) Differentiation Strategy and Manufacturing Firm Performance ANOVA

Table 4.18 displays the Analysis of Variance (ANOVA) for regression coefficients. The results revealed that differentiation strategy is statistically significant in explaining performance of manufacturing firms in Kenya. An F statistics of (20.182) indicate that the model is significant. This was supported by a probability value of (0.000). The reported probability of (0.000) is less than the conventional of (0.005) hence significant.

Table 4.18: Differentiation strategy and manufacturing firm performance ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	8.785	1	8.785	20.182	.000b
	Residual	53.977	124	0.435		
	Total	62.763	125			

a Dependent Variable: Firm performance

b Predictors: (Constant), Differentiation

b) Differentiation Strategy and Manufacturing Firm Performance Regression Weights

The study hypothesized that differentiation strategy has no significant effect on performance of manufacturing firms in Kenya. However, the study findings showed that there was a positive significant relationship between differentiation strategy and manufacturing firm performance (β=0.48 and p-value<0.001). Therefore, a unit increase in differentiation strategy index led to an increase in manufacturing firm performance index by 0.48. Since the p-value was less than 0.05 as indicated on Table 4.19, the null hypothesis was rejected and the alternative hypothesis accepted. Therefore, it can be concluded that differentiation strategy had a significant affect manufacturing firm performance.

Table 4.19: Differentiation strategy and manufacturing firm performance regression weights

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.069	0.407		5.077	0.00
	Differentiation	0.48	0.107	0.374	4.492	0.00

a Dependent Variable: Firm performance

2. Discussion of Findings on the Relationship Between Differentiation Strategy and Firm Performance

The findings on Table 4.19 indicate that differentiation strategy positively and significantly influences performance of manufacturing firms in Kenya ($\beta = 0.48$, p-value <0.001). For every unit increase in the use of differentiation strategy, there was a corresponding increase in firm performance by 0.48. The Pearson product moment correlation coefficient revealed a moderate positive and significant correlation between firm performance of manufacturing firms and differentiation strategy ($r = 0.374$, p-value <0.001) as shown in Table 4.13.

These results are consistent with previous research. For instance, Allen and Helms (2002) found a positive and significant relationship between product differentiation strategy and organizational performance. These findings also support the works of Marques et. al., (2000), Silva et. al., (2000) and Jacome et. al., (2002) which showed that organizations following a differentiation strategic choice tended to achieve higher performance relative to those organizations which did not. Similarly, Murage (2011) in his study on the competitive strategies used in the petroleum industry found that service stations used differentiation as a way of obtaining competitive advantage over other service stations. The results of the study also concur with that of Kimotho (2012) which studied competitive strategies on the financial performance of CFC Stanbic Bank Limited and found that the companies that are effective at rapidly innovating new products gained a competitive edge over their rivals.

Similarly, the study findings of a significant positive relationship between differentiation strategy and performance of manufacturing firms in Kenya confirms the assertion by Asdemir, Fernando and Tripathy (2013) that a differentiation strategy is harder to imitate since it is built on product and services that are perceived to be different from the competitors hence leading to more sustainable performance. The study results further revealed that differentiation strategy was the most preferred strategy by the manufacturing firms in Kenya compared to cost leadership strategy

and focus strategy as shown by R-square of 0.14 compared to that of cost leadership strategy (R-square of 0.064) and focus strategy (R-square of 0.063) respectively.

These findings support the notion that many manufacturing firms view a strategy of differentiation as a more important and distinct means to achieve competitive advantage than a low-cost strategy (Kotha & Vadlamani, 1995). The study findings thus led to the rejection of the null hypothesis and acceptance of the alternative hypothesis that differentiation strategy has significant effect on performance of manufacturing firms in Kenya.

Hypothesis Three: Focus Strategy has no significant effect on performance of manufacturing firms in Kenya.

4.10 Focus Strategy and Manufacturing Firm Performance Model Summary

Results of regression analysis showed significant association between focus strategy and firm performance. The coefficient of determination (R-squared) of 0.063 shows that 6.3% of manufacturing firm performance can be explained by focus strategy. The adjusted R-square of 0.055 depicts that focus strategy in exclusion of the constant variable explained the change in manufacturing firm performance by 5.5%. The remaining percentage can be explained by other factors excluded from the model. These results are indicated in Table 4.20.

Table 4.20: Focus Strategy and Manufacturing Firm Performance Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.251a	0.063	0.055	0.68872

a Predictors: (Constant), Focus

a) Focus Strategy and Manufacturing Firm Performance ANOVA

F-statistics were used as a measure of model validity. Table 4.21 shows that there is a significant relationship between focus strategy and manufacturing firm performance (F=8.319, p value =0.005) and at least the slope (β coefficient) is not zero. Therefore, it can be concluded that the model was valid.

Table 4.21: Differentiation strategy and manufacturing firm performance ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.946	1	3.946	8.319	.005b
	Residual	58.817	124	0.474		
	Total	62.763	125			

a Dependent Variable: Firm performance

b Predictors: (Constant), Focus

b) Focus Strategy and Manufacturing Firm Performance Regression Weights

The study hypothesized that focus strategy has no significant effect on performance of manufacturing firms in Kenya. The study findings revealed that there was a positive significant relationship between focus strategy and manufacturing firm performance (β=0.306 and p-value=0.005) as indicated in Table 4.22. Therefore, a unit increase in focus strategy index led to an increase in manufacturing firm performance index by 0.306. Since the p-value was less than 0.05, the null hypothesis was rejected and the alternative hypothesis accepted. Therefore, it can be concluded that focus strategy had a significant effect on manufacturing firm performance.

Table 4.22: Focus strategy and manufacturing firm performance regression weights

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.693	0.416		6.471	0.00
	Focus	0.306	0.106	0.251	2.884	0.005

a Dependent Variable: Firm performance

3. Discussion of Findings Between Focus Strategy and Firm Performance

The result of regression analysis showed that focus strategy had a positive significant relationship with firm performance as reflected by (β=0.306 and p-value=0.005) in table 4.22. Pearson product moment correlation coefficient (r = 0.253, p-value = 0.04) in Table 4.13 showed that there is a positive significant correlation between focus strategy and manufacturing firm performance. This means that an increase in use of focus strategy improved manufacturing firm performance.

These findings concur with some earlier studies and researches on the use of generic strategies which indicated that business strategies of cost leadership, differentiation; cost leadership with focus and differentiation with focus lead an organization to higher performance (Campbell-Hunt, 2005; Cater & Pucko, 2005; Porter, 1980a; Porter 1985b; Projogo & Sohal 2006b; Spanos & Lioukas 2001 and Yamin et al.,1999). The results of this study are also consistent with that of Dess and Devis (1984) which examined the performance effect of generic strategies based on a sample of non-diversified manufacturing firms in which they found that those firms could be classified into four clusters based on the strategies they adopted namely; cost leadership, stuck in the middle, focus and differentiation strategies. In terms of sales growth the four groups were significantly found to be different from one another and that focus strategy was found to have the highest sales growth.

The study findings further support the work of Maluku (2008), in his study on competitive strategies on performance of dairy firms in Kenya which found that

focus strategy was most preferred by dairy firms in Kenya compared to cost leadership and differentiation strategies. It also concurs with a study by Mary (2014) which found that compared to other generic strategies focus strategy was the factor which had the most significant effect on the firm's competitive advantage.

The literature reviewed indicated that focus strategy emphasized on a particular need or geographic, demographic or product segment. Porter (1985) posits that focus strategy is more applicable in mature industries or in industries in which there is a high cost of poor performance. Results of the current study suggest that manufacturing firms in Kenya placed more emphasis in focus strategy than in cost leadership strategy. This means that most of manufacturing firms in Kenya are either in their mature phase or are confronted by poor performance. Similarly, it may mean that there is a segment in the broader market whose needs and wants are not addressed by differentiators and cost leaders offering broad products/services to the larger market.

4.11: Optimal Model

Multiple regression analysis was used to determine whether independent variables, Cost leadership strategy (X_1), differentiation strategy (X_2) and focus strategy (X_3) simultaneously affect the dependent variable firm performance (Y) which is performance of manufacturing firms in Kenya. From Table 4.23, the coefficient of determination (R-squared) of 0.143 shows that 14.3% of manufacturing firm performance can be explained by cost leadership, differentiation and focus strategies.

