

**EFFECT OF PORTER'S COMPETITIVE STRATEGIES ON ORGANIZATIONAL  
PERFORMANCE OF PUBLIC CORPORATIONS IN NAIROBI COUNTY, KENYA**

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Requirements for the Master of Business Administration Degree of Egerton University**


**EGERTON UNIVERSITY**

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## DECLARATION AND RECOMMENDATION

### Declaration

I declare that this research project is my original work and has not been submitted for examination in this or any other institution.

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### Recommendation

This research project has been submitted for examination with my approval as the University Supervisor.

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## **DEDICATION**

I dedicate this research project to my wife Gladys Mutanu Munyao, my daughters Amani Mutinda and Ahadi Mutinda who have been my bedrock and very supportive. To my biological and spiritual parents Mr. Benjamin Mulei Kathundo, Mrs Lenah Ndinda Mulei, Rev. Daniel Munyao Munywovoo, Mrs Ruth Munyao, Rev. Samuel Maingi Kimuli and Pastor Millicent Maingi who cherished, prayed and promoted my education although. To my siblings Grace Mumo, Andrew Muoki, Melody Mutanu, Pastor Peter Muuo, Teresia Waruguru and Grace Mwongeli for always standing with me. Lastly, to my nieces Favour Mutanu, Zuri Muuo and my nephew Leshan Mwendwa for your unwavering love. May God bless you all with long life, Gods' favour and protection.

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## **ABSTRACT**

In Kenya, public corporations are operating in a competitive environment. To survive and succeed, the corporations are putting in place strategies to adapt to the changed environmental conditions. This study sought to examine the effect Porter's competitive strategies on Organizational Performance of Public corporations in Nairobi County, Kenya. The study sought to determine the effect of low-cost leadership strategy, focus strategy, differentiation strategy, and the joint effect of low-cost leadership, focus and differentiation strategy on Organizational Performance of Public corporations in Nairobi County. This study was grounded on the theory of generic competitive strategies. The study adopted an explanatory research design. The target population for this study was 133 public corporations in Nairobi County. A sample of 99 public corporations was used. This study adopted a systematic sampling technique. Primary data was obtained using self-administered questionnaires. Descriptive statistics such as frequencies, percentages, mean score and standard deviation was used to summarize data. Simple regression and multiple regression was used to test the research hypotheses. The study established that the public corporations in Nairobi County to a great extent adopted low-cost leadership strategy. The research established that minimizing advertising cost, reducing operation cost and maximizing the organizations capacity utilization were adopted to a great extent in the institutions. The study also found that promotion activities, unique packaging and creative branding were greatly adopted in public corporations in Nairobi County. The study further found that entering new market niche, customer recognition and customer relationship management were greatly adopted in public corporations in Nairobi County. Moreover, the study found that the number of clients/customers, and meeting of objectives customers increased over the last five years. The study concluded that low-cost leadership strategy had the greatest effect on Organizational Performance of Public corporations in Nairobi County followed by focus strategy while differentiation strategy had the least effect to Organizational Performance of Public corporations in Nairobi County. The study recommends that the public corporations in Kenya should adopt the three competitive strategies to improve performance. The study also recommends that the management of public corporations in Kenya should define and adopt the required competitive strategies and their application to ensure that they have the required combination to create a proper fit between their organizations and the environment hence making them competitive internationally.

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

<b>AFA</b>	Agriculture and Food Authority
<b>BSC</b>	Balanced Scorecard
<b>ERS</b>	Economic Recovery Strategy
<b>GDP</b>	Gross Domestic Product
<b>HRM</b>	Human Resource Management
<b>ICT</b>	Information and Communication Technology
<b>ILO</b>	International Labor Organization
<b>KDB</b>	Kenya Dairy Board
<b>KIT</b>	Key Intelligence Topics
<b>MIS</b>	Management Information Systems
<b>PDA</b>	Personal Digital Assistant
<b>RBM</b>	Results Based Management
<b>RBV</b>	Resource-Based View
<b>SPSS</b>	Statistical Package for Social Sciences
<b>TR</b>	Total Return

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

In today's competitive business environment, competitive strategies play a critical and strategic role in enabling public corporations meet their goals and objectives (Chadwick & Dabu, 2009). Developing a competitive strategy is developing a broad formula for how a business is going to compete, what its goals should be, and what policies will be needed to carry out those goals. Competitive strategy is a combination of the ends (goals) for which the firm is striving and the means (policies) by which it is seeking to get there. Competitive strategies development can be driven by opportunities afforded by a changing environment. Sometimes known as the search for strategic fit, such development implies the change of internal strategic capabilities to better fit such opportunities. Strategic position of a state corporation is concerned with identifying the impact of the external environment, the organization's strategic capability (resources and competences) and the expectations and expected to make use of the various opportunities available to achieve the objectives of the organization (Ambrosini & Bowman, 2009).

Public corporations in the African continent are involved in development of competitive strategies where managers are concerned with reconciling the organization with the allocation of resources. In Rwanda, government and private institutions are facing many challenges in many areas of operation, this is mainly due to stiff competition and lack of change or even failing to implement change if at all change has been introduced. Rapid environmental changes, competition to provide innovative products and services, changing customer and investor demands and globalization have become the standard backdrop for public corporations. To compete effectively, organizations must constantly improve their performance by reducing costs, enhancing quality, and differentiating their products and services. Sustained competitive advantage could be generated from a public corporations' human capital by designing strategic change management practices to diagnose a firm's strategic needs which are required to implement a competitive strategy and achieve operational goals (Ndahiro *et al.*, 2015).

The present business environment is characterized by high levels of competition, dynamism and technological sophistication. This is especially challenging to public corporations' managers since they have to design and implement strategies that can achieve and sustain higher performance levels. Consequently, the topic of competitive strategies plays a pivotal role as organizations aim at gaining industry leadership. Nigeria's business environment is

situated in the midst of a challenging economic landscape and intense competition. Therefore, managers are increasingly seeking for strategic approaches to accomplish, improve and sustain Organizational Performance and competitive advantage. Design and implementation of strategy must be perceived as important components in the firm's management process. This is because strategy gives the direction that public corporations' managers have in mind and which way, they want to achieve their goals (Uchegbulam & Akinyele, 2015).

In Kenya, according to Otieno *et al.* (2013), the adoption of various competitive strategies is very important to public corporations. This is because the adoption of various competitive strategies such as a computerized information system has a positive effect on performance. Computerization of activities enhances efficiency as a result of timely meeting of objectives, enhancing management integrity, provision of clear records among other factors. Although the reforms analyzed had positive effect on elasticity, the results indicate that this was not sufficient to help generate adequate revenue to finance the ever-increasing government expenditure. Kenya public corporations have to re-evaluate the implementation strategies and pursue further reforms for it to fully exploit the potential in the economy (Ochieng *et al.*, 2014).

### **1.1.1 Competitive Strategies**

Competitive strategy comprises of all those moves that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson & Strickland, 2007). The goal of competitive strategy for a business unit in an industry is to find a position in the industry where the company can best defend itself against industry competitive forces or can influence such forces in its favor. For a firm to develop a competitive advantage within the industry it must analyze and understand the five forces that shape the industry competitive environment as was defined by Porter (2008). Competitive advantage combined with the scope of activities for which a firm seeks to achieve them, lead to three generic strategies for achieving above average performance in an industry. Companies pursue competitive strategies to gain competitive advantage that allows them to outperform rivals and achieve average profitability. Developing a competitive strategy is essentially developing a broad formula of how a business in question would compete successfully in the relevant industry (Kim & Mauborgne, 2014).

Competitive strategy is about being different from others in the industry which means deliberately choosing a different set of activities to deliver a unique mix of value. In short, Strategy is about competitive position, about differentiating yourself in the eyes of the

customer, about adding value through a mix of activities different from those used by competitors. The organizational competitiveness is probably the most widely used dependent variable in organizational research yet it remains vague and loosely defined (Baker, 2014). The focus of attention in performance has been mainly on financial measures but some scholars have proposed a broader performance construct of 'business performance' to incorporate non-financial measures such as market share, customer satisfaction and new products among others.

Different researchers (Nyaga, 2015; Rubi, 2018) used different models such as Resource based model and resource dependence theory to underpin the competitive strategies. This study used the Porters model. Porter's generic strategies describe how a company pursues competitive advantage across its chosen market scope. There are three generic strategies, either lower cost, differentiated, or focus. A company chooses to pursue one of two types of competitive advantage, either via lower costs than its competition or by differentiating itself along dimensions valued by customers to command a higher price. A company also chooses one of two types of scope, either focus (offering its products to selected segments of the market) or industry-wide, offering its product across many market segments. The generic strategy reflects the choices made regarding both the type of competitive advantage and the scope. The concept was described by Michael Porter in 1980 (Ochieng *et al.*, 2014).

Porter argues that strategy targets either low cost leadership, differentiation, or focus. These are known as Porter's three generic strategies and can be applied to any size or form of business. Porter claimed that a company must only choose one of the three or risk that the business would waste precious resources. Porter's generic strategies detail the interaction between cost minimization strategies, product differentiation strategies, and market focus strategies of porters (Grant, 2016). Low cost leadership strategy helps firms to produce the standard, high-volume product or service at the most competitive price to customers. By emphasizing on a low cost leadership strategy is largely to create higher financial performance for firms competing in emerging economies, as firms can gain a relative advantage because of their lower costs in labour recourse and manufacturing. If a state corporation can achieve and sustain overall low cost leadership, then it will be an above-average performer in its industry provided it can command prices at or near the industry average.

A focus strategy based on low cost depends on there being a buyer segment whose needs are less costly to satisfy than the rest of the market. On the other hand, a focus strategy based on differentiation depends on there being a buyer segment that demands unique product attributes.

In the focus strategy, a firm targets a specific segment of the market. Differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competition. Because of the product's unique attributes, if suppliers increase their prices the firm may be able to pass along the costs to its customers who cannot find substitute products easily (Prescott, 2011).

### **1.1.2 Organizational Performance**

Organizational Performance refers to how well an organization achieves its market-oriented goals. Organizational Performance means attainment of ultimate objectives of the organization as set out in the strategic plan. This normally depends on the quality of people and how well they are able to use the resources at their disposal for the achievement of a given set of organizational goals. Performance is the achievement of organisational goals in pursuit of business strategies that lead to sustainable competitive advantage. Mwaura (2010) established types of measurement for Organizational Performance namely: outcomes (turnover, absenteeism, job satisfaction); organizational outcomes (productivity, quality, service); financial accounting outcomes (return on assets, profitability) and capital market outcomes (stock price, growth, returns). Although widely used in empirical and theoretical research, the notion of organisational performance remains largely unexplained and recourse is taken to commonly used operationalization of performance. There is relatively little agreement about which definitions are “best” and which criteria are to judge definitions (Grant, 2016).

Organisational performance may be measured in terms of accounting measures, operational measures, market-based measures, and survival measures. Measures of economic value creation are also popular in practice but are not frequently used in competitive strategies or entrepreneurship. Growth measures include values and ratios that present some indication of organizational growth. Growth has been conceptualized both in the context of resources and from a business operations perspective. Typical accounting-based growth measures include absolute or percentage change in total assets, operating assets, sales, total expenses, and operating expenses. Organizational size can be conceptualized as being part of the growth construct since size generally is measured in absolute terms of a growth variable of interest, where growth is the change in the variable. Size in absolute terms is typically used as a control variable and not an outcome variable (Kordlar & Nikbakht, 2011).

### **1.1.3 Public Corporations in Kenya**

The history of SOEs can be traced back to independence. Some of the corporations that were established in the early 1960s include Agricultural Development Corporation (ADC), Industrial Development Bank (IDB), Housing Finance Company of Kenya (HFCK) and Agricultural Finance Corporation (AFC). Several policy guidelines and laws have been enacted by the Government to facilitate establishment and proper functioning of these corporations. The Sessional Paper Number 10 was published in 1965 to speed up state involvement in public investment. On 1st November 1986 the State Corporation Act Cap 446 of was enacted to guide the establishment and functioning of Public corporations in the country (RoK, 2016).

Public corporations are institutions that provide public services provided by government to its citizens, either directly (through the public sector) or by financing private provision of services. They help the government to run its business and other elements. What's more, they are also responsible for certain services to the general public. Apart from being acclaimed by the government, these bodies are also run by top managerial staff that is appointed by the president. Individual ministries are responsible for funding and overseeing the corresponding public corporations in Kenya. However, some of them also act as sources of income for the Republic. Bodies like the Kenya Power or Kenya creameries bring in revenue from the sales they make to Kenyans. Public corporations' establishments were motivated by national aspiration for: speeding up social economic growth, equalize local disparities, enhance public participation, stimulate homegrown businesses and support external investment. Public corporations have sovereignty to manage and focus on precise obligations so as to increase service delivery to the public.

A task force formed by the president in 2013 and focused on reforming public corporations drafted a file of entire enterprises owned by the state and advanced proposals to reduce the current 262 public corporations to 187 so as to eradicate non-value-added functions amongst corporations, close or dispose-off nonperforming corporations, merge functions where possible, and reduce the workforce. According to Gatere *et al.* (2013), public corporations are categorized into eight functional groups, that is; tertiary education, regional development, research and training services, public universities, regulatory, commercial and financial. They face challenges of mismanagement, bureaucracy, wastage, pilferage incompetence and irresponsibility by directors and employees (RoK, 2016).