The adjusted R of 0.122% indicates that the cost leadership, differentiation and focus strategies in exclusion of the constant variable explained the change in firm performance by 12.2%, the remaining percentage can be explained by other factors not included in the model. An R of 0.379 shows that there is a positive correlation between cost leadership, differentiation and focus strategies and performance of manufacturing firms in Kenya. These results are shown in Table 4.23.

Table 4.23 Optimal Model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.379[a]	.143	.122	.66388

a. Predictors: (Constant), X3, X1, X2

The analysis of variance (ANOVA) as shown in Table 4.24 tests the significance of the model at 5% level of significance.

The value of p = 0.000 means that the null hypothesis is rejected and the alternative hypothesis is taken to hold as p-value is less than 0.05. This implies that cost leadership (X_1), differentiation (X_2) and focus (X_3) strategies are significant predictors at explaining the manufacturing firms performance and that the model is significantly fit at 5% level of significance.

Table 4.24: Optimal Model ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	8.993	3	2.998	6.802	.000[a]
	Residual	53.769	122	.441		
	Total	62.763	125			

a. Predictors: (Constant), X3, X1, X2

b. Dependent Variable: Y

Further analysis as shown in Table 4.25 shows the beta coefficients X_1 ($\beta = 0.044$, p-value 0.747), X_2 ($\beta = 0.412$, p-value = 0.007) and X_3 (0.075, p-value 0.545) implies a positive insignificant relationship between cost leadership, differentiation and focus strategies and manufacturing firm performance. Since the p-values are all more than 0.05, the null hypothesis was accepted and alternative hypothesis rejected. Therefore, it can be concluded that cost leadership, differentiation and focus strategies have insignificant effect on manufacturing firm performance.

Table 4.25: Optimal Model Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.880	.500		3.761	.000
	X1	.044	.135	.033	.323	.747
	X2	.412	.150	.321	2.738	.007
	X3	.075	.123	.061	.607	.545

a. Dependent Variable: Y

4. Discussion of the Optimal Model

The overall objective of this study was to determine the effect of competitive strategies on the performance of manufacturing firms in Kenya. The expectation was that if a firm chooses to implement competitive strategies of cost leadership, differentiation and focus, it will achieve superior performance and stay ahead of competition. The results of regression analysis showed that cost leadership, differentiation and focus strategies combined had insignificant positive relationship with manufacturing firms performance X_1 ($\beta = 0.044$, p-value 0.747), X_2 ($\beta = 0.412$, p-value = 0.007) and X_3 (β 0.075, p-value 0.545) as shown in Table 4.25.

This finding supports Porter's (1980) assertion that strategy selection by itself does not necessarily lead to improved firm performance. Similar conclusions were also drawn by Kwasi and Moses (2007) in their study examining the relationship between manufacturing strategy, competitive strategy and firm performance of Ghanian manufacturing firms which found no direct relationship between competitive strategies and firm performance. This means that manufacturing firms wanting to achieve superior performance should align their strategies to changes happening in larger environment and look for other ways to cope with competition as competitiveness of a firm is not only determined by the choice of competitive strategies as revealed by the study findings.

Hypothesis Four: Competitive intensity has no significant moderating effect on the relationship between competitive strategies and performance of manufacturing firms in Kenya.

4.12 Regression Results for the Moderating Effect of Competitive Intensity on Cost Leadership Strategy and Firm Performance

To test the above hypothesis, moderated multiple regression was used to estimate the interaction effect and test the moderating effect of competitive intensity on the relationship between cost leadership strategy and firm performance. Table 4.26 shows the moderating effect of competitive intensity on cost leadership strategy and firm performance model summary.

The coefficient of determination (R-Squared) of 0.064 shows that 6.4% of manufacturing firm performance can be explained by cost leadership strategy. The adjusted R-square of 5.7% depicts that cost leadership strategy in exclusion of the constant variable explained the change in firm performance by 5.7%, the remaining percentage can be explained by other factors excluded from the model. An R = 0.253 means that there is a positive significant relationship between cost leadership strategy and firm performance. The standard error of estimate (0.70124) shows the average deviation of the independent variables from the line of best fit.

The second model shows the relationship between cost leadership strategy, competitive intensity and firm performance. The change in R-square from 6.4% to 12.5% implies that competitive intensity enhanced the relationship between cost leadership strategy and manufacturing firm performance. The third model shows the relationship between firm performance and cost leadership, competitive intensity and moderated cost leadership strategy (cost leadership strategy * competitive intensity). The findings revealed that the model became insignificant when the interaction term was introduced and there was no change in R-square. Therefore, it can be concluded that competitive intensity had no significant moderation.

Table 4.26: Moderating effect of competitive intensity on cost leadership strategy and firm performance model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.253[a]	.064	.057	.70124	.064	8.557	1	125	.004
2	.353[b]	.125	.111	.68085	.061	8.601	1	124	.004
3	.354[c]	.125	.104	.68337	.001	.087	1	123	.769

a. Predictors: (Constant), X1

b. Predictors: (Constant), X1, M

c. Predictors: (Constant), X1, M, X1M

a) Moderating Effect of Competitive Intensity on Cost Leadership Strategy and Firm Performance ANOVA

The F-statistics was used to determine the validity of the model, in Table 4.27 (F=8.557, p-value = 0.004) shows that there is a significant relationship between firm performance and cost leadership strategy and at least the slope (β coefficient) is not zero. Similarly, the F-statistics for the second model was (F=8.839, p-value < 0.001); therefore, it can be implied that there is a significant relationship between manufacturing firm performance and cost leadership strategy and competitive intensity and at least one of the beta (slope) is not zero.

The F-statistics for the third model (F=5.878, p-value = 0.001) shows that there was a significant relationship between firm performance and cost leadership, competitive intensity and moderated cost leadership strategy (cost leadership strategy * competitive intensity). It can then be concluded that the three models are significantly valid.

Table 4.27: Moderating effect of competitive intensity on Cost leadership strategy and firm performance ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4.208	1	4.208	8.557	.004[a]
	Residual	61.468	125	.492		
	Total	65.676	126			
2	Regression	8.195	2	4.097	8.839	.000[b]
	Residual	57.481	124	.464		
	Total	65.676	126			
3	Regression	8.235	3	2.745	5.878	.001[c]
	Residual	57.440	123	.467		
	Total	65.676	126			

a. Predictors: (Constant), X1

b. Predictors: (Constant), X1, M

c. Predictors: (Constant), X1, M, X1M

d. Dependent Variable: Y

b) Moderating Effect of Competitive Intensity on Cost Leadership Strategy and Firm Performance Regression Weights

The study findings showed that there was a positive significant relationship between cost leadership and manufacturing firm performance (β=0.338 and p-value=0.004) as shown in Table 4.28. Therefore, a unit increase in use of cost leadership strategy led to an increase in manufacturing firm performance by 0.338. Since the p-value was less than 0.05, the null hypothesis was rejected and concluded that cost leadership strategy had a significant positive relationship with manufacturing firm performance.

The second model depicted that there is a significant negative relationship between competitive intensity and firm performance (β = - 0.238 and p-value=0.004). Thus, it

can be implied that a unit change in competitive intensity index decreases manufacturing firm performance index by 0.238 units. A closer scrutiny of the cost leadership beta coefficeint depicts that competitive intensity strengthens the positive relationship (β=0.415 and p-value < 0.001) between cost leadership and firm performance.

The third model depicted an insiginificant relationship between moderated cost leadership strategy and firm performance (β=0.018, p-value=0.769) and the relationship between cost leadership and firm performance weakened from (β = 0.415, p-value <0.001) to (β = 0.412, p-value 0.001). Moreover, there was no change in R square in model three after introduction of product term as shown in Table 4.26 as well. It can then be concluded that competitive intensity has no significant moderating effect.

Table 4.28: Moderating effect of competitive intensity on cost leadership strategy and firm performance regression coefficients

		Unstandardized Coefficients		Standardized Coefficients		
Model		**B**	**Std. Error**	**Beta**	**t**	**Sig.**
1	(Constant)	2.648	.421		6.286	.000
	X1	.338	.116	.253	2.925	.004
2	(Constant)	3.125	.440		7.099	.000
	X1	.415	.115	.311	3.601	.000
	M	-.238	.081	-.253	-2.933	.004
3	(Constant)	3.222	.551		5.849	.000
	X1	.412	.116	.308	3.546	.001
	M	-.273	.143	-.290	-1.911	.058
	X1M	.018	.061	.045	.294	.769

a. Dependent Variable: Y

5. Discussion of Findings on the Moderating Effect of Competitive Intensity on the Relationship between Cost Leadership Strategy and Firm Performance

The findings in Table 4.16 indicated that cost leadership strategy positively and significantly influenced manufacturing firm performance ($\beta = 0.338$, p-value 0.004). For every unit increase in the use of cost leadership strategy, there was a corresponding increase in firm performance by (0.338).

The Pearson product moment correlation coefficient revealed a moderate, positive and significant correlation between performance of manufactuirng firms and cost leadership strategy ($r = 0.253$, p-value 0.004) significant at 5% level of significance. The use of cost leadership strategy was positively and significantly associated with other competitive strategies (differentiation and focus strategies) as revealed by the results of the correlation matrix in Table 4.13.

The empirical findings of this study indicated that cost leadership strategy influenced performance of manufacturing firms in Kenya. These results are consistent with previous studies investigating the relationshp between cost leadershp strategy and firm performance. The findings of the study support the work of Porter, (1980) who asserts that focus of firms implementing a cost leadership strategy is on stringent cost control and efficiency in all areas of operation. An implication of this finding is the possibility that cost leaders, in a competitive environment, have an average performance because they are not focusing on acquiring new markets or customers. Similar conclusions were drawn by Marques et al., (2000), Silva *et al.,* (2000) and Lumpkin and Dess (2006).

Regression Results for the Moderating Effect of Competitive Intensity on Differentiation Strategy and Firm Performance

4.13 Moderating Effect of Competitive Intensity on Differentiation Strategy and Firm Performance Model Summary

The model of determination (R-squared) of 0.14 showed that 14% of manufacturing firm performance can be explained by differentiation strategy. The adjusted R square of 13.3% depicts that the differentiation strategy in exclusion of the constant variable explained the change in firm performance by 13.3%, the remaining percentage can be explained by other factors not included in the model. The correlation coefficient of differentiation strategy (R=0.374) in Table 4.29 shows that there is a moderate positive relationship between firm performance and differentiation strategy. The standard error of estimate (0.65977) shows the average deviation of the independent variable from the line of the best fit.

The second model shows the relationship between differentiation strategy, competitive intensity and firm performance. R-squared of 0.204 shows that 20.4% of firm performance can be explained by differentiation strategy, competitive intensity and firm performance. This means that competitive intensity strengthened the relationship between differentiation strategy and firm performance. The third model shows the relationship between firm performance and differentiation strategy, competitive intensity and moderated differentiation strategy (differentiation strategy * competitive intensity).

The findings revealed that 20.5% of the change in firm performance can be explained by differentiation strategy, competitive intensity and moderated differentiation strategy (differentiation strategy *competitive intensity). The introduction of the interaction term weakened the relationship between differentiation strategy and firm performance and the model became insignificant as shown by the (F = 0.109, p-value 0.742).

Table 4.29: Moderating effect of competitive intensity on differentiation strategy and firm performance model summary

Model	R	R Square	Adjusted R Square	Std. error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.374[a]	.140	.133	.65977	.140	20.182	1	124	.000
2	.452[b]	.204	.191	.63733	.064	9.886	1	123	.002
3	.452[c]	.205	.185	.63965	.001	.109	1	122	.742

a. Predictors: (Constant), X2

b. Predictors: (Constant), X2, M

c. Predictors: (Constant), X2, M, X2M

a) Moderating Effect of Competitive Intensity on Differentiation Strategy and Firm Performance ANOVA

Table 4.30 (F=20.182, p-value<0.001) in model one shows that there is a significant relationship between firm performance and differentiation strategy. Similarly, the F-statistics for the second model was (F=15.757, p-value <0.001) implying that there is a significant relationship between firm performance, differentiation strategy and competitive intensity. The F-statistics for the third model (F=10.465, p-value<0.001) show, that there was a significant relationship between firm performance and differentiation strategy and moderated differentiation strategy (differentiation strategy *competitive intensity). It can then be concluded that all the three models are valid.

Table 4.30: Moderating effect of competitive intensity on differentiation strategy and firm performance ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	8.785	1	8.785	20.182	.000[a]
	Residual	53.977	124	.435		
	Total	62.763	125			
2	Regression	12.801	2	6.400	15.757	.000[b]
	Residual	49.962	123	.406		
	Total	62.763	125			
3	Regression	12.846	3	4.282	10.465	.000[c]
	Residual	49.917	122	.409		
	Total	62.763	125			

a. Predictors: (Constant), X2

b. Predictors: (Constant), X2, M

c. Predictors: (Constant), X2, M, X2M

d. Dependent Variable: Y

b) Moderating Effect of Competitive Intensity on Differentiation Strategy and Firm Performance Regression Coefficients

The study findings of the study revealed that there was a positive significant relationship between differentiation strategy and firm performance ($\beta = 0.48$ and p-value < 0.001) as shown in Table 4.31. This means, a unit increase in differentiation strategy led to an increase in firm performance by 0.48. Since the p-value was less than 0.05 the null hypothesis was rejected and we concluded that differentiation strategy had a significant positive relationship with firm performance. The second model depicts that there is a significant negative relationship between competitive intensity and firm performance ($\beta = -0.237$ & p-value=0.002) as shown in Table 4.31.

This means that a unit change in competitive intensity index decreases firm performance index by 0.237 units.

A closer scrutiny of the differentiation strategy beta coefficient indicates that competitive intensity strengthened the positive relationship between differentiation strategy and firm performance (β= 0.542, p-value < 0.001). The third model shows that there is a positive insignificant relationship between moderated differentiation strategy and firm performance (β=0.019, p-value=0.0742). It can, therefore, be concluded that competitive intensity has no significant moderation effect.

Table 4.31: Moderating effect of competitive intensity on differentiation strategy and firm performance regression coefficients

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**T**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	2.069	.407		5.077	.000
	X2	.480	.107	.374	4.492	.000
2	(Constant)	2.585	.427		6.061	.000
	X2	.542	.105	.422	5.158	.000
	M	-.237	.075	-.258	-3.144	.002
3	(Constant)	2.699	.550		4.910	.000
	X2	.538	.106	.419	5.058	.000
	M	-.276	.140	-.300	-1.972	.051
	X2M	.019	.058	.051	.330	.742

a. Dependent Variable: Y

6. Discussion of Findings on the Moderating Effect on the Relationship Between Differentiation Strategy and Firm Performance

The results of the regression revealed that differentiation strategy (X_2) had a significant effect on manufacturing firms performance in Kenya. Correlation coefficient (r=0.374, p-value = 0.005) shown in Table 4.13 indicates that there is a positive correlation between differentiation strategy and manufacturing firm performance. The result is consistent with previous research for example Mosakowski (1993) and Allen and Helms, (2002) which indicated a positive and significant relationship between product differentiation strategy and organizational performance.

This finding also supports the works of Marques et al., (2000), Silva, et al., (2000) and Jacome et al., (2002) which showed that organizations following a differentiation strategic choice tended to achieve higher performance relative to those organizations which did not. The findings further confirm the assertion by Asdemir, Fernando and Tripathy (2013) that differentiation strategy is harder to imitate since it is built on products or services to be different from competitors, hence leading to a more sustainable performance.

It is clear also that the firm performance is greatly enhanced by differentiation strategy based on study findings as it had the higher correlation coefficient compared to cost leadership and focus strategies as shown in Table 4.8. Moreover, manufacturing firms in Kenya emphasized more on building strong reputation within the industry as indicated by a mean of 4.2, followed by product development and strong brand identification at a mean of 4.1 and offering a broad range of products (mean= 4.0) compared to other items used as a measure of differentiation effort in their bid to achieve differentiation.