The poor performance of SCs in Kenya by 1990 led to outflow from central government to public corporations equivalent to 1 percent of the GDP in 1991. Further, eleven (11) commercial Public corporations made losses, compared to twelve (12) in 2010/11 and sixteen (16) in 2009/10. This represents an improvement of 21%, 23% and 31% respectively of all commercially oriented Government Owned Entities indicating only dismal performance.. The levels of inflation in the country then reflected deficits financed by the Central Bank. Some ways were devised to solve these problems, such as negotiations between SC and government in a bid to clarify the former's objectives and set targets, introduction of competition and better accountability to customers, provision of incentives in form of higher salaries and benefits to employees based on performance and increased training of employees. All these measures were not 100% successful. Failure of the above measures made many governments embark on privatization (Ochieng *et al.*, 2014). The weak financial performance of the majority of public corporations in Kenya has been attributed to the lack of adoption of competitive strategies. Public corporations without clear strategies will find it hard to survive in this market. The improved performance and viability of public corporations will require the development appropriate competitive strategies (RoK, 2016).

## **1.2 Statement of the Problem**

Organizations adopt various strategies to create competitive advantage and improve performance. Among the strategies organizations adopt to improve performance are Porter's competitive strategies. Public corporations in Kenya are operating in a changed environmental condition and hence the need to adopt appropriate strategies to improve their performance. Public corporations in Kenya have progressively failed to meet the expectations of their stakeholders particularly in maintaining expected performance outcomes.

Various studies have been conducted on Porter's competitive strategies and firm performance. They include Chesire (2015) who established the relationship between Porter's competitive strategies and performance of value-added services by Mobile phone operators in Kenya. Afande (2015) examined competitive strategies and firm performance in the mobile telecommunication service industry using a case of Safaricom Kenya Limited. Kapto and Njeru (2014) examined the strategies adopted by mobile phone companies in Kenya to gain competitive advantage. These studies examined the effect of Porter's competitive strategies in private organizations.

These prior studies have not focused on the effect of competitive strategies on Organizational Performance of Public corporations. Therefore this study sought to examine the effect of Porter's competitive strategies on Organizational Performance of Public corporations in Nairobi County.

### **1.3 Objectives of the Study**

The overall objective of this study was to examine the effect of Porter's competitive strategies on Organizational Performance of Public corporations in Nairobi County. The specific objectives of the study were to;

- i. Determine the effect of low-cost leadership strategy influence on the Organizational Performance of Public corporations in Nairobi County.
- ii. Determine the effect of focus strategy on the Organizational Performance of Public corporations in Nairobi County.
- iii. Determine the effect of differentiation strategy on the Organizational Performance of Public corporations in Nairobi County.
- iv. Establish the joint effect of low-cost leadership, focus and differentiation strategy on the Organizational Performance of Public corporations in Nairobi County.

### **1.4 Research Hypotheses**

The hypotheses of this study were;

- H<sub>0</sub>1: Low-cost leadership strategy has no significant effect on the Organizational Performance of Public corporations in Nairobi County.
- H<sub>0</sub>2: Focus strategy has no significant effect on the Organizational Performance of Public corporations in Nairobi County.
- H<sub>0</sub>3: Differentiation strategy has no significant effect on the Organizational Performance of Public corporations in Nairobi County.
- H<sub>0</sub>4: Low cost leadership, focus and differentiation strategy jointly have no significant effect on the Organizational Performance of Public corporations in Nairobi County.

### **1.5 Significance of the Study**

The study would be of significance to public corporations in Nairobi County as it will expose the significance of competitive strategy to sustained organization performance. The results of the study would guide the management staff among public corporations in Nairobi County in formulating policies and business processes that are supportive of competitive strategies that in return enhance Organizational Performance and as a result increase competitive advantage for the companies. The management would make use of this study to make important decisions

on daily business operations. This information will aid the management in making calculated plans and strategies to outwit the competitors and remain pertinent to their target market and customers.

The policymakers would find the study valuable since as the country gears on how to achieve the Vision 2030 objectives, public service sector would be one of the key drivers of this noble objective hence it would be a desire for all Kenyan's to know how best they can tap on this industry. Information gathered through this study would help the government to formulate policies beneficial in the best competitive strategies in the various sectors in Kenya.

The results of this study would also be important to future researchers and scholars, as it might form a basis for further research. The scholars would use this study as a basis for discussions on the effect of Porter's competitive strategies on Organizational Performance of Public corporations. The study will also be a source of reference material for future researchers on other related topics; it would also inform other academicians who undertake the same topic in their studies.

### **1.6 Scope of the Study**

The study established the effect of competitive strategies on Organizational Performance of Public corporations in Nairobi County, Kenya. The study specifically focused on how low-cost leadership strategy, focus strategy, differentiation strategy and their joint effect on the Organizational Performance of Public corporations in Nairobi County. The study was carried out in public corporations in Nairobi County. The CEOs of the corporations were chosen as respondents. The study was carried out in a period of three months between January and March 2020.

### **1.7 Limitations of the Study**

The study encountered unwillingness by some respondents to reveal information which is considered as confidential. To counter this limitation, the researcher assured the respondents of proprietary measures that the findings were accorded and used. The researcher also assured the respondents that the information they offer was held confidentially and would be used for academic purposes only. Some respondents gave incomplete data, which might undermine the outcome of the research. In this limitation the researcher tried to convince the respondents on the importance of the study. This helped to reduce the strength of the limitation, which made the study a success.

## **1.8 Definition of Terms**

### **Competitive strategies**

Represent the firms' strategic choice and orientations about how to compete for improved performance in public corporations. Competitive advantage combined with the scope of activities for which a firm seeks to achieve them, lead to three generic strategies for achieving above average performance in public corporations: cost leadership, differentiation, and focus. The focus strategy has two variants, cost focus and differentiation focus.

### **Differentiation**

This is a marketing process that looks to make a product more attractive by contrasting its unique qualities with other competing products.

### **Focus**

A marketing strategy in which public corporations concentrate their resources on entering or expanding in a narrow market or industry segment. A focus strategy is usually employed where public corporations know their segment and have products to competitively satisfy their needs.

### **Low Cost Leadership**

Strategy used by businesses to create a low cost of operation within their niche. The use of this strategy is primarily to gain an advantage over competitors by reducing operation costs below that of public corporations in the same industry.

### **Organizational Performance of Public corporations**

This refers to how well public corporations achieve their market-oriented goals. It means attainment of ultimate objectives of the public corporations as set out in the strategic plan

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter presents available literature on the topic of this study. Competitive strategies have significant influence on Organizational Performance of Public corporations. It also offers a critical analysis of previous studies that have been done by other scholars in the area. It finally presents the research gap which the research intends to explore.

#### **2.2 Theoretical Background**

This study is guided by the theory of generic competitive strategies. This model was founded by Porter in 1998. 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, lead to three generic strategies for achieving above average performance in an industry: cost leadership, differentiation, and focus (Porter, 1980).

The focus strategy has two variants; cost focus and differentiation focus. 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. It is rewarded for its uniqueness with a premium price (Porter, 1985). Mintzberg (1994) argues 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. 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

behavior in some segments, while differentiation focus exploits the special needs of buyers in certain segments. The theory of generic competitive strategies is relevant to this study because the theory suggests that firms that adopting competitive strategy will achieve competitiveness and improvement in performance in an industry.

### **2.3 Porter's Competitive Strategies**

Competitive strategy is about being different and deliberately choosing a different set of activities to deliver a unique mix of value. Strategy is about competitive position, about differentiating oneself in the eyes of the customer, adding value through a mix of activities different from those used by competitors. If the primary determinant of a firm's profitability is the attractiveness of the industry in which it operates, an important secondary determinant is its position within that state corporation. Even though public corporations may have below-average profitability, a firm that is optimally positioned can generate superior returns (Porter, 2008).

A state corporation positions itself by leveraging its strengths and minimizing the effects of its weaknesses. A firm's strengths ultimately fall into one of two categories, namely cost advantage or differentiation. By applying these strengths in either a broad or narrow scope, three generic strategies result: cost leadership, differentiation, and focus. These strategies are applied at the business unit level and are called generic strategies because they are not firm or industry dependent (Chadwick & Dabu, 2009).

### **2.4 Organizational Performance**

In order for public corporations to be able to measure their performance, the different performance measures that should be used need to be determined or identified. She further recommends a number of appropriate performance measures that can assist in measuring the performance of any organization. These include: efficiency which is measured as a ratio of the expected input to the actual input; effectiveness which is measured as a ratio of the expected output to the actual output. Productivity: which is measured using the inputs and outputs used; quality which can be measured at any point in the input/output chart and can include actual versus expected accuracy and timeliness; innovation which includes measuring the organization's success in creating change; the quality of work life which can be measured using employee attitudes and profitability of the organization. The higher the variance (or standard deviation) of the return on an asset, the higher the risk and therefore the higher the required risk premium. Hence the variance of the returns on an asset appears to measure the risk of that

asset. Although this is true if an investor holds only one asset, the variance is not the sole measure of risk if the investor holds more than one risky asset in his or her portfolio (like the case of pension funds), in a portfolio, the risk of an individual asset is a function not only of its own variance but also of its degree of dependency with the other assets in the portfolio (Guiso *et al.*, 2018).

The degree of dependence tests how the returns on two assets in the State Company shift together. If both go up or down together, they are said to have a positive dependency, if one asset goes up when the other goes down, or vice versa, we say they have negative dependency. The more negative the degree of dependency between the assets in a portfolio, the lower the risk of the portfolio, and hence the lower the required risk premium for each specific asset. Risk averse trustees will require a risk premium on the risky portfolio held. That decreases as the degree of dependency between the risky assets in the portfolio decreases. Bodie *et al.* (2015) argue that to obtain reasonably reliable performance measures, we need to maximize the number of observations by taking more frequent return readings and specify the exact makeup of the portfolio to obtain better estimates of the risk parameters at each observation period. Rather than focus on risk adjusted returns, practitioners often want simply to ascertain which decisions resulted in superior and inferior performance.

## **2.5 Competitive Strategies and Organizational Performance**

The choice of a competitive strategy is critical for the survival and success of any state corporation. Increased competition threatens the attractiveness of an industry and reduces the profitability of industry players as it exerts pressure on firms to be proactive and to formulate successful strategies that facilitate proactive response to anticipated actual changes in the environment (Fine, 2010). Literature has shown that there is a strong link between unique advantage and performance of organizations. Competitive edge is able to significantly predict the variance in the performance of the organization.

Hsu (2012) examined effects of competitive strategy, knowledge management and e-business adoption on performance. The study analyzed and measured current business organizations use of competitive strategy, knowledge management and e-business adoption effect on performance. The results demonstrated: the significant relationship between knowledge management capability and Organizational Performance, the significant relationship between e-business adoption and Organizational Performance, the different effect of capabilities of knowledge management and level of e-business adoptions on Organizational Performance, and

a firm with a differentiation strategy and a higher level of e-business adoption creating greater Organizational Performance.

Pertusa-Ortega *et al.* (2008) carried out a study on the competitive strategies and firm performance: a comparative analysis of pure, hybrid and 'stuck-in-the-middle' strategies in Spanish firms. The findings show that a large number of the organizations use different types of hybrid strategies and also that such strategies tend to be associated with higher levels of firm performance, particularly those strategies which place emphasis on a greater number of strategic dimensions, and specifically on innovation differentiation.

### **2.5.1 Low Cost Leadership and Organizational Performance**

The cost-leadership strategy describes the most charming issue (lower price) in emerging economies, offering products or services to people with low disposable incomes (Muthiani, 2015). Low cost leadership strategy helps firms to produce the standard, high-volume product or service at the most competitive price to customers. By emphasizing on a low-cost leadership strategy is largely to create higher financial performance for firms competing in emerging economies, as firms can gain a relative advantage because of their lower costs in labor recourse and manufacturing. If a state corporation 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. At equivalent or lower prices than its rivals, a cost leader's low-cost position translates into higher returns.

For low cost leadership strategy to be effective, high investment in technology, customer focus, selling a wide range of products, improving employee morale, effective management and good relations with suppliers were all key success factors in actualizing the strategy to ensure a sustainable competitive advantage (Muasa, 2014). Lestor (2009) argues that the main dimension of the low cost leadership strategy is efficiency, the degree to which inputs per unit of output are low in State Corporation. Efficiency can be subdivided into two categories: cost efficiency which measures the degree to which costs per unit of output are low, and asset parsimony which measures the degree to which assets per unit of output are low. Together, cost efficiency and asset parsimony, capture a firm's cost leadership orientation. To the extent that firms following an efficiency strategy succeed in deploying the minimum amount of operating costs and assets needed to achieve the desired sales, they would be able to improve their market sustainability. Such firms pay great attention to asset use, employee productivity and discretionary overhead. Their customers buy their products primarily because they are priced

below their competitors' equivalent products, an advantage achieved through minimizing costs and assets per unit of output. To the extent that a low cost leadership strategy is built on such generic solutions related to operational efficiency, we expect that such a strategy would be more susceptible to imitation by competitors and peers, implying that the comparative cost advantages would dissipate over time.

Kaliappen and Hilman (2014) maintain that cost leadership means the lowest cost of operation in the state corporation where the organization producing at the lowest cost in the industry enjoys the best profits. The cost leadership is often driven by company efficiency, size, scale and the length of operation by the organization. According to Brooks (2013), producing at lower cost is a strategy that can be used by various firms so as to have significant competitive strategies that can be viable in the long term business environment. Having intelligence of this underlying source of competitive pressure provides the groundwork for strategic agenda of action. A low cost leader's basis for competitive advantage is lower overall costs than competitors. The need to manage costs is challenge to most organizations that struggle to successfully mitigate and control their operating expenses. Successful low cost leaders are exceptionally good at finding ways to drive costs out of their business.

Muasa (2014) conducted a study on cost leadership strategy and sustainable competitive advantage of Naivas Supermarket Limited in Kenya. The study found that for cost leadership strategy to be effective, high investment in technology, customer focus, selling a wide range of products, improving employee morale, effective management and good relations with suppliers were all key success factors in actualizing the strategy to ensure a sustainable competitive advantage.