Regression results for the Moderating Effect of Competitive Intensity on Focus strategy and Firm Performance

4.14 Moderating Effect of Competitive Intensity on Focus Strategy and Firm Performance Model Summary

The coefficient of determination (R-squared) of 0.063 in Table 4.32 shows that 6.3% of manufacturing firm performance can be explained by focus strategy. The adjusted R-square of 5.5% shows that the focus strategy in exclusion of the constant variable explained the change in firm performance by 5.5%, the remaining percentage can be explained by other factors not included in the model. The R shows the correlation coefficient of differentiation strategy, an R =0.251 shows that there is a positive relationship between firm performance and focus strategy. The standard error of estimate (0.68872) shows the average deviation of the independent variable from the line of best fit.

The second model shows the relationship between focus strategy, competitive intensity and firm performance. R-squared of 9.7% shows that 9.7% variation in firm performance index can be explained by focus strategy, competitive intensity and firm performance. This means that competitive intensity strengthened the relationship between focus strategy and manufacturing firm performance but the model was insignificant on introduction of competitive intensity as the moderator.

The third model shows the relationship between focus strategy, competitive intensity and moderated focus strategy (focus strategy *competitive intensity). The study findings revealed that 9.8% of the change in firm performance can be explained by focus strategy, competitive intensity and moderated focus strategy (focus strategy*competitive intensity), however, the model is insignificant on introduction of the interaction term. It can, therefore, be concluded that competitive intensity had no significant moderating effect.

Table 4.32: Moderating effect of competitive intensity on focus strategy and firm performance model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.251[a]	.063	.055	.68872	.063	8.319	1	124	.005
2	.312[b]	.097	.083	.67868	.034	4.693	1	123	.032
3	.314[c]	.098	.076	.68106	.001	.144	1	122	.705

a. Predictors: (Constant), X3

b. Predictors: (Constant), X3, M

c. Predictors: (Constant), X3, M, X3M

a) Moderating effect of competitive intensity on Focus strategy and firm performance ANOVA

F-statistics in model one as highlighted in Table 4.33 (F=8.319, p-value =0.005) shows that there is a significant relationship between firm performance and focus strategy. Similarly, the F-statistics for the second model (F=6.63, p-value = 0.002) implies that there is a significant relationship between firm performance and focus strategy and competitive intensity.

The F-statistics for the third model (F= 4.437, p-value = 0.005) shows that there was a significant relationship between firm performance and focus strategy, competitive intensity and moderated focus strategy (focus strategy * competitive intensity). This suggests that focus strategy and competitive intensity are significant predictors of manufacturing firm performance.

Table 4.33: Moderating effect of competitive intensity on focus strategy and firm performance ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.946	1	3.946	8.319	.005[a]
	Residual	58.817	124	.474		
	Total	62.763	125			
2	Regression	6.107	2	3.054	6.630	.002[b]
	Residual	56.655	123	.461		
	Total	62.763	125			
3	Regression	6.174	3	2.058	4.437	.005[c]
	Residual	56.589	122	.464		
	Total	62.763	125			

a. Predictors: (Constant), X3

b. Predictors: (Constant), X3, M

c. Predictors: (Constant), X3, M, X3M

d. Dependent Variable: Y

b) Moderating effect of competitive intensity on focus strategy and firm performance regression coefficients

The study findings revealed that there was a positive significant relationship between focus strategy and firm performance (β= 0.306, p-value=0.005) as reflected in Table 4.34. Therefore, a unit increase in focus strategy led to an increase in firm performance by 0.306. Since the p-value was less than 0.05 the null hypothesis was rejected and the alternative hypothesis acccepted. Therefore, the researcher concludes that focus strategy has a significant positive effect on performance of manufacturing firms in Kenya.

The second model showed that there is a significant negative relationship between competitive intensity and firm performance (β= -0.171, p-value=0.032). This means that a unit change in competitive intensity index decreases manufacturing firm performance index by 0.171 units.

A closer scrutiny of the focus strategy beta coefficient (β= 0.312, p-value=0.003) in Table 4.34 shows that competitive intensity strengthens the positive relationship between focus strategy and firm performance. The third model revealed that there is relationship between focus strategy and firm performance (β= 0.022 and p value=0.705) but the model is not significant. The researcher, therefore, concludes that competitive intensity has no significant moderation.

Table 4.34: Moderating effect of competitive intensity on focus strategy and firm performance regression coefficients

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**T**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	2.693	.416		6.471	.000
	X3	.306	.106	.251	2.884	.005
2	(Constant)	3.209	.474		6.767	.000
	X3	.312	.104	.256	2.988	.003
	M	-.171	.079	-.186	-2.166	.032
3	(Constant)	3.342	.592		5.647	.000
	X3	.306	.106	.251	2.886	.005
	M	-.215	.141	-.233	-1.529	.129
	X3M	.022	.057	.058	.379	.705

a. Dependent Variable: Y

7. Discussion of Findings on Moderating Effect of Competitive Intensity on the Relationship Between Focus Strategy and Firm Performance

The study findings indicated that 6.3% of the variation of the firm performance could be explained by the focus strategy. The result of regression model shows a positive significant relationship between focus strategy and firm performance (β= 0.306, p-value=0.005). Therefore, a unit increase in focus strategy index leads to an increase in firm perfromance index by 0.306 as shown in Table 4.34 model 1.

These findings are consistent with some recent studies and researches on the use of competitive strategies reliance which indicated that business strategy of cost leadership, differentiation; cost leadership with focus and differentiation with focus led organization to higher performance (Campbell-Hunt, 2005; Cater & Pucko, 2005; Porter, 1980a; Porter 1985b; Projogo & Sohal 2006b; Spanos & Lioukas 2001; Yamin et al., 1999). It is important also to note that those manufacturing firms which adopted focus strategy emphasized more on quick response to changes in demand of customers as reflected by a mean of 4.1. as shown in Table 4.5.

Porter (1980) stated that focus strategy rests on the premise that the firm is able to serve its narrow strategic target market more effectively and efficiently than competitors who are competing more broadly. As a result, the firm achieves either differentiation from meeting the needs of the particular target better, lower costs in serving this target or both. The significant result between focus strategy and manufacturing firm performance in this study is therefore, congruent with Porter's assertion and implies that some of the manufacturing firms in Kenya have identified strategic target market and serving it better than their competitors offering broad products and services hence staying ahead of competition.

4.15 Overall Model Summary

The coefficient of determination (R-squared) of 0.143 as indicated in Table 4.35 shows that 14.3% of firm performance can be explained by cost leadership strategy, differentiation strategy and focus strategy. When competitive intensity was

introduced into the analysis (Model 2), there was R-square change of 6.6%. This means that competitive intensity strengthened the relationship between competitive strategies and manufacturing firm performance. When the product terms were introduced into the analysis (Model 3), the model became insignificant as shown by p-value of 0.277. Therefore it can be concluded that competitive intensity had no significant moderating effect.

Table 4.35: Overall Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.379[a]	.143	.122	.66388	.143	6.802	3	122	.000
2	.457[b]	.209	.183	.64048	.066	10.076	1	121	.002
3	.484[c]	.235	.189	.63809	.025	1.303	3	118	.277

a. Predictors: (Constant), X3, X1, X2

b. Predictors: (Constant), X3, X1, X2, M

c. Predictors: (Constant), X3, X1, X2, M, X3M, X1M, X2M

a) Overall Model ANOVA[d]

To measure the validity of the model, F-statistics were used. F-statistics in Table 4.36 (F = 6.80, p-value < 0.001) show that there is a significant relationship between cost leadership, differentiation strategy, focus strategy and firm performance and at least one slope (β coefficient) is not zero. When competitive intensity was added into the analysis, the resulting model (Model 2) was statistically significant (F= 8.0000, p-value < 0.001) suggesting that competitive intensity is a significant predictor of firm performance. Finally, when the product terms were introduced into the analysis

(Model 3), the F-statistics (F = 5.164, p-value < 0.001), the model was statistically significant suggesting that independent variables (cost leadership, differentiation and focus strategies), competitive intensity and moderated variables are significant predictors of manufacturing firm performance.

Table 4.36: Overall Model ANOVA[d]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	8.993	3	2.998	6.802	.000[a]
	Residual	53.769	122	.441		
	Total	62.763	125			
2	Regression	13.127	4	3.282	8.000	.000[b]
	Residual	49.636	121	.410		
	Total	62.763	125			
3	Regression	14.718	7	2.103	5.164	.000[c]
	Residual	48.045	118	.407		
	Total	62.763	125			

a. Predictors: (Constant), X3, X1, X2

b. Predictors: (Constant), X3, X1, X2, M

c. Predictors: (Constant), X3, X1, X2, M, X3M, X1M, X2M

d. Dependent Variable: Y

b) Overall Model Regression Weights

Table 4.37 shows that differentiation strategy had the most significant positive contribution to manufacturing firm performance (β = 0.41, t = 2.74, p-value 0.007). Although both cost leadership (β = 0.04, t = 0.32, p-value = 0.75) and focus strategy (β = 0.08, t = 0.61, p-value = 0.055) had positive relationships as per correlations analysis in (Table 4.13) with firm performance, they were not significant in the full model. The second model shows the regression coefficients for both independent

variables (cost leadereship, differentiation and focus) and competitive intensity (moderator).

When compeititive intensity was introduced into the analysis, there was a significant negative relationship between competitive intensity and firm perfromance (β = - 0.245, t = - 3.17, p-value < 0.001). This means that a unit increase in competitive intensity index decreases firm performance index by 0.25 units (measured in likert scale).

The introduction of competitive intensity (Model 2), improved the strength of the relationship between differentiation strategy and firm performance (β = 0.46, t = 3.15, p-value < 0.02). Although, cost leadership strategy regression coefficient strengthened from 0.04 to 0.11, it was not significant. Moreover, focus strategy relationship with firm performance weekened after the introduction of competitive intensity from (β=0.075 to β= 0.039).

When the product terms were introduced into the analysis, the resulting model (Model 3) showed a negative insiginificant relationship between competitive intensity and firm performance. The introduction of product terms further made the relationship between cost leadership strategy and firm performance and that of focus strategy firm performance insignificant suggesting that competitive intensity has no significant moderating effect between competitive strategies and manufacturing firm performance and that it impacts negatively on manufacturing firm performance.

Table 4.37: Overall model regression weights

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.880	.500		3.761	.000
	X1	.044	.135	.033	.323	.747
	X2	.412	.150	.321	2.738	.007
	X3	.075	.123	.061	.607	.545
2	(Constant)	2.377	.507		4.688	.000
	X1	.109	.132	.083	.824	.412
	X2	.460	.146	.358	3.151	.002
	X3	.039	.119	.032	.328	.744
	M	-.245	.077	-.266	-3.174	.002
3	(Constant)	2.314	.618		3.748	.000
	X1	.046	.154	.035	.295	.768
	X2	.676	.187	.526	3.606	.000
	X3	-.098	.142	-.081	-.690	.491
	M	-.246	.144	-.267	-1.712	.090
	X1M	.172	.267	.439	.646	.520
	X2M	-.531	.312	-1.408	-1.706	.091
	X3M	.369	.230	.985	1.605	.111

a. Dependent Variable: Y

8. Discussion on the Overall Model

The study investigated the effect of competitive strategies on the performance of manufacturing firms in Kenya. The analysis showed that the three competitive strategy variables of cost leadership, differentiation and focus strategies were

significant predictors of firm performance. The study findings mesh with generic strategy research which suggested that cost leadership, differentiation and focus are appropriate strategies in dynamic environment (Chew et al., 2004; Tang et al., 2007). The study further investigated the moderating effect of competitive intensity on the relationship between competitive strategies and firm performance. The results of the study revealed that competitive intensity had negative significant effect on manufacturing firm performance. This result is congruent with Porter's (1980) assertion that competitive intensity is an important determinant of firm profitability in a given industry. Similarly, it was established from the findings of the study, that competitive intensity had no significant moderating effect between competitive strategies and manufacturing firm performance.

These findings are consistent with those of other scholars. Shigang (2010) in his study investigating competitive strategy and business environment on performance of Small Enterprises in China found a negative relationship between competitive pressure and SMEs performance. Sorensen (2009) also argued that competitive intensity within the industry may lead to poor firm performance. Jaworski and Kohli (1993) similarly explained that higher competitive intensity will give customers more options leading to lesser market dominance of the firm and reduced sales.

9. Summary

This chapter discussed the findings and analysis of the data collected. The information gathered from the analyzed data confirmed that competitive strategies were applied by manufacturing firms in Kenya in developing competitive edge as well as in increasing their performance in terms of profitability and sales growth. The next chapter captures the summary, conclusion and recommendations deduced from the analyzed data. The result also confirmed that competitive intensity has no moderating effect on the relationship between competitive intensity and manufacturing firm performance and that it had negative effect on performance of these firms.

CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the study findings as guided by the specific objectives and also the conclusion. Recommendations as well as direction for future research as per the findings are also presented.

The study sought to establish the effect of competitive strategies on the performance of manufacturing firms in Kenya. Specifically, the study sought to determine the effect of cost leadership strategy on performance of manufacturing firms in Kenya, to assess the effect of differentiation strategy on performance of manufacturing firms in Kenya, to find out the effect of focus strategy on performance of manufacturing firms in Kenya and to establish the moderating effect of competitive intensity on the relationship between competitive strategies and performance of manufacturing firms in Kenya.

5.2 Summary

Specific Objective 1: **Determine the effect of cost leadership strategy on performance of manufacturing firms in Kenya**

The goal of the firm pursuing cost leadership strategy is to become the low cost producer in its industry. A low cost position gives a firm a defense against rivalry from competitors because its lower costs mean that it can still earn returns after its competitors have competed away their profits through rivalry. Cost leaders seek to improve efficiency and control costs throughout the organizations supply chain. This study sought to determine if these implications are held true for manufacturing firms' pursuing cost leadership strategy. Based on the results of this study, cost leadership strategy affects the manufacturing firm performance.

The findings indicated that manufacturing firms performance increased by 0.338 for those pursuing cost leadership strategy. In their pursuit to achieve cost leadership, these firms placed more emphasis on product design technique to economize on cost of material and vigorously focused on cost reduction through emphasis on reduction of administrative cost, charging lower than their competitors and investing in technology based delivery system among others.

Specific Objective 2: Assess the effect of differentiation strategy on performance of manufacturing firms in Kenya

The focus of differentiation strategy is creating something that is perceived as unique by buyers. It involves development of strengths that can give a firm a differential performance advantage above other competitors. A firm pursuing differentiation strategy is likely to offer unique products and services. This research sought to determine if this assertion is held true.

Based on the findings of this study, there is enough evidence to reject the null hypothesis H_{02} that differentiation strategy has no significant effect on performance of manufacturing firms in Kenya. The study found that differentiation strategy affects the performance of manufacturing firms in Kenya. Moreover, the findings revealed that 23.9% of manufacturing firms in Kenya pursue differentiation strategy exclusively. In comparison to the other two competitive strategies of cost leadership and focus strategy, manufacturing firms largely adopt differentiation strategy. This finding confirms the assertion that differentiation strategy is harder to imitate since it is built on product/services that are perceived to be different from the competitors hence leading to more sustainable performance.

In their effort to differentiate their product/services, manufacturing firms in Kenya pay more emphasis on building strong reputation, developing strong brand identification, offering broad range of product as well as introducing innovative products.

Specific Objective 3: Find out the effect of focus strategy on performance of manufacturing firms in Kenya

The study established that focus strategy was concerned with pursuing specific market segments through overall cost leadership and or differentiation as opposed to engaging in the whole market. It involves market segmentation and specialization in the chosen segment which is useful in gaining competitive advantage. Firms following focus strategy prefer to appeal to a certain geographical area or a certain fraction of customers. This study sought to determine whether this assertion is held true.

The results of regression analysis between focus strategy and performance of manufacturing firms in Kenya showed that focus strategy had a positive significant relationship with firm performance. This means that an increase in use of focus strategy index improves manufacturing firm performance index. The study findings further revealed that 23% of the manufacturing firms in Kenya pursued focus strategy. This means that some of manufacturing firms in Kenya focus on narrow competitive scope within their industries and tailors its strategy to serving them to the exclusion of others.

Specific Objective 4: Establish the moderating effect of competitive intensity on the relationship between competitive strategies and performance of manufacturing firms in Kenya

a) Moderating effect of competitive intensity on the relationship between cost leadership strategy and performance of manufacturing firm

In an environment of low competitive intensity, customers do not have much choice and they remain stuck with whatever is available in the market place. In contrast, under condition of intense competition, customers have many options and will reject the products and services that do not meet their expectations. Therefore, enterprises must show high market responsiveness to monitor competitor moves, identify their

strengths and weaknesses, develop their own competitive strategies and anticipate and respond to competitors actions. This research sought to establish if this assertion is true.