Kirimi (2012) conducted a study on the influence of cost leadership and differentiation strategies on the relationship between people oriented capital and competitive advantage of Kenyan firms certified by international standards organization. The conclusion reached was that people oriented capital has a significant relationship with competitive advantage. The study concluded that cost leadership and differentiation strategies do not have a moderating effect on the relationship between people oriented capital and competitive advantage. According to Palepu and Healy (2015), a firm may produce a relative low profit margin by adopting the strategy of cost leadership.

Sohail and Al- Ghamdi (2012) using 5-point Likert scale questionnaire on 100 stock brokers from 10 listed firms at the stock exchange, examined the relationship between strategies,

reward, and organization performance in Saudi Arabia. Firm performance was determined financially as well as non-financially in relation to performance. Cost leadership strategy was evident by: provision of quality customer service, quality service provision, operational efficiency improvement, training of efficient customer service and supervision of frontline service providers. Regressively analyzed data demonstrated significantly meaningful association between firm performance and measures of cost structure.

Sumer and Bayraktar (2012) surveyed the influence of low cost leadership and differentiation strategies on company performance in Tehran. Using data set extracted from annual statements of companies quoted in Tehran Securities Exchange and applying ordinary least squares (OLS) the relationship was experimentally tested. The findings showed direct association between cost leadership strategy and company performance as measured by return on assets (ROA). This study is in agreement with views of Mwangi (2014) who postulates that the aim of cost leadership approaches ensure timely, competent processing of the demanded products and services. On one side, Provision of standardized products and services allows the firm to enjoy economies of scale while serving the customers. With standardized products, the firm is able to search for different strategies to cut down cost. On the other side, the cost should not compromise the value of the products but instead complement it to be able to beat the value created by the competitors.

Lillestol *et al.* (2013) using primary data on 35 managers in 10 SMEs in a survey on generic strategies and Organizational Performance in the context of Czech Business Environment and through correlation analysis, observed that the companies have discovered that the pursuing certain competitive approaches particularly cost leadership, can no longer enjoy competitive advantage. This leaves behind questions on the ability to adapt to a new situation once the low-cost strategy is pursued. In other surveys, the cost leadership strategy depends on accessibility to finance leading to question of capital strength to support demand from existing and new customer as result of new pricing strategy.

Although Lips-Wiersma and Mills (2014) through correlation analysis on questionnaire from 44 departmental managers of 10 non-financial firms in Denmark, noted that human capital especially intelligence as well as strong finance base of a company has a bearing on the success of differentiation approach. Still, some prior surveys have realized that in developed countries low-cost strategy is more affected by capital (Jiang *et al.*, 2016). However, this contradicts

previous ones and hence there is a need to carry out further research to establish whether differentiation or cost leadership is more dependent on capital or financial strength.

Hilman and Kaliappen (2014) examined the impact of cost leadership and innovation on productivity of Malaysian hotels. Based on Lillestol *et al.* (2015) cost leadership attributes which include achievement of lower operational cost, improving product/service efficiency, improving services coordination costs, improved use of available resources and equipment, significantly determines firm productivity. The study collected primary data through the use of 5-point Likert scale questionnaire administered via mails and emails on three marketing managers of three five-star hotels. Regression analysis showed a strong association amongst cost leadership, innovation as well as firm performance. More importantly, innovation has a significant moderating effect on a company's productivity when it comes to cost leadership..

Karabulut (2015) interrogated how implementation of competitive strategies impacted on the performance of firms in the manufacturing sector in Istanbul. The study conducted a survey on manufacturing firms in the capital and revealed a high extent of adoption of the generic strategies starting with cost leadership strategies. The effect was also a significant improvement on performance.

Karlsson and Tavassoli (2015) carried a study to examine the effect of cost leadership strategies of firms on their future performance, captured by labour productivity. The main study findings indicated that those firms that choose and afford to have a well-defined cost leadership strategy are better off in terms of their future performance compared to those firms that choose not to adopt cost leadership strategies. Moreover, the study results also revealed that not all types of well-defined cost leadership strategies affect the future performance significantly; rather, there are only few of them.

A comparative study conducted by Yanney *et al.* (2014), examined the relationship between strategies employed in manufacturing and competitive environment relative to the performance of Ghanaian firms. Administering 6-point Likert scale questionnaire on two textile manufacturing companies and data analyzed through chi-square, the study revealed that the competitive strategies pursued were cost leadership and differentiation while the performance was measured in terms of sales growth and market share. Further, the findings established a significant positive association between the cost leadership and manufacturing approaches specifically in expenses, distribution, elasticity as well as product superiority.

In addition, Duran and Akci (2015) studied the implication of using competitive strategies on the change in firm performance among manufacturing companies quoted in Borsa Istanbul, Turkey. Using descriptive research design, regression analysis demonstrated that under the condition of high uncertainty, competitive strategies had a positive and significant firm performance as confirmed by the findings of the previous researchers. This study is consistent with Hilman and Kaliappen (2014) study which observed that standardization of materials, products, and process or alternatively having a centralized system. Besides, it was established that the in-house combination processes applied to alliance implementation operations also aid in forecasting demand, timetabling and well-organized storeroom supervision, which are also in line with minimizing the process of production costs. This can further help increase the quality of customer service and reduce wastage.

### **2.5.2 Focus Strategy and Organizational Performance**

Organizations that adopted a differentiation focus or cost focus strategy accounted for 65% of the total, while those that adopted a broad strategy using cost leadership accounted for 35%. The reason why most organizations adopted a focus strategy was that they had a medium size branch network that was only idle for a focus strategy in state corporation (Muriuki, 2013).

According to the study by Muriuki (2013), there is a general positive relationship between competitive strategies and performance of State Corporation. The strength of the relationship was positively strong on differentiation strategies than in focus strategies and cost leadership strategies; however, the latter showed a negative correlation with performance. Further, there is a relationship between competitive strategies and performance of institutions therefore needs to adopt these strategies to remain more competitive in the market (Getembe, 2012). A focus strategy based on low cost depends on there being a buyer segment whose needs are less costly to satisfy than the rest of the market based on their income levels. On the other hand, a focus strategy based on differentiation depends on there being a buyer segment that demands unique services and products attributes. In the focus strategy, a public university targets a specific segment of the market (Porter, 1998).

McQuarrie (2014) stressed that focus aims at growing market share through operating in a niche market or in markets either not attractive to, or overlooked by, larger competitors. These niches arise from a number of factors including geography, buyer characteristics, and product specifications or requirements. A successful focus strategy (Porter, 2015) depends upon an industry segment large enough to have good growth potential but not of key importance to

other major competitors. Market penetration or market development can be an important focus strategy. Midsize and large firms use focus-based strategies but only in conjunction with differentiation or cost leadership generic strategies. But, focus strategies are most effective when consumers have distinct preferences and when the niche has not been pursued by rival firms.

Muriuki (2013) analyzed strategies adopted by commercial banks in Kenya in their retail banking. The study found that banks that adopted a differentiation focus or cost focus strategy accounted for 65% of the total, while those that adopted a broad strategy using cost leadership accounted for 35%. The reason why most banks adopted a focus strategy was that they had a medium size branch network that was only idle for a focus strategy.

Wanyonyi (2011) studied competitive strategies adopted by Kenyan commercial banks to attract and retain corporate customers. The study finds that commercial banks adopt different strategies in its efforts to attract and retain corporate customers, namely the competitive strategies and adaptation strategies. Competitive strategies include focus strategies, cost leadership and, differentiation while adaptation strategies include defender, prospector analyzer and reactor.

Getembe (2012) looked at the relationship between competitive strategies and performance of chartered private universities in Kenya. The findings showed a general positive relationship between competitive strategies and performance. The strength of the relationship was positively strong on differentiation strategies than in focus strategies and cost leadership strategies; however, the latter showed a negative correlation with performance. Further the study found that there is a relationship between competitive strategies and performance of Private Chartered Universities in Kenya Universities therefore needs to adopt these strategies to remain more competitive in the market.

Sumer and Bayraktar (2012) examined the critical competitive strategies used by commercial banks to enhance their performance in Indonesia. The critical strategies adopted were general differentiation strategy, focus strategy, stuck in the middle strategy, cost saving as well as customer differentiation approach. Grounded on this study, focus strategy was operationalized as a narrow range of services/products from a company, continued and renewed emphasis on marketing the product/service, have geographical focused products/services and continuously develops products to retain the market share it commands. Results collected through email on

two marketing managers of 2 banks in Indonesia, showed a slight correlation between focus leadership attribute and firm productivity.

Zaheer (2014) surveyed effects of competitive strategies on public relations company productivity in North Korea with particular emphasis on ten (10) firms. A five-point Likert scale questionnaire was applied on 4 marketing managers in 4 public relation firms. The study hypothesized that firm performance is influenced by cost leadership, differentiation and focus leadership strategies. Firm performance was measured as the average change in return on assets (ROA) while the importance of focus leadership strategy was measured using a Likert scale of 5-points. Focus leadership emerged of importance in the various departments such as marketing, procurement, marketing, research, and development. Regression analyzed results of the primary collected data revealed solid substantial correlation on company infrastructure, marketing, procurement, human resources, as well as company productivity.

Lowry and Owens (2011) conducted a study on developing a market focus strategy for a university. The study mostly established the steps which the university can follow in developing its focus strategy. It was established the universities after a thorough survey, analyse and formulate the strategies. It was also determined that quite a number of the universities had put this strategy in place.

Atikiya (2015) on the other hand interrogated the strategies among the manufacturing firms in Kenya. Among the strategies established was market focus strategy. After a survey of the firms licensed by KAM, it was established that there is evidence of market focus strategies since most of the firms such as Unilever had focused on base of the pyramid markets to sell their products and the returns were lucrative.

Baroto *et al.* (2012) conducted a study on market focus strategy as a new strategy for competitive advantage in conjunction with other competitive strategies where the study targeted the manufacturing sector in South Africa. The study specifically sought to assess how cost leadership strategy, differentiation strategy and market focus strategies have been implemented by the manufacturing firms and their consequent effects on performance. The study used both primary and secondary data collected by the use of questionnaires and data collection sheet respectively. The results from the analysis revealed that most of the manufacturing firms had adopted cost leadership, differentiation and market focus strategies successfully. The study further revealed that cost leadership and differentiation strategies have

been proven implemented successfully for some time. Additionally, all manufacturing firms studied revealed that they had adopted market focus strategy due to its positive and significant effect on performance.

Lips-Wiersma and Mills (2014) did a study to determine the influence of focus competitive approach on firm performance among superstores in Geneva. Through structured questionnaires on 14 managers of superstores in Geneva, regression results reiterate that value addition was an organization's definitive mission to their customer in terms of product superiority ratio to expenses. An organization with this goal always aims to remain at the competitive edge by cutting down prices of the production costs or product premium. Homogeneous commodities are seen to increase competition environment since they make it difficult to customize these commodities; hence, they have to set their price below others to makes a sale since the customers have high bargaining power.

Arasa and Gathanji (2014) investigated a connection between competitive strategies and firm productivity in the telecommunication industry in Kenya with special emphasis on Safaricom Limited. The main objective of the study was to investigate the influence of competitive strategies on firm performance in the telecommunication industry. Using descriptive design with semi-structured questionnaire on 354 staff members, both correlation and regression analysis of collected data revealed a strong association between the competitive strategies and performance of a company. The study recommended that other firms can also consider adopting these strategies and whether a comparative study would be done in other countries to compare with the Kenyan context. These findings were in line with Muia (2017) who investigated the influence of competitive strategies on performance of insurance firms in Kenya. The unit of analysis was 47 insurance companies located in Nairobi, Kenya. This study adopted a multiple regression model as used in the study by (Arasa & Gathanji 2014). The main finding was that cost leadership is a main contributor to firm performance. It recommended that further study could be done to investigate the impact of competitive strategies on performance of other firms.

Further *et al.* (2014) conducted a study on formalized process and information on banking sector in India. Through email, questionnaires were sent to respondents and data analyzed using chi-square. The study established that firms pursuing cost-effective approach exhibited tendencies formal tiered systems, created offices, human resources structures, well governed firms, pursuit of company solidity, proper flow information as well as and the entire system

efficient and accentuation. They concluded that for a seamless linkage between formalized process and information, an organization must be strategically oriented and its organizational atmosphere has to provide an appropriate context.

Mahdi *et al.* (2015) investigated the association between focus strategy and product development. Conducting telephone interview on 10 managers of Nike Company in Australia and analyzing data through regression, the study revealed successful focus approach develop many products for a thin market known to them. Among the known risks that firms implementing focus strategies should consider consist of duplication as well as earmarked segment fluctuations. Additionally, companies pursuing cost-effective approach targeting wider market easily replicate such products to gain competitive advantage. Furthermore, more firms employing other approaches such as focus map out sub-segments in order to give superior service (Ozdemir & Mecikoglu, 2016).

### **2.5.3 Differentiation Strategy and Organizational Performance**

Differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competition (Keller *et al.*, 2011). The value added by the uniqueness of the product may allow the state corporation to charge a premium price for it. The firm hopes that the higher price will more than cover the extra costs incurred in offering the unique product. Because of the product's unique attributes, if suppliers increase their prices the firm may be able to pass along the costs to its customers who cannot find substitute products easily (Prescott, 2011).

Public corporations are faced with major challenges in the implementation among them resources, organization culture and government regulations (Baker, 2014). There is a positive relationship between differentiation strategy and firm performance. Differentiation focus strategy contributes more to the performance of water bottling companies than service differentiation strategy. Anything that a firm can do to create buyer value represents a potential basis for differentiation. Once it finds a good source of buyer value, it must build the value, creating attributes into its products at an acceptable cost. These attributes may raise the product's performance or make it more economical to use. Differentiation possibilities can grow out of possibilities performed anywhere in the activity cost chain (Awino, 2011).