The study established that competitive intensity had no significant moderating effect between cost leadership strategy and firm performance. When competitive intensity was introduced, the R-square changed from 6.4% to 12.5% as shown in Table 4.26. This means that competitive intensity enhanced the relationship between cost leadership strategy and manufacturing firm performance.

Similarly, on introduction of the competitive intensity as the moderator, there was a negative significant relationship between competitive intensity and firm performance. This implies that a unit increase in competitive intensity resulted in a unit decrease in firm performance. When the interaction term was introduced, the model showed an insignificant relationship between moderated cost leadership strategy and firm performance.

b) Moderating effect of competitive intensity on the relationship between differentiation strategy and performance of manufacturing firm

The findings of this study revealed that competitive intensity had no significant moderating effect on the relationship between differentiation strategy and manufacturing firm performance. When competitive intensity was introduced into the analysis, the R-square changed from 0.14 to 0.204. This means that competitive intensity strengthened the relationship between differentiation strategy and manufacturing firm performance. When the interaction term was introduced, the relationship between differentiation strategy and firm performance weakened and the model became insignificant. Therefore, it can be construed that competitive intensity had no significant moderating effect.

c) Moderating effect of competitive intensity on the relationship between focus strategy and performance of manufacturing firms

Based on the findings of this study, competitive intensity had no significant moderating effect on the relationship between focus strategy and manufacturing firm performance. The findings of this study further revealed that there was a positive significant relationship between focus strategy and firm performance ($\beta = 0.306$, p-value = 0.05) as reflected on Table 4.34. Therefore a unit increase in focus strategy index results in an increase in firm performance index by 0.306.

When competitive intensity was introduced into the analysis, a significant negative relationship was noted between competitive intensity and firm performance. A closer scrutiny of the focus strategy beta coefficient showed that competitive intensity strengthened the positive relationship between focus strategy and firm performance. When the interaction term was introduced, this relationship was distorted and the model became insignificant. This means that competitive intensity has no significant moderation effect.

5.3 Conclusions

Specific Objective 1: **Determine the effect of cost leadership strategy on performance of manufacturing firms in Kenya**

The study concludes that cost leadership as used by manufacturing firms was statistically a significant factor in relation to firm performance. In this regard, if manufacturing firms want to perform at a significantly higher level than competitors it should pursue cost leadership strategy by ensuring that charges and overheads are kept lower. On cost saving measures for cost leadership strategy, it was found that product design technique, use of technology, cutting on administration costs and lowering pricing impacted on manufacturing firms in Kenya confirming the assertion

that successful cost leaders usually derive their cost advantage from multiple sources within the value chain.

Specific Objective 2: Assess the effect of differentiation strategy on performance of manufacturing firms in Kenya

The study concludes that differentiation strategy is statistically significant factor in determining the performance of manufacturing firms in Kenya. Differentiation strategy has the most statistically significant superior performance when compared with cost leadership and focus strategies. Therefore, manufacturing firms wanting to achieve superior performance should excel in pursuing differentiation strategy identified in this study.

Alternatively, manufacturing firms employing differentiation strategy should strive to create and market unique and superior products for varied customer group. The aim should be to create a superior fulfillment of customer needs in one or several product attributes in order to develop customer satisfaction and loyalty which can in turn be used to charge a minimum price for the product. On differentiation measures adopted by manufacturing firms in Kenya, offering of broad products, building strong brand reputation within the industry and introduction of innovative products impacted well on manufacturing firms performance.

Specific Objective 3: Find out the effect of focus strategy on performance of manufacturing firms in Kenya

The results of multiple regression analysis indicated that focus strategy had significant effect on performance of manufacturing firms. The focus strategy, whether anchored on low-cost or differentiation attempts to attend to the needs of a particular market segment.

In conclusion, the manufacturing firms pursuing focus strategy should strive to identify customers whose needs and wants are not met by differentiators and cost leaders and offer services and products not offered by their competitors in order to remain competitive in the market place.

Specific Objective 4: Establish the moderating effect of competitive intensity on the relationship between competitive strategies and performance of manufacturing firms in Kenya

The study concludes that competitive intensity had no significant effect in moderating the relationship between competitive strategies and performance of manufacturing firms in Kenya. It is further noted that competitive intensity had negative effect on performance of manufacturing firms in Kenya.

Based on the findings of the study, it can be construed that manufacturing firms managers were not able to either quickly utilize the right competitive strategy to counter the effect of intense competition in the industry or choose the competitive strategies without due consideration of the happenings in the external environment, hence the negative performance. This is contrary to the expectation of the hypothesis and should be treated with caution since it is expected that when the competitive intensity is high, the firms pursue appropriate competitive strategies vigorously to counter the negative effect of competitive intensity on firm performance.

In conclusion, the findings of this study confirm that manufacturing firms in Kenya employed cost leadership, differentiation and focus strategies either simultaneously or at the exclusion of others in order to be competitive and improve their performance. The finding of this study thus adds to the existing literature on critic of Porter's assertion that the generic strategies are mutually exclusive hence partially supporting the notion of Porters' exclusive application of competitive strategies in order to achieve superior performance.

The results also indicate that competitive intensity had no significant moderating effect on the relationship between competitive strategies and manufacturing firm performance in Kenya and that competitive intensity negatively impacted on these firms performance.

5.4 Recommendations

1. Based on the findings of the study, the researcher recommends that the manufacturing firms adopt cost leadership strategy. The empirical evidence from this study infers that cost leadership has significant effect on performance of manufacturing firms. The results of this study thus provides a valuable reference for top manufacturing firms in Kenya in terms of implementing cost leadership strategy as this would help them achieve competiveness and improve their performance.

   It is evident from the literature also that cost saving mechanism is a major consideration in industries in Kenya due to higher cost of raw materials and energy and for this reason, the study recommends that the managers of manufacturing firms in Kenya deepen their engagement into more cost-effective methods of running business. It is further recommended that the manufacturing firms pay attention to cheap sources of raw materials and other value chain management practices that result in reduction of cost.

2. Similarly, based on the findings of this study, manufacturing firms managers should utilize much of differentiation strategy as it has been proven to have the highest significant effect on manufacturing firm performance. Differentiating firms also need to further look deeper into how to make uniqueness less costly in order to make differentiation a significant practice in the sector.

3. The study also recommends that manufacturing firms also utilize focus strategy as well. In order to gain from this strategy, the manufacturing firms

should pay attention to the market segment which is sustainable so as to avoid the dangers encountered when pursuing focus strategy such as focusing on a segment that is too small or pursuing a segment that is declining. Similarly, these firms should scan the environment fully to identify the best segment to target and adopt focus strategy to satisfy customer wants and needs in market segments that are sustainable.

4. According to the results of this study, competitive intensity had no significant moderating effect on the relationship between competitive strategies and manufacturing firm performance in Kenya. This could be attributed to lack of paying attention to changes happening in the environment when choosing the competitive strategies. The researcher therefore, recommends that manufacturing firms should be more proactive and pay attention to changes happening in the external environment and adjust their competitive strategies appropriately to stay ahead of competition.

5. Finally, it is important that the managers of the manufacturing firms in Kenya continuously assess their competitive strategies in terms of appropriateness albeit changing environment. They should be aware that achieving strategic fit between competitive strategy and competitive intensity may lead to higher performance. Therefore, their strategy should match environment for superior performance. A focus on more ways of dealing with the other challenges faced is also imperative for a maximum profitability of the firms other than just use of competitive strategies.

5.5 Study's Contribution to Theory

Contribution of the current study would include the addition to knowledge of strategic management. The exploration of the linkage between Porter's (1985) competitive strategies and firm performance in manufacturing sector particularly in developing countries, provides not only significant contribution to the strategic

management literature but also enables managers to employ the right strategies for their firms to compete in the fast changing environment.

Another major contribution is the introduction of critical element of competitive intensity in the relationship between competitive strategy and firm performance. This thesis contributed to the knowledge by investigating the moderating effect of competitive intensity as an environmental variable in order to analyze the reactions of manufacturing firms in their choice of strategy when the environment is intense. Despite the known fact that external environment impacts on strategy choice and the need to have a fit between the strategy and the environment, there had been a gap in the empirical knowledge in literature. Therefore, the findings of this study have contributed to filling this knowledge gap.