Differentiation strategy is a marketing technique used by a public university to establish strong identity in a specific market (Grant, 2016). Using this strategy, a public university will introduce different varieties of the same basic service and product under the same name into a particular services and products category and thus cover the range of services and products available in that category. Differentiation strategy can also be defined as positioning a brand in such a way as to differentiate it from the competition and establish an image that is unique (Keller *et al.*, 2011). Differentiation strategy is an approach under which a public corporation aims to develop and market unique services and products for different customer segments. Usually employed where a public corporation has clear competitive advantages, and can sustain an expensive advertising campaign. It is one of three generic marketing strategies that can be adopted by any public institution. To maintain this strategy the public institution should have: strong research and development skills, strong services and products engineering skills, strong creativity skills, good cooperation with distribution channels, strong marketing skills, and incentives based largely on subjective measures, be able to communicate the importance of the differentiating services and products characteristics, stress continuous improvement and innovation and attract highly skilled, creative personnel.

Kosom (2011) further postulates that state corporation uses low cost strategy, differentiation, focus and resource based strategy in order to compete with others. A product can be differentiated in various ways. Unusual features, responsive customer service, rapid differentiations and technological leadership, perceived prestige and status, different tastes, and engineering design and performance are examples of approaches to differentiation. Rather than cost reduction, a firm using the differentiation needs to concentrate on investing in and developing such things that are distinguishable and customers will perceive. Overall, the essential success factor of differentiation in terms of strategy implementation is to develop and maintain innovativeness, creativeness, and organizational learning within a firm.

Muthiani (2015) evaluated product differentiation strategies adopted by oil companies in Kenya. The study analyzed data using descriptive statistics such as mean scores standard deviations and percentages. The study established that Shell has embraced broad based product differentiation focusing on customer values. The Independent petroleum dealers and National Oil differentiate their products to target price sensitive segments of the market, for example the 'matatu' market. Total differentiates its products through service (64%), Shell on quality (45%), Oilibya on Non-fuel offer (54.5%) and Independents on price (46%). All the Major oil

companies ride on their brand name as a base of their strong foundation. Product differentiation is a more sustainable competitive strategy due to the inherent difficulty of imitation.

Duran and Yavuz (2015) investigated the strategies being implemented by firms in Istanbul as well as its effect on performance. The study focused on the manufacturing firms and after analysis, it was revealed that a number of mix strategies are adopted with no single dominant strategy. However, differentiation was the strategy that appeared to be implemented by almost all the firms.

In India, Ganapaiah (2017) interrogated the strategies among the small businesses and revealed a stretch between generic, hybrid and grand strategies since most of the businesses preferred their products to be unique as compared to that of their competitors hence ventured more on differentiation strategy.

Kumar *et al.* (2007) linked generic strategies to performance in the British context. The study specifically sought to analyze the effects of cost leadership, hybrid and differentiation strategy and their respective influence on hospital performance. Through random sampling technique, 98 hospitals were included in the study with managers in top, middle and lower managerial positions were taken as the unit of observation. The study findings revealed that when hospitals follow a focused cost leadership and differentiation strategy, they exhibit higher performance than those following hybrid strategies alone. The study led to conclusions that cost leadership and differentiation strategies have a positive and significant effect on performance of hospitals.

Awino (2011) conducted a study on challenges facing the implementation of differentiation strategy in the operations of the Mumias Sugar Company Limited and concluded that firms are faced with major challenges in the implementation among them resources, organization culture and government regulations. Tuva (2015) also studied the influence of differentiation strategy on performance of water bottling companies in Mombasa County, Kenya. The findings of the study showed that there is a positive relationship between differentiation strategy and firm performance. Product differentiation strategy contributes more to the performance of water bottling companies than service differentiation strategy.

Lillestol *et al.* (2014) examined the empirical evidence between differentiation strategy and organization performance among Jordanian manufacturing firms. The exploited use of a closed-ended questionnaire to collect primary data. Using census techniques, 5-point Likert-type scale on 5 CEOs of 5 manufacturing firms. The study adopted measures of product

differentiation strategy using Hilman and Kaliappen's (2014) five product differentiation tool that included superior quality provision, quick fast distributions, adjusting design, generating newly developed products as well as provision of exceptional product. Factor analysis was used to consolidate the parameters and form a single index. Firm performance was operationalized as ROA, growth rate of sales, liquidity, clientele loyalty, superiority of products and market share, all being determined by use of a Likert scale of 5-points. Specifically, respondents rated the effect of each variable in relation to differentiation. The results of the study revealed that differentiation strategy significantly influenced Organizational Performance.

Schilke and Cook (2013) examined differentiation influence as a competitive strategy on the competitiveness of Unilever performance in Lagos, Nigeria. Product differentiation was operationalized as high productivity growth, innovative product development, product design, and unique product features. On the other hand, firm performance was operationalized as sales growth, customer satisfaction. Regression analysis was used to analyze primary data collected from 20 departmental managers on a closed-ended questionnaire. Findings indicate glaring and significant effect of product design, unique product features, innovative product development and firm performance.

Kamau (2013) study of Nakuru Supermarkets in Kenya examined the connection between differentiation strategy and performance of an organization. A sample of 11 marketing managers purposively selected, were subjected to 5-point Likert scale and data analyzed with use of regression technique. The study found that increased competition is causing supermarkets to differentiate their products and services to maximize sales performance. In a dataset of 11 supermarkets that involved branch managers, technical officers and production life staff found that product differentiation and physical differentiation (in terms of the characteristics of the products) played a major role in activating annual sales performance as compared to service differentiation. However, this study failed to tell whether other competitive strategies contributed competitive advantage.

Nolega *et al.* (2015) examined the effect of products differentiation strategy and seed company firm performance in Accra, Ghana. Customers were simple randomly sampled whereas seed company agents were purposively sampled with descriptive analysis utilized in analyzing collected data. According to the findings, for enhanced performance, there is need to develop products which are resistant to diseases.

Ndubi (2013) investigated the impact of differentiation strategy on performance of manufacturing companies in Nairobi, Kenya. The study adopted both descriptive and exploratory research designs. Using stratified technique of sampling, 270 participants were selected for the study. A 'Yes' and 'No' designed questionnaire was administered on the 270 respondents and chi-square analyzing technique was employed in determining the role of differentiation strategy on performance of manufacturing firms. The differentiation strategy was attributed as being mindful of product differentiation, by having customized products as compared to competitors, continuous development of new products, innovative product, continuous and faster introduction of new products, quick response to competitor's product innovation, heavy reliance on research and development of reputable products on the market in a bid to create value to the customers. Targeting employees generally without specifically focusing on where competition cannot guarantee reliable findings. In conclusion, firms ensuing a product differentiation set their goal at enhancing customer excess through stressing anticipated product or service benefits. Apparent superior benefits lead to better charges or prices which fetch bigger earnings. Consequently, a differentiation approach can best suit exceptional highly priced products which are highly advertised and has high input costs.

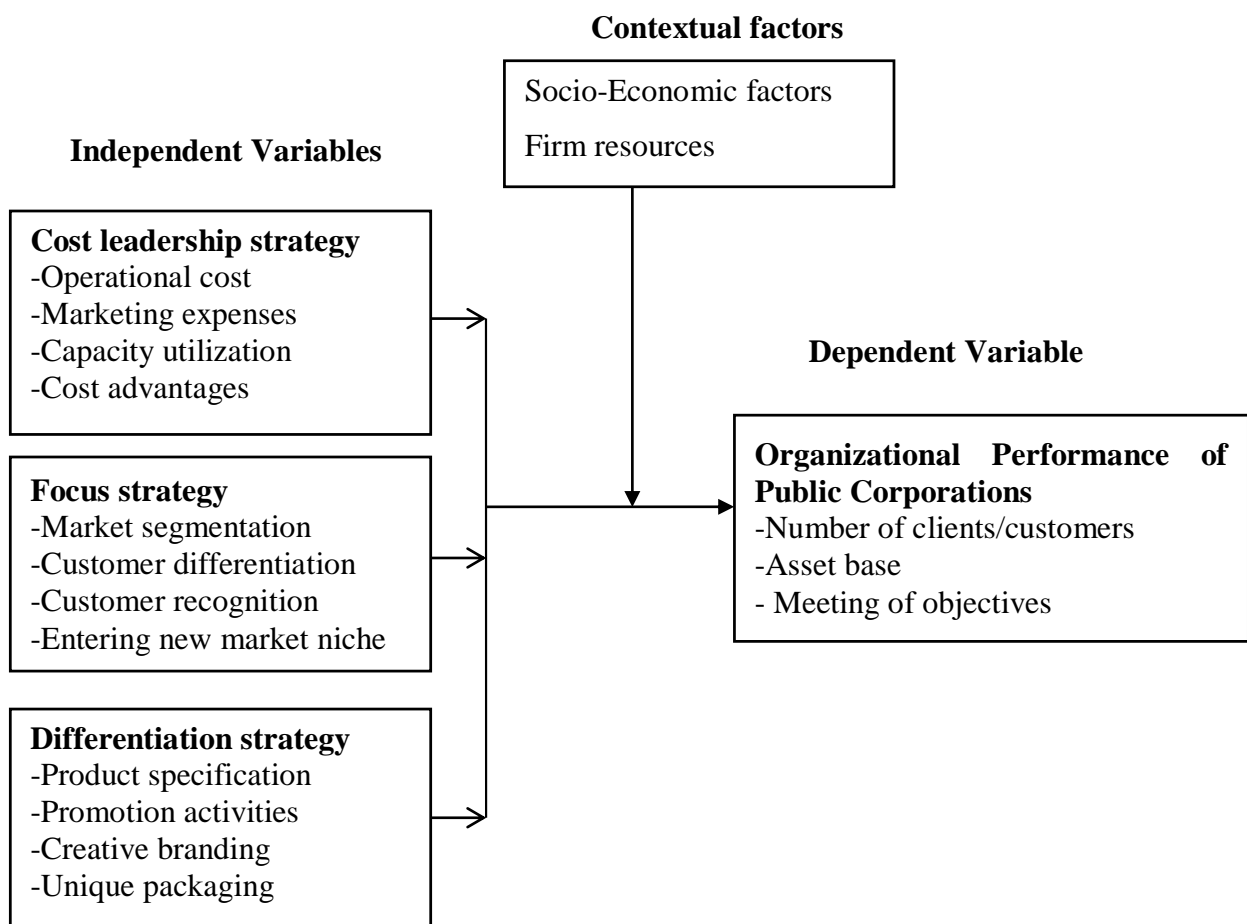
## **2.6 Summary of Literature and Knowledge Gaps**

From the literature reviewed, the corporate strategies of a firm are varied, but they are important determinants of firm performance. The studies reveal that the corporate strategies intention is to direct the firm business towards the attainment of its long-term objectives, maintain its current position or achieve high performance as compared to current achievements. Consequently, firms are expected to determine specific competitive strategies that are fit for purpose of enhancing superior performance. In addition, firm corporate strategies fail because they do not adequately analyze firm's strategic resources and capabilities before determining the right strategies in specific market conditions in which the firm operates. The literature has also shown that for cost leadership strategy to be effective, high investment in technology, customer focus, selling a wide range of products, improving employee morale, effective management and good relations with suppliers were all key success factors in actualizing the strategy to ensure a sustainable competitive advantage. Moreover, the literature revealed a high extent of adoption of the generic strategies starting with cost leadership strategies that had a significant improvement on performance.

However, the studies failed to tell whether all the competitive strategies contributed competitive advantage since majority looked at specific ones and not all. These studies also examined the effect of Porter’s competitive strategies in private organizations which was different from the current study. Others used different kind of methods for analysis and data collection. Also, literature shows that the studies were done in other countries. These gaps therefore presented the need for this study

## 2.7 Conceptual Framework

In this study, the independent variables include low cost leadership strategy, focus strategy and differentiation strategy while the dependent variable is Organizational Performance of Public corporations. The conceptual framework is as shown in Figure 2.1.



**Figure 2.1: Effect of Competitive Strategies on Organizational Performance of Public corporations**

As shown in Figure 2.1, The independent variable is competitive strategies which was included low-cost leadership strategy which was be measured using operational cost, marketing

expenses, capacity utilization and cost advantages; Focus strategy measured using market segmentation, customer differentiation, customer recognition and entering new market niche, and Differentiation strategy measured using product specification, promotion activities, creative branding and unique packaging. The moderating factor is contextual factors including socio-economic factors and firm resources. The dependent variable is Performance of Public Corporations which was measured using number of clients/customers, asset base and meeting of objectives. It was expected that the effect of competitive strategies on Organizational Performance of Public corporations is influenced by contextual factors.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1 Introduction

This chapter explains the research methods that were to conduct the study. The research methodology is presented in the following order, research design, target population, sampling procedure, data collection methods, instruments of data collection and the pilot study. The chapter discusses operationalization of the variables. The section also explains how data was analyzed to achieve the research objectives.

#### 3.2 Research Design

The study adopted explanatory research design. This design was adopted because it seeks to examine the cause and effect of relationships between variables (Kothari, 2004). The researcher applied this design to examine the effect of competitive strategies on Organizational Performance of Public corporations in Nairobi County, Kenya. This design is very useful in studying the inter-relations between the variables already mentioned in the conceptual framework (Sekaran & Bougie, 2011). It is analytical and often singles out a variable factor or individual subject and goes into details and describing them.

#### 3.3 Target Population

The population of this study comprises of public corporations in Kenya. There are 133 public corporations in Nairobi City County, Kenya (State Corporations Advisory Committee (SCAC), 2020).

#### 3.4 Sample Design

To obtain the desired sample size for the study with the population of 133, Kothari (2004) formula was used;

$$n = \frac{z^2 pqN}{e^2(N - 1) + z^2 pq}$$

Where:  $n$  = sample size

$N$  = population (133)

$e$  = Error that is acceptable given as 0.05

$\hat{p}$  = Population standard deviation which is 0.5 where not given,

$Z$  = Standard variate at a confidence level given as 1.96 at 95% confidence level.