5.6 Recommendation for Policy

The underlying assumption of Porter's model as used in this study is that competitive strategies of cost leadership, differentiation and focus influence firm performance when used exclusively and for firms to achieve competitiveness they must choose either of these strategies. The findings of this study equally revealed that cost leadership, differentiation and focus strategies influenced performance of manufacturing firms in Kenya. The findings further revealed that differentiation strategy was the most preferred strategy by the manufacturing firms and that generally the manufacturing firms employed dual strategy unlike the assumption of the Porters' model used in this study.

The study also found out that competitive intensity had no significant moderating effect on the relationship between competitive strategies and firm performance of manufacturing firms in Kenya. Competitive intensity also had a negative effect on the performance of these firms. The study recommends that policy managers of these firms pay careful consideration to aligning their competitive strategies and competitive intensity as one of the environmental variable so as to remain competitive in this global world.

5.7 Areas for Further Research

Although this study provides insight into competitive strategies and its effect on performance of manufacturing firms in Kenya, several areas remain unclear and require to be addressed by future research. First, the study employed a cross sectional research design but the researcher is also aware that there are other research designs and therefore, suggest that other researchers employ longitudinal study to measure the framework in varying conditions of internal and external environment of the manufacturing firms in plenty of time.

In addition, the sampled firms in this study were drawn from firms within one geographical region. Future research may consider expanding the scope to include firms in other geographical regions to confirm the findings of this study and establish whether there is significant difference in strategies employed by these firms based on their geographical scope.

The current study was undertaken in Kenyan, there is need to replicate the findings of this study in other developing economies to see whether there is difference in application of these competitive strategies. The study also focused only on manufacturing sector; other researchers may look at other sectors of the economy.

The current study limited itself to establishing which of the competitive strategies were applied by manufacturing firms in Kenya and how that impacted on their performance without due consideration on different categories of firms within the sector that is small, medium and large. Future studies should be undertaken to do a comparative study to check if there is difference in choice of strategy based on these categories.

Conceptual model of this study can also be extended by considering other aspects of external environmental factors since the current study limited itself to competitive intensity as the moderating variable. The finding of this study on the moderating effect of competitive intensity on the relationship between competitive strategies and

manufacturing firm performance showed no significant moderating effect. Future research may replicate this variable in similar study to find out whether the finding is different from the current results.

Finally, the current study used perceptual measures of performance. These are sometimes biased. Different result could be obtained by using financial measures as well as non-financial measures such as satisfaction, marketing etc. use of a balanced score card has also been recommended by some scholars (Jusoh & Parnell, 2008). Future research may be conducted in other sectors where direct data are available to confirm the findings of this study.

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APPENDICES

Appendix I: Letter of Introduction

Dear Sir/Madam

I am a post graduate student studying for a Doctor of Philosophy (Ph.D) Degree in Business Administration at Jomo Kenyatta University of Agriculture and Technology. I am currently conducting a research in the area of strategic management on the topic: *Effect of competitive strategies on the performance of manufacturing firms in Kenya.* The purpose of this letter is to request you to respond to the attached questionnaire. The information you provide will be treated as confidential and will not be relayed to any other person or institution. The information will be solely be used for academic purposes. Thank you in advance for your time and cooperation.

Rukia Atikiya

Ph.D. Student

Appendix II: Questionnaire

Please answer all questions. S/No: …….

PART A: Background Information

Name of the organization ……..

1. Would you like a copy of the research findings……..

PART B: Organizational Data

1. What is the legal structure of your company?
   a) Partnership 〔 〕
   b) Sole trader 〔 〕
   c) Registered company 〔 〕
   d) Any other (Specify) 〔 〕
2. For how long has your company been trading?

   0-5 yrs 〔 〕 6-10yrs 〔 〕 11-20yrs 〔 〕 20yrs+ 〔 〕
3. Please indicate the number of full time employees in your company.....
4. To which sub sector does your company belong? Please tick appropriately.

S/No	Sub-sector	
1.	Building, Mining & Construction	☐
2.	Chemical & Allied	☐
3.	Energy, Electrical & Electronics	☐
4.	Food & Beverages	☐
5.	Leather & Footwear	☐
6.	Metal & Allied	☐
7.	Motor Vehicle & Accessories	☐
8.	Paper & Board	☐
9.	Pharmaceutical & Medical Equipment	☐
10.	Plastics & Rubber	☐
11.	Textile & Apparels	☐
12.	Timber, Wood & Furniture	☐

PART C: Competitive Strategies

1. To what extent do you agree with the following statement related to competitive strategies that your company is currently using the scale; **SA=** Strongly Agree **A=**Agree, **N=**Neutral, **D=**Disagree **SD**= Strongly Disagree

S/No	Competitive Strategies	SA	A	N	D	SD
1.	We always charge lower price than our competitors	☐	☐	☐	☐	☐
2.	We heavily invest in sales promotion	☐	☐	☐	☐	☐
3.	We constantly reduce labour input through automation	☐	☐	☐	☐	☐
4.	We normally charge higher than our competitors	☐	☐	☐	☐	☐
5.	We frequently source supplies from those suppliers who provide discount	☐	☐	☐	☐	☐
6.	We do not always emphasis on cost cutting and internal efficiency program	☐	☐	☐	☐	☐
7.	We vigorously pursue cost reduction	☐	☐	☐	☐	☐
8.	Our competitors products are sold at relatively affordable price	☐	☐	☐	☐	☐
9.	We have access to low cost raw materials than our competitors	☐	☐	☐	☐	☐
10.	We always strive to reduce cost in administration activities	☐	☐	☐	☐	☐
11.	Our major expenditure is on technology based delivery system to lower costs	☐	☐	☐	☐	☐
12.	We outsource functions to control costs	☐	☐	☐	☐	☐
13.	We continuously exercise tight cost control and pay attention to details	☐	☐	☐	☐	☐
14.	We identify underperforming areas in	☐	☐	☐	☐	☐

	order to cut costs					
15.	We focus on product design technique that economize on cost of materials	☐	☐	☐	☐	☐
16.	We always offer a broad range of product	☐	☐	☐	☐	☐
17.	We make conscious effort to differentiate our product from those of competitors	☐	☐	☐	☐	☐
18	We offer a narrower range of product than our competitors	☐	☐	☐	☐	☐
19.	We continuously develop new products	☐	☐	☐	☐	☐
20.	We introduce innovative product better than our competitors	☐	☐	☐	☐	☐
21.	Our company does not utilize much technology as a method of production	☐	☐	☐	☐	☐
22.	Our major expenditure is on technology to differentiate product	☐	☐	☐	☐	☐
23.	We are always the first to introduce new products before our competitors	☐	☐	☐	☐	☐
24.	We heavily invest in research and development	☐	☐	☐	☐	☐
25.	Our product/services have developed strong brand identification	☐	☐	☐	☐	☐
26.	We strive to build strong reputation within the industry	☐	☐	☐	☐	☐
27.	We always follow actions of competitors	☐	☐	☐	☐	☐
28.	We always serve diverse market segment	☐	☐	☐	☐	☐
29.	We only serve specific geographical market	☐	☐	☐	☐	☐

30.	We always emphasis on marketing specialty product	☐	☐	☐	☐	☐
31.	We regularly deal with broad product serving wider market	☐	☐	☐	☐	☐
32.	We constantly target a specific market	☐	☐	☐	☐	☐
33.	We continuously seek to provide products/services in different geographical locations	☐	☐	☐	☐	☐
34.	We rigorously produce products/services for higher price segments	☐	☐	☐	☐	☐
35.	We always meet our customers' needs more than our competitors	☐	☐	☐	☐	☐
36.	We offer tailored services/product to meet customer demand	☐	☐	☐	☐	☐
37.	We quickly respond to changes in demand of our customers	☐	☐	☐	☐	☐
38.	We offer products in lower prices market segments	☐	☐	☐	☐	☐

2. Which of the following competitive strategies does your company pursue? Please tick one.

a) Cost leadership strategy〔 〕
b) Differentiation strategy〔 〕
c) Focus strategy 〔 〕
d) All of the above 〔 〕
e) Any other (Specify) 〔 〕