Therefore

$$n = \frac{1.96^2 * 0.5 * 0.5 * 133}{0.05^2(133 - 1) + 1.96^2 * 0.5 * 0.5}$$

= 101

The sample size was 101 corporations.

This study adopted systematic sampling. Systematic samples were selected according to a random starting point and a fixed, periodic interval. The sampling interval was calculated by dividing the population size by the desired sample size (Tillé, 2011).

### **3.5 Data Collection**

The study used primary data. The data was obtained using self-administered questionnaires. The questionnaire was made up of closed ended questions. The questionnaires were used in an effort to conserve time and money as well as to facilitate an easier analysis as they are in immediate usable form. The drop and pick method was preferred for questionnaire administration so as to give respondents enough time to give well thought out responses. The researcher booked appointment with respondent organizations at least two days before visiting to administer questionnaires. The researcher personally administered the research instruments to the respondents. The respondents were the Executive officers from each organization. This enabled the researcher to establish rapport, explain the purpose of the study and the meaning of items that may not be clear as observed by (Sekaran & Bougie, 2011).

### **3.6 Measurement of Variables**

In this study, the independent variable is competitive strategies while the dependent variable is Performance of Public Corporations. Borrowing from literature, competitive strategies was measured in terms low cost leadership strategy, focus strategy and differentiation strategy (Kim & Mauborgne, 2014). A five-point Likert scale ranging from Not at all (1), Low extent (2), Moderate extent (3), Great extent (4) and Very great extent (5) was used.

Performance of Public Corporations was measured using number of clients/customers, asset base and meeting of objectives (Appendix I) using a five-point Likert scale ranging from 1 = very much decreased, 2 = decreased, 3 = Not changed, 4 = increased, 5 = very much increased.

### **3.7 Validity and Reliability of Research Instruments**

Validity and reliability of research instrument is a small scale trial of a particular research component (Cooper & Schindler, 2003). The researcher subjected the draft questionnaire to a pilot test on ten public corporations in Nairobi that were not part of the selected sample. One

questionnaire was administered to each of the organizations. The purpose was to test for validity and reliability before the actual administration of the tools for data collection.

### 3.7.1 Validity of Research Instruments

According to Saunders *et al.* (2012), validity is the accuracy and meaningfulness of inferences, based on the research results. One of the main reasons for conducting the pilot study is to ascertain the validity of the questionnaire. The study used content validity to ascertain the validity of the questionnaires. Content validity draws an inference from test scores to a large domain of items similar to those on the test. The researcher sought assistance from experts in the Faculty of Commerce, Egerton University to assess content validity of the data collected.

### 3.7.2 Reliability of Research Instruments

Instrument reliability is the extent to which a research instrument produces similar results on different occasions under similar conditions. It is the degree of consistency with which it measures whatever it is meant to measure. Reliability is concerned with the question of whether the results of a study are repeatable. A construct composite reliability co-efficient (Cronbach's alpha ( $\alpha$ )) of 0.7 or above is generally acceptable (Silverman, 2016). A co-efficient of 0.7 or above for all the constructs were considered adequate in this study. The results were as shown in Table 3.1.

**Table 3. 1: Reliability Analysis**

	Alpha value	Number of items	Comments
Low-cost leadership strategy	0.768	5	Reliable
Focus strategy	0.886	5	Reliable
Differentiation strategy	0.702	4	Reliable
Performance of Public Corporations	0.781	3	Reliable

The findings in Table 3.1 illustrates that Low-cost leadership strategy had a Cronbach Alpha of 0.768, focus strategy had a Cronbach Alpha of 0.886 and differentiation strategy had a Cronbach Alpha of 0.702 while performance of Public Corporations had a Cronbach Alpha of 0.781. This is an indication that all the four variables were reliable as their reliability values exceeded the prescribed threshold of 0.7 (Malhotra, 2015). This, therefore, depicts that the research instrument was reliable and therefore required no amendments.

### 3.8 Data Analysis and Presentation

Data was analysed using Statistical Package for Social Sciences (SPSS Version 25.0) which is the most recent version. Descriptive statistics such as frequencies, percentages, mean score and standard deviation were used to summarize the profile of the organization and study variables. Pearson's correlation was used to test the effect of the Porter's competitive strategies on Organizational Performance of Public corporations in Nairobi County.

To test the hypotheses H<sub>01</sub> to H<sub>03</sub> simple regression analysis was used and to test H<sub>04</sub> multiple regression analysis was used. Inferential data analysis was done using multiple regression analysis. The multiple regression analysis was used to establish the relations between the independent and dependent variables. Hypothesis testing was done using p-values because it aids in the decision making regarding the null hypothesis and also gives additional insight into the strength of the decision. The significance level of 0.05 was used because it is the level mostly used in business and social research (Silverman, 2016). This represents that the results were at 95% confidence level. The p-value that was obtained was based on the alpha level or the significance level.

To test hypothesis H<sub>01</sub>, the following simple regression model was used:

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

Where:-

Y = Organizational Performance of Public corporations

$\beta_0$  = Regression Constant Term

$\beta_1$  = Regression coefficient

X<sub>1</sub> = Low cost leadership strategy

$\varepsilon$  = Error term

To test hypothesis H<sub>02</sub>, the following simple regression model was used:

$$Y = \beta_0 + \beta_2 X_2 + \varepsilon$$

Where:-

Y = Organizational Performance of Public corporations

$\beta_0$  = Regression Constant Term

$\beta_2$  = Regression coefficient

X<sub>2</sub> = Focus strategy

$\varepsilon$  = Error term

To test hypothesis H03, the following simple regression model was used:

$$Y = \beta_0 + \beta_3 X_3 + \varepsilon$$

Where:-

Y = Organizational Performance of Public corporations

$\beta_0$  = Regression Constant Term

$\beta_3$  = Regression coefficient

$X_3$  = Differentiation strategy

$\varepsilon$  = Error term

To test hypothesis H04, multiple regression model was used:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where:-

Y = Organizational Performance of Public corporations

$\beta_0$  = Constant Term

$\beta_1, \beta_2$  and  $\beta_3$  = Regression coefficients

$X_1$  = Low cost leadership strategy

$X_2$  = Focus strategy

$X_3$  = Differentiation strategy

$\varepsilon$  = Error term

## CHAPTER FOUR

### RESULTS AND DISCUSSION

#### 4.1 Introduction

This chapter discusses the findings obtained from the primary instrument used in the study. It discusses the characteristics of the respondents and their opinions on the effect of Porter's competitive strategies on Organizational Performance of Public corporations in Nairobi County. The researcher provided tables that summarized the collective reactions of the respondents.

#### 4.2 Descriptive Statistics

This section presents the descriptive statistics of the effect of Porter's competitive strategies and performance of public corporations in Nairobi County. The findings were as presented on the subsequent sub-sections.

##### 4.2.1 Response Rate

Questionnaires administered were 101 out of which 79 fully filled questionnaires were returned. This gave a response rate of 78.1% which was within what Hussey and Collis (2009) prescribed as a significant response rate for statistical analysis and established at a threshold value of 50%.

##### 4.2.2 Low Cost Leadership Strategy

The respondents were asked to indicate the extent to which public corporations in Nairobi County adopted various low-cost leadership strategies. The findings are as shown in Table 4.1.

**Table 4. 1: Extent of Aspects of Low Cost Leadership Strategy Adoption**

	N	Mean	Std. Dev.
Minimizing advertising cost	79	4.051	0.959
Reducing operation cost	79	3.886	0.734
Maximizing the organizations capacity utilization	79	3.810	0.662
Adopting cost cutting technologies	79	2.430	0.634
Minimizing marketing expenses	79	2.279	0.715

From the findings as shown in Table 4.1, the respondents indicated that minimizing advertising cost as shown by a mean of 4.051, reducing operation cost as shown by a mean of 3.886, maximizing the organizations capacity utilization as shown by a mean of 3.810 were adopted

to a great extent in the public corporations in Nairobi County. This correlates with Lestor (2009) who argues that the main dimension of the low cost leadership strategy is efficiency, the degree to which inputs per unit of output are low in State Corporation. Efficiency can be subdivided into two categories: cost efficiency which measures the degree to which costs per unit of output are low, and asset parsimony which measures the degree to which assets per unit of output are low. Brooks (2013) further adds that producing at lower cost is a strategy that can be used by various firms so as to have significant competitive strategies that can be viable in the long term business environment. Having intelligence of this underlying source of competitive pressure provides the groundwork for strategic agenda of action.

In addition, the respondents indicated that adopting cost cutting technologies as shown by a mean of 2.430 and that minimizing marketing expenses as shown by a mean of 2.279 were lowly adopted in the public corporations in Nairobi County. These findings are in line with Muthiani (2015) who argues that low cost leadership strategy helps firms to produce the standard, high-volume product or service at the most competitive price to customers. By emphasizing on a low-cost leadership strategy is largely to create higher financial performance for firms competing in emerging economies, as firms can gain a relative advantage because of their lower costs in labor recourse and manufacturing.

#### **4.2.3 Focus Strategy**

The respondents were asked to indicate the extent to which public corporations in Nairobi County adopted focus strategies in Public corporations in Nairobi County, Kenya. The findings were as illustrated in Table 4.2.

**Table 4. 2: Extent of Focus Strategies Adoption in Public Corporations in Nairobi County**

	<b>Frequency</b>	<b>Percent</b>
Great extent	37	46.8
Moderate extent	21	26.6
Low extent	11	13.9
Very great extent	10	12.7
<b>Total</b>	<b>79</b>	<b>100</b>

Table 4.2 shows that majority (46.8%) of the respondents indicated that focus strategies were adopted to a great extent in Public corporations in Nairobi County, Kenya, 26.6% indicated they were adopted to a moderate extent, 13.9% said they were adopted to a low extent

while 12.7% of the respondents indicated that focus strategies were adopted in Public corporations in Nairobi County to a very great extent. This is an indication that focus strategies are greatly adopted in Public corporations in Nairobi County, Kenya. This correlates with Muriuki (2013) who argues that there is a general positive relationship between competitive strategies and performance of State Corporation. The strength of the relationship was positively strong on differentiation strategies than in focus strategies and cost leadership strategies; however, the latter showed a negative correlation with performance.

The respondents were also requested to indicate the extent to which public corporations in Nairobi County adopted the various focus strategies. The findings are as shown in Table 4.3.

**Table 4. 3: Extent of Aspects of Focus Strategies’ Adoption**

	<b>N</b>	<b>Mean</b>	<b>Std. Dev.</b>
Entering new market niche	79	4.152	0.601
Customer recognition	79	4.076	0.656
Customer relationship management	79	3.620	0.722
Customer differentiation	79	3.481	0.596
Market segmentation	79	2.430	0.634

As shown in Table 4.3, the respondents indicated that entering new market niche as shown by a mean of 4.152, customer recognition as shown by a mean of 4.076 and customer relationship management as shown by a mean of 3.620 were greatly adopted in public corporations in Nairobi County. The respondents also indicated that customer differentiation as shown by a mean of 3.481 was moderately adopted in public corporations in Nairobi County and that market segmentation as shown by a mean of 2.430 was lowly adopted in public corporations in Nairobi County. These findings are in line with McQuarrie (2014) who stressed that focus aims at growing market share through operating in a niche market or in markets either not attractive to, or overlooked by, larger competitors. These niches arise from a number of factors including geography, buyer characteristics, and product specifications or requirements.

#### **4.2.4 Differentiation Strategy**

The respondents were requested to indicate the extent of adoption of differentiation strategies in Public corporations in Nairobi County, Kenya. The findings are as shown in Table 4.4.

**Table 4.4: Extent of Differentiation Strategies Adoption**

	Frequency	Percent
Great extent	44	55.7
Moderate extent	16	20.3
Very great extent	11	13.9
Low extent	8	10.1
<b>Total</b>	<b>79</b>	<b>100</b>

From the findings as shown in Table 4.4, majority (55.7%) of the respondents indicated that differentiation strategies were adopted to a great extent in public corporations in Nairobi County, Kenya, 20.3% indicated they were was adopted to a moderate extent, 13.9% said they were adopted to a very great extent while 10.1% of the respondents indicated that differentiation strategies were adopted in public corporations in Nairobi County to a low extent. This is in line with Muthiani (2015) who argues that the public corporations are faced with major challenges in the implementation among them resources, organization culture and government regulations. There is a positive relationship between differentiation strategy and firm performance. Differentiation focus strategy contributes more to the performance of water bottling companies than service differentiation strategy.

The respondents were also asked to indicate extent to which public corporations in Nairobi County have adopted the various differentiation strategies. The findings are as shown in Table 4.5.

**Table 4.5: Extent of Aspects of Differentiation Strategies' Adoption**

	N	Mean	Std. Dev.
Promotion activities	79	4.139	0.747
Unique packaging	79	3.937	0.757
Creative branding	79	3.595	0.777
Product specification	79	2.443	0.797

As shown in Table 4.5, the respondents indicated that promotion activities as shown by a mean of 4.139, unique packaging as shown by a mean of 3.937 and creative branding as shown by a mean of 3.595 were greatly adopted in public corporations in Nairobi County. This is in line with Kosom (2011) who postulates that state corporation uses low cost strategy, differentiation, focus and resource based strategy in order to compete with others. Tuva (2015) also studied

the influence of differentiation strategy on performance of water bottling companies in Mombasa County, Kenya. The findings of the study showed that there is a positive relationship between differentiation strategy and firm performance. Product differentiation strategy contributes more to the performance of water bottling companies than service differentiation strategy.

However, the respondents indicated that product specification as shown by a mean of 2.443 was lowly adopted in public corporations in Nairobi County. These findings are correlates with Awino (2011) who argues that differentiation strategy is a marketing technique used by a public university to establish strong identity in a specific market. Using this strategy, a public university will introduce different varieties of the same basic service and product under the same name into a particular services and products category and thus cover the range of services and products available in that category.