PART D: Competitive Intensity

To what extent do you agree with the following statement relating to intensity of competition in your industry using the scale;

SA = Strongly Agree **A** = Agree **N** = Neutral **D**=Disagree **SD** = Strongly Disagree

S/No	Competitive Intensity	SA	A	N	D	SD
1.	Our industry is very competitive	☐	☐	☐	☐	☐
2.	There are many "promotion wars" in our industry	☐	☐	☐	☐	☐
3.	Anything that one competitor can offer, others can match readily	☐	☐	☐	☐	☐
4.	Price competition is a hallmark of our industry	☐	☐	☐	☐	☐
5.	One hears of a new competitive move almost every day	☐	☐	☐	☐	☐
6.	Our competitors are relatively weak	☐	☐	☐	☐	☐
7.	There are new product launch almost every day in our industry	☐	☐	☐	☐	☐
8.	Our customers have access to a wide range of product/service to choose from in our industry	☐	☐	☐	☐	☐
9.	We frequently experience launch of substitute product/services in our industry	☐	☐	☐	☐	☐
10.	There are many "price wars" in our industry	☐	☐	☐	☐	☐
11.	Competition in our industry is not bad	☐	☐	☐	☐	☐
12.	Our competitors are relatively strong	☐	☐	☐	☐	☐

PART E: FIRM PERFORMANCE

1. How would you rate the performance of your business over the past 5 years using the scale;

   MW = Much worse **W** = worse **I** = Indifferent **B**=Better

   MB = Much Better

S/No	Variable	MW	W	I	B	MB
1.	Sales growth rate	☐	☐	☐	☐	☐
2.	Sales	☐	☐	☐	☐	☐
3.	Profit growth rate	☐	☐	☐	☐	☐
4.	Profit	☐	☐	☐	☐	☐
5.	Profitability ratio	☐	☐	☐	☐	☐
6.	Overall performance	☐	☐	☐	☐	☐

2. Indicate your level of agreement with the following aspects of your firm by ticking in the appropriate box.

S/No	Competitive strategies and firm performance	SA	A	N	D	SD
1.	Cost leadership strategy positively impact on our sales	☐	☐	☐	☐	☐
2.	Cost leadership strategy has greatly improved our profit	☐	☐	☐	☐	☐
3.	Cost leadership strategy has significantly improved our overall performance	☐	☐	☐	☐	☐
4.	Differentiation strategy has greatly increased our sales	☐	☐	☐	☐	☐
5.	Differentiation strategy has improved our profit over the years	☐	☐	☐	☐	☐
6.	Differentiation strategy has greatly improved our overall performance	☐	☐	☐	☐	☐
7.	Focus strategy has significantly improved our sales	☐	☐	☐	☐	☐
8.	Focus strategy has improved our profit	☐	☐	☐	☐	☐

	significantly					
9.	Focus strategy largely contribute to our overall performance	☐	☐	☐	☐	☐
10.	None of these strategies have improved our sales, profit and our overall performance	☐	☐	☐	☐	☐

3. Other than competitive strategies suggest other ways of enhancing performance of your company……
……..
……..

Thank you for taking time to complete this questionnaire

Appendix III: Summary off the Study Variables

Summary of the study variables

Type of variable	**Variable Name**	**Indicator**	**Scale**	**Questionnaire Item**
Independent Variables	Competitive Strategies	Cost leadership strategy	5- point likert scale, 10 items	Part C Question 1 -15
		Differentiation strategy	5-point likert scale, 10 items	Part C Question 16-27
		Focus strategy	5-point likert scale, 10 items	Part C Question 28-38
Moderating variable	Competitive Intensity	No. of firms Frequency of product launch	5-point likert scale, 10 items	Part D Question 1-12
Dependent variable	Firm Performance	Sales growth Profitability	5-point likert scale, 6 items	Part E Item 1-6

Appendix IV: List of Organizations Sampled

1. New Kenya Co-operative Creamies
2. Mibisco Ltd
3. Bata Shoe Company (K) Ltd
4. Hydrolife Tech Ltd
5. Foundry Work (E.A.) Ltd
6. Treadsetters Tyres Ltd
7. Bindip Ltd
8. Crown Paints (K) Ltd
9. Amiran (K) Ltd
10. Fabriana Compan
11. Subaru Limited (E.A)
12. Chandaria Brothers Ltd
13. United Pharmacy
14. Pearl Industries Ltd
15. Transpaper Kenya
16. Blowplast Ltd
17. Transmillers Ltd
18. Woodmakers (K) Ltd
19. East African Metal Works Ltd
20. General Motors (E.A) Ltd
21. Manji Company Ltd
22. Jim Joints Ltd
23. Karsam Serviettes Company Ltd
24. The Wrigley Company (E.A.) Ltd
25. Atlas Copco
26. Top Serve E.A Ltd
27. Flamingo Tiles Beautiful Spaces
28. Teledata Technologies
29. Unipro Ltd
30. Magnition Trading Enterprise
31. Baraka Flour Mills
32. Tetra Estate Limited
33. African Hydroponics Ltd
34. Associated Paper & Stationery Ltd
35. Thermopak Ltd
36. BOC Kenya Ltd
37. Dawa Ltd
38. Jungle Nuts Company
39. Grafam Ltd
40. Libson Investment Ltd
41. Kamba Manufacturing 1986 Ltd
42. Highlands Coffee Company
43. Paperbags Ltd
44. Maroo Polymers Ltd
45. Rhino Glass & Casements Ltd
46. Elson Plastics of Kenya Ltd
47. Pwani Feeds Ltd
48. Supa loaf Bakery Company
49. Uzuri Foods Ltd
50. Car & General

51. Manet Engineering Works
52. Ilogia Ltd
53. Supa loaf Bakery Company
54. Ramco Printing works Ltd
55. Kenon Hardware Agencies Ltd
56. Huzefa Supplies
57. Motor Zone International
58. Orbital Fastner
59. Jenicho Electrical & Hardware sales
60. Pembe Flour Mills Ltd
61. Maroo Plolymers Ltd
62. Buffalo Hills
63. Miriwani
64. Plastics and Rubber Industries (2005)
65. Rashmilan Enterprises Ltd
66. Ryce E.A. Ltd
67. East African Cables
68. Dandora Millers
69. Industrial Detergents South B
70. Nor-Brook Agri-Chemicals Industries
71. Nasca Construction Ltd
72. Keroche Breweries Industry
73. EABEST Ltd
74. Mosfoods
75. Plumbline Hardware Stores Ltd
76. Omata Motors Ltd
77. Top Tank Ltd
78. Timber Corner Ltd
79. Rhino Stanners Ltd
80. Nairobi Rats Control Ltd
81. Annsam mobile accessories
82. Broadspect Invest
83. Machinery Tools Ltd
84. ChocFount Intergrated Solutions
85. Mido Building & Constructions Company Ltd
86. Kenya Breweries Company
87. ASL Ltd
88. Zeetex Ltd
89. CMC Motors Group
90. Polo Industries Ltd
91. Tee Pee Ltd
92. Promix Ventures Ltd
93. Ply Sales Kenya Ltd
94. Shekhawat Engineering Works Ltd
95. Kamco Stainless Steel Works
96. Tim Sales Ltd
97. Mazda Kenya
98. Vallem Construction Ltd
99. Alma Steels (K) Ltd
100. Choc Fount Investments
101. Fanface Autoparts
102. Multi-mechanical Works
103. Maisha Steel (EA) Ltd
104. Bosch
105. Kenya Fire Appliances

106. Paperbags Ltd
107. Hygiene & Safety Systems
108. Tim sales Ltd
109. Tru Foods Ltd
110. United Millers Ltd
111. AutoXpress Ltd
112. Universal pharmaceuticals
113. Simba Timber,Wood & Fur
114. Pub-mills E.A. Ltd
115. Interconsumer Product Ltd
116. Absom Motors Ltd
117. Olympic Manufacturers Ltd
118. Kimton Investments
119. Springboard Capital
120. Firetech Systems Tech.
121. Auto Galaxy Ltd
122. Vunas Enterprises
123. Car Master Ltd
124. Tech pack Ltd
125. Kenwell Electricals Gen.
126. Plumbline Hardware
127. Rhino Glass & Casements
128. Kenpoly Plastic
129. DT Dobie Ltd
130. Alfa Motors