#### 4.2.5 Performance of Public corporations

The respondents were asked to indicate the trend of various aspects of their corporation changed for the last 5 years. The findings are as shown in Table 4.6.

**Table 4. 6: Trend of Aspects of Organizational Performance of Public corporations**

	<b>N</b>	<b>Mean</b>	<b>Std. Dev.</b>
Number of clients/customers	79	4.165	0.669
Meeting of objectives	79	3.772	0.733
Asset base	79	3.101	1.033

Table 4.6 shows that the respondents indicated the number of clients/customers as illustrated by a mean of 4.165, meeting of objectives as illustrated by a mean of 3.772 increased over the last five years. However, the respondents indicated that the asset base for the public corporations as illustrated by a mean of 3.101 have been unchanged for the last five years. This concurs with Gatere *et al.* (2013) who argues that the poor performance of SCs in Kenya by 1990 led to outflow from central government to public corporations equivalent to 1 percent of the GDP in 1991. Further, in 1990 – 1992, the direct subsidies to public corporations amounted to Ksh 7.2 billion and as additional indirect subsidies amounted to Ksh. 14.2 billion.

### 4.3 Correlation Analysis

The study examined the effect of the Porter's competitive strategies on Organizational Performance of Public corporations in Nairobi County. This was done using Pearson's correlation analysis. The results of the correlation analysis are as shown in Table 4.7.

**Table 4.7: Correlation matrix for Low-cost leadership strategy, Focus strategy, Differentiation strategy and Performance of Public corporations**

		Performance of Public Corporation s	Low-cost leadershi p strategy	Focus strategy	Differentiatio n strategy
Performance of Public Corporations	Pearson Correlation Sig. (2- tailed)	1	.781*	.784*	.817*
	N	79	79	79	79
Low-cost leadership strategy	Pearson Correlation Sig. (2- tailed)	.781*	1	.721*	.784*
	N	79	79	79	79
Focus strategy	Pearson Correlation Sig. (2- tailed)	.784*	.721*	1	.639*
	N	79	79	79	79
Differentiation strategy	Pearson Correlation Sig. (2- tailed)	.817*	.784*	.639*	1
	N	79	79	79	79

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

The correlation results on Table 4.7 show a significant positive correlation between performance of public corporations and low-cost leadership strategy (Pearson's  $r = 0.781$ ,  $p <$

0.027). This finding is in line with Muthiani (2015) who asserts that the cost-leadership strategy describes the most charming issue (lower price) in emerging economies, offering products or services to people with low disposable incomes. Low cost leadership strategy helps firms to produce the standard, high-volume product or service at the most competitive price to customers. By emphasizing on a low-cost leadership strategy is largely to create higher financial performance for firms competing in emerging economies, as firms can gain a relative advantage because of their lower costs in labor recourse and manufacturing.

The result also showed a significant positive correlation between performance of public corporations and focus strategy (Pearson's  $r = 0.784$ ,  $p < 0.011$ ). The result concurs with McQuarrie (2014) who stressed that focus aims at growing market share through operating in a niche market or in markets either not attractive to, or overlooked by, larger competitors. These niches arise from a number of factors including geography, buyer characteristics, and product specifications or requirements.

The findings revealed that there was a significant positive correlation between performance of public corporations and differentiation strategy (Pearson's  $r = 0.817$ ,  $p < 0.020$ ). The finding is in agreement with Keller, Parameswaran and Jacob (2011) who stated that differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competition. Muthiani (2015) asserts that differentiation focus is a more sustainable competitive strategy due to the inherent difficulty of imitation. According to the study by Muriuki (2013), there is a general positive relationship between competitive strategies and performance of State Corporation. The strength of the relationship was positively strong on differentiation strategies than in focus strategies and cost leadership strategies.

#### **4.4 Hypothesis Testing**

This section represents inferential statistics for testing the hypotheses. The section presents the regression analysis for low cost leadership strategy, focus strategy, differentiation strategy and performance of Public corporations in Nairobi County.

##### **4.4.1 Low Cost Leadership Strategy and Organizational Performance**

The study aimed to determine the effect of low-cost leadership strategy influence on Organizational Performance of Public corporations in Nairobi County. To test the hypothesis ( $H_0$ ) that low-cost leadership strategy has no significant effect on Organizational Performance

of Public corporations in Nairobi County, the study used simple regression analysis. The findings are as shown in Table 4.8.

**Table 4.8: Regression Results of the Effect of Low-Cost Leadership Strategy on the Organizational Performance**

<b>Model Summary</b>						
<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>		
1	0.703	0.494	0.488	1.191		

<b>ANOVA</b>						
<b>Model</b>		<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
1	Regression	106.813	1	106.813	75.242	0.000
	Residual	109.309	77	1.420		
<b>Total</b>		<b>216.122</b>	<b>78</b>			

<b>Coefficients</b>						
<b>Model</b>		<b>Unstandardized Coefficients</b>		<b>Standardized</b>	<b>t</b>	<b>Sig.</b>
		<b>B</b>	<b>Std. Error</b>	<b>Beta</b>		
(Constant)		0.817	0.352		2.321	0.023
Low-cost leadership strategy		0.797	0.243	0.703	3.280	0.002

a. Dependent Variable: Organizational Performance of Public Corporations

b. Predictors: (Constant), Low-cost leadership strategy

From the study findings in Table 4.8, the value of R-square is 0.494. This implies that 49.4% of the variations in Organizational Performance of Public corporations in Nairobi County is explained by low-cost leadership strategy. The remaining 50.6% of the variance in performance of public corporations can be explained by other strategies not included in the study. Muasa (2014) noted that for low cost leadership strategy to be effective, high investment in technology, customer focus, selling a wide range of products, improving employee morale, effective management and good relations with suppliers were all key success factors in actualizing the strategy to ensure a sustainable competitive advantage. Lestor (2009) argues that the main dimension of the low cost leadership strategy is efficiency, the degree to which inputs per unit of output are low in State Corporation. Efficiency can be subdivided into two categories: cost efficiency which measures the degree to which costs per unit of output are low,

and asset parsimony which measures the degree to which assets per unit of output are low. Together, cost efficiency and asset parsimony, capture a firm's cost leadership orientation.

The ANOVA results shows that the regression model was statistically significant ( $F = 75.242$ ,  $p < 0.05$ ). The unstandardized coefficient of the low-cost leadership strategy is 0.797. This implies that by taking all other independent variables at zero, a unit increase in the low-cost leadership strategy would lead to a 0.797 increase in the score of performance of public corporations in Nairobi County. The standardized coefficient of the low-cost leadership strategy is 0.703 which shows that the effect of low-cost leadership strategy is positive and significant ( $\beta = 0.703$ ,  $t = 3.280$ ,  $p < 0.05$ ). The result of the study shows that low-cost leadership strategy has a significant effect on Organizational Performance of Public corporations in Nairobi County hence the null hypothesis was therefore rejected. The findings are similar to Grant (2016) who indicated that low cost leadership strategy helps firms to produce the standard, high-volume product or service at the most competitive price to customers. By emphasizing on a low cost leadership strategy is largely to create higher financial performance for firms competing in emerging economies, as firms can gain a relative advantage because of their lower costs in labor recourse and manufacturing. If a state corporation 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.

#### **4.4.2 Focus Strategy and Organizational Performance**

The study aimed to determine the effect of focus strategy on organizational performance of Public corporations in Nairobi County. To test the hypothesis two ( $H_02$ ) that focus strategy has no significant effect on Organizational Performance of Public corporations in Nairobi County, the study used simple regression analysis. The findings are as shown in Table 4.9.

**Table 4.9: Regression Results of the Effect of Focus Strategy on Organizational Performance**

<b>Model Summary</b>						
<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>		
1	0.621	0.386	0.378	0.455		
<b>ANOVA</b>						
<b>Model</b>		<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
1	Regression	10.002	1	10.002	48.404	0.000
	Residual	15.911	77	0.207		
	<b>Total</b>	<b>25.913</b>	<b>78</b>			
<b>Regression Coefficients</b>						
<b>Model</b>		<b>Unstandardized Coefficients</b>		<b>Standardized Coefficients</b>	<b>t</b>	<b>Sig.</b>
		<b>B</b>	<b>Std. Error</b>	<b>Beta</b>		
	(Constant)	0.667	0.211		3.161	0.002
	Focus strategy	0.712	0.308	0.621	2.312	0.023

a. Dependent Variable: Organizational Performance of Public Corporations

b. Predictors: (Constant), Focus Strategy

From the study findings in Table 4.9, the value of R-square is 0.386. This implies that 38.6% of the variations in Organizational Performance of Public corporations in Nairobi County are explained by focus strategy. The remaining 61.4% of the variance in performance of public corporations can be explained by other strategies not included in the study. The finding is in line with Porter (2015) who stated that 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. Market penetration or market development can be an important focus strategy.

The ANOVA results shows that the regression model was statistically significant ( $F = 48.404$ ,  $p < 0.05$ ). The unstandardized coefficient of the focus strategy is 0.712. This means that a unit increase in the score of focus strategy would lead to a 0.712 increase in the score of performance of public corporations in Nairobi County. The standardized coefficient of the focus strategy is  $= 0.621$  implying that the effect of focus strategy is positive and significant ( $\beta = 0.621$ ,  $t = 2.312$ ,  $p < 0.05$ ). The result of the study shows that focus strategy has a significant effect on Organizational Performance of Public corporations in Nairobi County hence the null

hypothesis was therefore rejected. This is in line with Getembe (2012) who deduced a general positive relationship between competitive strategies and performance with the strength of the relationship being positively strong on focus strategies.

#### 4.4.3 Differentiation Strategy and Organizational Performance of Public corporations

The study aimed to determine the effect of differentiation strategy on Organizational Performance of Public corporations in Nairobi County. To test the hypothesis three (H<sub>03</sub>) that differentiation strategy has no significant effect on Organizational Performance of Public corporations in Nairobi County; the study used simple regression analysis. The findings are as shown in Table 4.10.

**Table 4.10: Regression Results of the Effect of Differentiation Strategy on Organizational Performance**

<b>Model Summary</b>						
<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>		
1	0.523	0.273	0.264	0.863		
<b>ANOVA</b>						
<b>Model</b>		<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
1	Regression	21.572	1	21.572	28.949	0.000
	Residual	57.379	77	0.745		
	<b>Total</b>	<b>78.951</b>	<b>78</b>			
<b>Regression Coefficients</b>						
<b>Model</b>		<b>Unstandardized Coefficients</b>		<b>Standardized Coefficients</b>	<b>t</b>	<b>Sig.</b>
		<b>B</b>	<b>Std. Error</b>	<b>Beta</b>		
	(Constant)	0.723	0.216		3.347	0.001
	Differentiation strategy	0.608	0.202	0.523	3.010	0.004

a. Dependent Variable: Organizational Performance of Public Corporations

b. Predictors: (Constant), Differentiation Strategy

From the study findings in Table 4.10, the value of R-square is 0.273. This implies that 27.3% of the variations in Organizational Performance of Public corporations in Nairobi County are explained by differentiation strategy. The remaining 72.7% of the variance in performance of

public corporations can be explained by other strategies not included in the study. The findings correlate with Prescott (2011) who stated that the value added by the uniqueness of the product may allow the state corporation to charge a premium price for it. The firm hopes that the higher price will more than cover the extra costs incurred in offering the unique product. Because of the product's unique attributes, if suppliers increase their prices the firm may be able to pass along the costs to its customers who cannot find substitute products easily.

The ANOVA results shows that the regression model was statistically significant ( $F = 28.949$ ,  $p < 0.05$ ). Further, the findings show that the unstandardized coefficient of the differentiation strategy is 0.608; implying that a unit increase in the scores of differentiation strategy would lead to a 0.608 increase in the scores of performance of public corporations in Nairobi County. The standardized coefficient on the other hand is 0.523 which shows that the effect of low-cost leadership strategy is positive and significant ( $\beta = 0.523$ ,  $t = 3.010$ ,  $p < 0.05$ ). The result of the study shows that differentiation strategy has a significant effect on Organizational Performance of Public corporations in Nairobi County hence the null hypothesis was therefore rejected. This agrees with Baker (2014) who opined that there is a positive relationship between differentiation strategy and firm performance adding that Differentiation focus strategy contributes more to the performance of water bottling companies than service differentiation strategy. Moreover, this correlates with Muthiani (2015) who observed that differentiation focus is a more sustainable competitive strategy due to the inherent difficulty of imitation. Keller *et al.* (2011) also indicated that differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competition.

#### **4.4.4 Low-Cost Leadership, Focus, Differentiation Strategy and Organizational Performance**

The study aimed to establish the joint effect of low-cost leadership, focus and differentiation strategy on Organizational Performance of Public corporations in Nairobi County. The study used a multiple regression analysis to test hypothesis four ( $H_04$ ) that joint effect of low cost leadership, focus and differentiation strategy has a positive effect on Organizational Performance of Public corporations in Nairobi County. The findings are illustrated in Table 4.11.

**Table 4.11: Regression Results of the Effect of Joint effect of Low Cost Leadership, Focus and Differentiation Strategy on Organizational Performance**

<b>Model Summary</b>						
<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>		
1	0.856	0.733	0.722	0.776		
<b>ANOVA</b>						
<b>Model</b>		<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
1	Regression	126.813	3	42.271	68.46	0.000
	Residual	46.309	75	0.617		
	<b>Total</b>	<b>173.122</b>	<b>78</b>			
<b>Coefficients</b>						
<b>Model</b>		<b>Unstandardized Coefficients</b>		<b>Standardized Coefficients</b>	<b>t</b>	<b>Sig.</b>
		<b>B</b>	<b>Std. Error</b>	<b>Beta</b>		
	(Constant)	0.915	0.116		7.888	.000
	Low-cost leadership strategy	0.797	0.243	0.703	3.280	.001
	Focus strategy	0.712	0.308	0.621	2.312	.024
	Differentiation strategy	0.608	0.202	0.523	3.010	.004

a. Dependent Variable: Organizational Performance of Public Corporations

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

From the study findings in Table 4.11, the value of R-square is 0.733. This implies that 73.3% of the variation in the dependent variable (performance of public corporations in Nairobi County) is explained by the independent variables (low-cost leadership strategy, focus strategy and differentiation strategy). The remaining 26.7% of the variance in performance of public corporations can be explained by other strategies not included in the study. The findings contradicts Kirimi (2012) conducted a study on the influence of cost leadership and differentiation strategies on the relationship between people oriented capital and competitive advantage of Kenyan firms certified by international standards organization and concluded that cost leadership and differentiation strategies do not have a moderating effect on the relationship

between people oriented capital and competitive advantage. Porter (2008) affirms that strategy is about competitive position, about differentiating oneself in the eyes of the customer, adding value through a mix of activities different from those used by competitors. If the primary determinant of a firm's profitability is the attractiveness of the industry in which it operates, an important secondary determinant is its position within that state corporation. Even though public corporations may have below-average profitability, a firm that is optimally positioned can generate superior returns. Chadwick and Dabu (2009) noted that a state corporation positions itself by leveraging its strengths and minimizing the effects of its weaknesses. A firm's strengths ultimately fall into one of two categories, namely cost advantage or differentiation. By applying these strengths in either a broad or narrow scope, three generic strategies result: cost leadership, differentiation, and focus. These strategies are applied at the business unit level and are called generic strategies because they are not firm or industry dependent.

The ANOVA results shows that the regression model was statistically significant ( $F = 68.46$ ,  $p < 0.05$ ). The result of the study shows that low cost leadership, focus and differentiation strategy jointly have a significant effect on Organizational Performance of Public corporations in Nairobi County hence the null hypothesis was therefore rejected. This concurs with Wanyonyi (2011) who opined that organizations adopt different strategies in its efforts to attract and retain corporate customers, namely the competitive strategies and adaptation strategies. Competitive strategies include focus strategies, cost leadership and, differentiation while adaptation strategies include defender, prospector analyzer and reactor.

The unstandardized coefficient of the low-cost leadership strategy is 0.797. This implies that by taking all other independent variables at zero, a unit increase in the low-cost leadership strategy would lead to a 0.797 increase in the score of performance of public corporations in Nairobi County.

The unstandardized coefficient of the focus strategy is 0.712. This means that a unit increase in the score of focus strategy would lead to a 0.712 increase in the score of performance of public corporations in Nairobi County.

Further, the findings show that the unstandardized coefficient of the differentiation strategy is 0.608; implying that a unit increase in the scores of differentiation strategy would lead to a 0.608 increase in the scores of performance of public corporations in Nairobi County.

The standardized coefficient of the low-cost leadership strategy is 0.703 which shows that the effect of low-cost leadership strategy is positive and significant ( $\beta = 0.703$ ,  $t = 3.280$ ,  $p < 0.05$ ). This concurs with Muthiani (2015) who argues that low cost leadership strategy helps firms to produce the standard, high-volume product or service at the most competitive price to customers.

The standardized coefficient of the focus strategy is 0.621 implying that the effect of focus strategy is positive and significant ( $\beta = 0.621$ ,  $t = 2.312$ ,  $p < 0.05$ ). These findings are in line with McQuarrie (2014) who stressed that focus aims at growing market share through operating in a niche market or in markets either not attractive to, or overlooked by, larger competitors.

Further, the standardized coefficient on the other hand is 0.523 which shows that the effect of differentiation strategy is positive and significant ( $\beta = 0.523$ ,  $t = 3.010$ ,  $p < 0.05$ ). These findings concurs with Muthiani (2015) who argues that there is a positive relationship between differentiation strategy and firm performance and differentiation focus strategy contributes more to the performance of water bottling companies than service differentiation strategy.

As per the findings, at 95% confidence level, the study revealed that low-cost leadership strategy had the greatest effect on Organizational Performance of Public corporations in Nairobi County, followed by focus strategy while differentiation strategy had the least effect to Organizational Performance of Public corporations in Nairobi County. All the variables were significant as the p-value was less than 0.05. These findings contradicts those of Getembe (2012) who showed a general positive relationship between competitive strategies and performance but the strength of the relationship was positively strong on differentiation strategies than in focus strategies and cost leadership strategies; however, the latter showed a negative correlation with performance. Fine (2010) argues that the choice of a competitive strategy is critical for the survival and success of any state corporation. Increased competition threatens the attractiveness of an industry and reduces the profitability of industry players as it exerts pressure on firms to be proactive and to formulate successful strategies that facilitate proactive response to anticipated actual changes in the environment. Hsu (2012) examined effects of competitive strategy, knowledge management and e-business adoption on performance. The study analyzed and measured current business organizations use of competitive strategy, knowledge management and e-business adoption effect on performance. The results demonstrated: the significant relationship between knowledge management capability and Organizational Performance, the significant relationship between e-business

adoption and Organizational Performance, the different effect of capabilities of knowledge management and level of e-business adoptions on Organizational Performance, and a firm with a differentiation strategy and a higher level of e-business adoption creating greater Organizational Performance.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter provides the summary of the findings from chapter four, and also it gives the conclusions and recommendations of the study based on the objectives of the study. The objective of this study was to establish the effect of Porter's competitive strategies on Organizational Performance of Public corporations in Nairobi County.

#### **5.2 Summary of Findings**

The study established the effect of competitive strategies on Organizational Performance of Public corporations in Nairobi County, Kenya. The study specifically focused on how low-cost leadership strategy, focus strategy, differentiation strategy and their joint effect on Organizational Performance of Public corporations in Nairobi County.

The study found that adoption of low-cost leadership strategy in Public corporations in Nairobi County, Kenya was to a great extent. The study established that the low-cost leadership strategy has a positive and significant effect on Organizational Performance of Public corporations in Nairobi County. The model summary showed that 49.4% effect on Organizational Performance of Public corporations in Nairobi County was as a result of low-cost leadership strategy. The study found that minimizing advertising cost, reducing operation cost and maximizing the organizations capacity utilization were adopted to a great extent in the institutions. The study also found that adopting cost cutting technologies and that minimizing marketing expenses were lowly adopted in the institution.

The study established that focus strategies are adopted in Public corporations in Nairobi County, Kenya to a great extent. The results demonstrates that focus strategy has a positive and significant effect on Organizational Performance of Public corporations in Nairobi County. The study established that focus strategies are greatly adopted in Public corporations in Nairobi County, Kenya. The study also found that entering new market niche, customer recognition and customer relationship management were greatly adopted in public corporations in Nairobi County. The study also revealed that customer differentiation moderately adopted in public corporations in Nairobi County while market segmentation was lowly adopted in public corporations in Nairobi County.

The study established that adoption of differentiation strategies in Public corporations in Nairobi County, Kenya was to a great extent. The study revealed that differentiation strategy has a strong positive and significant influence on Organizational Performance of Public corporations in Nairobi County. The model summary showed that 27.3% effect on Organizational Performance of Public corporations in Nairobi County was as a result of differentiation strategy. The study also found that promotion activities, unique packaging and creative branding were greatly adopted in public corporations in Nairobi County. The study also found that product specification was lowly adopted in public corporations in Nairobi County.

The study revealed that joint effect of low cost leadership, focus and differentiation strategy affected Organizational Performance of Public corporations in Nairobi County to a great extent. The study revealed that the joint effect of low cost leadership, focus and differentiation strategy has a significant effect on Organizational Performance of Public corporations in Nairobi County. The model summary showed that 73.3% effect on Organizational Performance of Public corporations in Nairobi County was as a result of the independent variables (low-cost leadership strategy, focus strategy and differentiation strategy). The study also revealed that low-cost leadership strategy had the greatest effect on Organizational Performance of Public corporations in Nairobi County followed by focus strategy while differentiation strategy had the least effect to Organizational Performance of Public corporations in Nairobi County. All the variables were significant as the p-value was less than 0.05.

### **5.3 Conclusions**

Low-cost leadership strategy has a significant and positive effect on Organizational Performance of Public corporations in Nairobi County. Hence, it was concluded that the adoption of low-cost leadership strategy affected Organizational Performance of Public corporations in Nairobi County.

In addition, focus strategy positively and significantly affects performance of public corporations in Nairobi County. The study therefore concluded that the adoption of focus strategy would lead to better performance of public corporations in Nairobi County.

Differentiation strategy also affects performance of public corporations in Nairobi County positively and significantly. The study concluded that adopting in differentiation strategy would results in better performance of public corporations in Nairobi County.

Further, the joint effect of low-cost leadership, focus and differentiation strategy also affects performance of public corporations in Nairobi County positively and significantly. Hence, the study concluded that the joint effect of low-cost leadership, focus and differentiation strategy would lead to better performance of public corporations in Nairobi County.

## **5.4 Recommendations**

Arising from the results of the study, the following recommendations were made:

### **5.4.1 Recommendations for Policy and Practice**

The study found that the joint effect of low-cost leadership, focus and differentiation strategy also affects performance of public corporations in Nairobi County positively and significantly. The study therefore recommends that the management of public corporations in Kenya should define and adopt the required competitive strategies and their application to ensure that they have the required combination to create a proper fit between their organizations and the environment hence making them competitive internationally.

The study revealed that low-cost leadership strategy had the greatest effect on Organizational Performance of Public corporations in Nairobi County. Therefore, the study recommends that the management should formulate low cost leadership strategies that will assist in reduction of operation costs. The study also found that minimizing advertising cost and reducing operation cost were adopted to a great extent in the institutions. The management of public corporations should also engage more on cost reduction strategies. Low costs will permit a firm to sell relatively standardized products that offer features acceptable to many customers at the lowest competitive price and such low prices will gain competitive advantage and increase market share. Management of corporations therefore should be compelled to closely scrutinize the cost efficiency of the processes of the firm. Maintaining the low cost base will become the primary determinant of the cost leadership strategy.

The study found that unique packaging and creative branding were greatly adopted in public corporations in Nairobi County. The study recommends that public corporations should continue investing in coming up with unique services so that they can differentiate themselves. The corporations may at the same time continue innovating services which will compete with other companies' and do aggressive marketing in order to change the perception which the customers have regarding the pricing in order to capture a larger market.

The study found that customer recognition and customer relationship management were greatly adopted in public corporations in Nairobi County. This study recommends that management of corporations should develop and maintain innovativeness, creativeness, and organizational learning within a firm to enhance successful differentiation based on a study of buyers' needs and behavior in order to learn what they consider important and valuable. This will enhance differentiation strategy which will then translate to performance.

#### **5.4.2 Recommendations for Further Studies**

The study recommends that, research could be expanded to include other companies in the private sector in order to make a comprehensive conclusion. At the same time the same study should be carried on other industries especially in the manufacturing sector, to enhance comparison.

The study contributes to the understanding of the effect of Porter's competitive strategies on Organizational Performance of Public corporations in Nairobi County. However, further research is necessary to address some of the limitations of the study such as the respondents giving incomplete data.

The study adopted an explanatory research design. Further studies should adopt the longitudinal research design since it could increase the understanding of the contingency factors in the effect of Porter's competitive strategies on Organizational Performance of Public corporations.

The study was confined to effect of competitive strategies on performance thus the study recommends that other strategies such as customer retention and marketing strategies that firms are adopting to thrive in this industry could be put into considerations.

Since the joint effect of competitive strategies affects performance of public corporations in Nairobi County positively and significantly, generic strategies should also be compared with hybrid strategies such as joint effects of differentiation in design and low cost can be studied to find which have got more impact on the firm performance. Together with this, future studies can research on the impact of the competitive strategies on other industry such as education, manufacturing firm, banking and so on, since the outgoing study only concentrated on insurance firms.

The same study should also be done on the effect of porter's competitive strategies on Organizational Performance of Public corporations based in other counties in Kenya including Kisumu and Mombasa where most of corporations are situated.

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## APPENDICES

### Appendix I: Research Questionnaire

This questionnaire is to collect data for purely academic purposes. The study seeks to investigate *effect of competitive strategies on Organizational Performance of Public corporations in Nairobi County, Kenya*. All information will be treated with strict confidence. Do not put any name or identification on this questionnaire.

*Answer all questions as indicated by either filling in the blank or ticking the option that applies.*

#### Part I: Demographic Information (Please tick (√) appropriate answer)

4 State your position .....

#### PART II: EFFECT OF PORTERS COMPETITIVE STRATEGIES

##### Low Cost leadership strategy

5 To what extent has your institution adopted the following low-cost leadership strategies? Where; 1 = Not at all, 2 = Low extent, 3 = Moderate extent, 4 = Great extent, 5 = Very great extent.

	1	2	3	4	5
Reducing operation cost					
Minimizing marketing expenses					
Maximizing the organizations capacity utilization					
Adopting cost cutting technologies					
Minimizing advertising cost					

##### Focus Strategy

6 To what extent has your institution adopted the following focus strategies? Where; 1=Not at all, 2 = Low extent, 3 = Moderate extent, 4 = Great extent, 5 = Very great extent

	1	2	3	4	5
Market segmentation					
Customer differentiation					
Customer recognition					
Entering new market niche					
Customer relationship management					

### **Differentiation Strategy**

7 To what extent has your institution adopted the following differentiation strategies?

Where; 1 = Not at all, 2 = Low extent, 3 = Moderate extent, 4 = Great extent, 5 = Very great extent.

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Product specification					
Promotion activities					
Creative branding					
Unique packaging					

### **Performance of Public Corporations**

8 What is the trend of the following aspects of your corporation changed for the last 5 years?

Where, 5 = Very much increased, 4 = increased, 3 = Not changed, 2 = decreased, 1 = Very much decreased

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Number of clients/customers					
Asset base					
Meeting of objectives					

**Thank you for participating**

## Appendix II: List of Public corporations in Nairobi Kenya

### Financial

- 1 Kenya Investment Authority
- 2 IDB capital
- 3 Agricultural Finance Corporation
- 4 Consolidated Bank
- 5 Deposit Protection Fund Board
- 6 Industrial and Commercial Development Corporation
- 7 Industrial Development Bank
- 8 Kenya Industrial Estates
- 9 Kenya National Assurance Co.
- 10 Kenya Post Office Savings Bank
- 11 Kenya Re-Insurance Corporation
- 12 Kenya Revenue Authority
- 13 Kenya Roads Board
- 14 Kenya Tourist Development Corporation
- 15 National Bank of Kenya
- 16 National Hospital Insurance Fund
- 17 National Social Security Fund
- 18 Catering & Tourism Development Levy Trustees
- 19 Competition Authority of Kenya

### Commercial & Manufacturing

- 20 Agro-Chemicals and Food Company
- 21 East African Portland Cement Company
- 22 Jomo Kenyatta Foundation
- 23 Kenya National Qualifications Authority
- 24 Kenya Urban Roads Authority
- 25 State Corporations Advisory Committee
- 26 Kenya Airports Authority
- 27 Kenya Broadcasting Corporation
- 28 Kenya Electricity Generating Company
- 29 Kenya Literature Bureau
- 30 Kenya Pipeline Company
- 31 Kenya Ports Authority
- 32 Kenya Power and Lighting Company
- 33 Kenya Railways Corporation
- 34 Kenya Civil Aviation Authority
- 35 Kenya Safari Lodges and Hotels
- 36 Kenya Wine Agencies
- 37 Kenyatta International Convention Center
- 38 National Cereals and Produce Board
- 39 National Housing Corporation
- 40 National Oil Corporation of Kenya

- 41 National Water Conservation and Pipeline Corporation
- 42 Numerical Machining Complex
- 43 Postal Corporation of Kenya
- 44 Pyrethrum Board of Kenya
- 45 School Equipment Production Unit
- 46 Telkom Kenya Limited
- 47 University of Nairobi Enterprises and Services Limited
- 48 New Kenya Co-operative Creameries Ltd
- 49 Kenya Electricity Transmission Company

### Public Universities

- 50 The Technical University of Kenya
- 51 Western University College of Science and Technology
- 52 University of Nairobi

### Training and Research

- 53 Kenya Universities and Colleges Central Placement Service
- 54 Kenya Agricultural and Livestock Research Organization
- 55 Kenya Forestry Research Institute
- 56 Kenya Industrial Research and Development Institute
- 57 Kenya Institute of Curriculum Development
- 58 Kenya Institute of Public Policy Research and Analysis
- 59 Kenya Marine and Fisheries Research Institute
- 60 Kenya Medical Research Institute
- 61 National Museums of Kenya
- 62 Kenya School of Government
- 63 Kenya Education Staff Institute
- 64 National Industrial Training Authority
- 65 The Technical and Vocational Education and Training Authority (TVETA)

### Service Corporations

- 66 Agricultural Development Corporation
- 67 Bomas of Kenya
- 68 Athi Water Works Development Agency
- 69 Central Water Services Board
- 70 Higher Education Loans Board
- 71 Kenya ICT Board

Kenya Accountants and Secretaries	101	Agriculture and Food Authority
72 National Examination Board	102	Commission for University Education
73 Huduma Kenya	103	Communication authority
74 Kenyatta National Hospital	104	Council for Legal Education
75 Kenya National Examinations Council	105	Firearms Licensing Board
76 Kenya National Library Services	106	Energy Regulatory Commission
77 Kenya Tourist Board	107	Export Promotion Council
78 Kenya Wildlife Service	108	Horticultural Crops Directorate
79 Kenyatta National Hospital	109	Kenya Bureau of Standards
80 Brand Kenya Board	110	Kenya Dairy Board
81 Local Authorities Provident Fund	111	Kenya Industrial Property Institute
82 Nairobi Water Services Board		National Commission for Science, Tech &
83 National Aids Control Council	112	Innovation
84 National Council for Law Reporting	113	Kenya Plant Health Inspectorate Services
85 Sports Kenya	114	Fibre Crops Directorate
86 Water Resources Management Authority	115	Sugar Directorate
87 Water Services Trust Fund	116	Lapfund
National Authority for the Campaign	117	Maritime Authority
88 Against Alcohol and Drug Abuse		National Environment Management
89 Athi Water Services Board	118	Authority
90 Kenya National Examination Council	119	National Transport and Safety Authority
	120	National Irrigation Board
		Public Benefits Organizations Regulatory
	121	Authority
	122	Tea Board of Kenya
	123	Water Services Regulatory Board
	124	Food Crops Directorate
	125	Pest Control Products Board
	126	Transport Licensing Board
		Catering Training & Tourism Development
	127	Levy Trustees
		Miraa, Pyrethrum and other Industrial
	128	Crops Directorate
	129	Export Promotion Council
	130	Nuts and Oil Crops Directorate
	131	Export Processing Zones Authority
	132	Kenya Bureau of Standards
	133	Retirement Benefits Authority

**Tertiary Education & Training**

91 Cooperative College of Kenya
Kenya College of Communications
92 Technology
93 Kenya Medical Training College
94 Kenya Utalii College
95 Kenya Water Institute

**Regulatory**

96 Kenya Veterinary Board
97 Kenya Leather Development Council
98 Unclaimed Financial Assets Authority
99 Capital Markets Authority
Catering and Tourism Development Levy
100 Trustee

Source: [www.scac.go.ke](http://www.scac.go.ke)

### Appendix III: Data Analysis Output

GET

```
FILE='C:\Users\User\Downloads\mulei(1).sav'.  
DATASET NAME DataSet1 WINDOW=FRONT.  
COMPUTE LowCostLeadershipStrategy=LC1 + LC2 + LC3 + LC4 + LC5.  
EXECUTE.  
COMPUTE FocusStrategy=F1 + F2 + F3 + F4 + F5.  
EXECUTE.  
COMPUTE DifferentiationStrategy=D1 + D2 + D3 + D4.  
EXECUTE.  
COMPUTE Performance=P1 + P2 + P3.  
EXECUTE.  
REGRESSION  
/MISSING LISTWISE  
/STATISTICS COEFF OUTS R ANOVA CHANGE  
/CRITERIA=PIN(.05) POUT(.10)  
/NOORIGIN  
/DEPENDENT Performance  
/METHOD=ENTER LowCostLeadershipStrategy.
```

## Regression

### Notes

Output Created		03-SEP-2021 11:54:53
Comments		
Input	Data	C:\Users\User\Downloads\mulei(1).sav
	Active Dataset	DataSet1
	Filter	<none>
	Weight	<none>
	Split File	<none>
	N of Rows in Working Data File	79
Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.
	Cases Used	Statistics are based on cases with no missing values for any variable used.
Syntax		REGRESSION
		/MISSING LISTWISE
		/STATISTICS COEFF OUTS R ANOVA CHANGE
		/CRITERIA=PIN(.05) POUT(.10)
		/NOORIGIN
	/DEPENDENT Performance	
	/METHOD=ENTER	
	LowCostLeadershipStrategy.	
Resources	Processor Time	00:00:00.00
	Elapsed Time	00:00:00.74
	Memory Required	3248 bytes
	Additional Memory Required for Residual Plots	0 bytes

[DataSet1] C:\Users\User\Downloads\mulei(1).sav

**Variables Entered/Removed<sup>a</sup>**

Model	Variables Entered	Variables Removed	Method
1	LowCostLeadershipStrategy <sup>b</sup>		Enter

a. Dependent Variable: Performance

b. All requested variables entered.

**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	.703 <sup>a</sup>	.494	.488	1.191	.009	.702	1	77	.405

a. Predictors: (Constant), LowCostLeadershipStrategy

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	106.813	1	106.813	75.242	.000 <sup>b</sup>
	Residual	109.309	77	1.420		
	Total	216.122	78			

a. Dependent Variable: Performance

b. Predictors: (Constant), LowCostLeadershipStrategy

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.817	.352		2.321	.023
	Low Cost Leadership Strategy	.797	.243	.703	3.280	.002

a. Dependent Variable: Performance

```

REGRESSION
/MISSING LISTWISE
/STATISTICS COEFF OUTS R ANOVA CHANGE
/CRITERIA=PIN(.05) POUT(.10)
/NOORIGIN
/DEPENDENT Performance
/METHOD=ENTER FocusStrategy.

```

**Regression**

**Notes**

Output Created		03-SEP-2021 11:59:17
Comments		
Input	Data	C:\Users\User\Downloads\mulei(1).sav
	Active Dataset	DataSet1
	Filter	<none>
	Weight	<none>
	Split File	<none>
	N of Rows in Working Data File	79
Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.
	Cases Used	Statistics are based on cases with no missing values for any variable used.
Syntax		REGRESSION /MISSING LISTWISE /STATISTICS COEFF OUTS R ANOVA CHANGE /CRITERIA=PIN(.05) POUT(.10) /NOORIGIN /DEPENDENT Performance /METHOD=ENTER FocusStrategy.
Resources	Processor Time	00:00:00.02
	Elapsed Time	00:00:00.01
	Memory Required	3248 bytes
	Additional Memory Required for Residual Plots	0 bytes

[DataSet1] C:\Users\User\Downloads\mulei(1).sav

**Variables Entered/Removed<sup>a</sup>**

Model	Variables Entered	Variables Removed	Method
1	FocusStrategy <sup>b</sup>	.	Enter

a. Dependent Variable: Performance

b. All requested variables entered.

**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	.621 <sup>a</sup>	.386	.378	.455	.068	5.662	1	77	.020

a. Predictors: (Constant), FocusStrategy

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.002	1	10.002	48.404	.000 <sup>b</sup>
	Residual	15.911	77	0.207		
	Total	25.913	78			

a. Dependent Variable: Performance

b. Predictors: (Constant), FocusStrategy

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.667	.211		3.161	.002
	FocusStrategy	.712	.308	.621	2.312	.023

a. Dependent Variable: Performance

REGRESSION  
/MISSING LISTWISE

```

/STATISTICS COEFF OUTS R ANOVA CHANGE
/CRITERIA=PIN(.05) POUT(.10)
/NOORIGIN
/DEPENDENT Performance
/METHOD=ENTER Differentiation Strategy.

```

## Regression

### Notes

Output Created		03-SEP-2021 12:02:01	
Comments			
Input	Data	C:\Users\User\Downloads\mulei(1).sav	
	Active Dataset	DataSet1	
	Filter	<none>	
	Weight	<none>	
	Split File	<none>	
	N of Rows in Working Data File		79
Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.	
	Cases Used	Statistics are based on cases with no missing values for any variable used.	
Syntax		REGRESSION	
		/MISSING LISTWISE	
		/STATISTICS COEFF OUTS R ANOVA CHANGE	
		/CRITERIA=PIN(.05) POUT(.10)	
		/NOORIGIN	
Resources		/DEPENDENT Performance	
		/METHOD=ENTER	
		DifferentiationStrategy.	
	Processor Time		00:00:00.02
	Elapsed Time		00:00:00.04
	Memory Required	3248 bytes	
Additional Memory Required for Residual Plots	0 bytes		

[DataSet1] C:\Users\User\Downloads\mulei(1).sav

**Variables Entered/Removed<sup>a</sup>**

Model	Variables Entered	Variables Removed	Method
1	Differentiation Strategy <sup>b</sup>	.	Enter

a. Dependent Variable: Performance

b. All requested variables entered.

**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	.523 <sup>a</sup>	.273	.264	.863	.062	5.115	1	77	.027

a. Predictors: (Constant), Differentiation Strategy

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21.572	1	21.572	28.949	.000 <sup>b</sup>
	Residual	57.379	77	0.745		
	Total	78.951	78			

a. Dependent Variable: Performance

b. Predictors: (Constant), Differentiation Strategy

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.723	.216		3.347	.001
	Differentiation Strategy	.608	.202	.523	3.010	.004

a. Dependent Variable: Performance

REGRESSION

/MISSING LISTWISE

/STATISTICS COEFF OUTS R ANOVA CHANGE

```

/CRITERIA=PIN(.05) POUT(.10)
/NOORIGIN
/DEPENDENT Performance
/METHOD=ENTER LowCostLeadershipStrategy FocusStrategy DifferentiationStrategy.

```

## Regression

### Notes

Output Created		03-SEP-2021 12:04:15	
Comments			
Input	Data	C:\Users\User\Downloads\mulei(1).sav	
	Active Dataset	DataSet1	
	Filter	<none>	
	Weight	<none>	
	Split File	<none>	
	N of Rows in Working Data File		79
Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.	
	Cases Used	Statistics are based on cases with no missing values for any variable used.	
Syntax		REGRESSION	
		/MISSING LISTWISE	
		/STATISTICS COEFF OUTS R ANOVA CHANGE	
		/CRITERIA=PIN(.05) POUT(.10)	
		/NOORIGIN	
		/DEPENDENT Performance	
Resources		/METHOD=ENTER	
		LowCostLeadershipStrategy	
		FocusStrategy	
		DifferentiationStrategy.	
	Processor Time		00:00:00.00
	Elapsed Time		00:00:00.04
Resources	Memory Required	4224 bytes	
	Additional Memory Required for Residual Plots	0 bytes	

[DataSet1] C:\Users\User\Downloads\mulei(1).sav

**Variables Entered/Removed<sup>a</sup>**

Model	Variables Entered	Variables Removed	Method
1	Differentiation Strategy, LowCostLeadershipStrategy, FocusStrategy <sup>b</sup>	.	Enter

a. Dependent Variable: Performance

b. All requested variables entered.

**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	.856 <sup>a</sup>	.733	.722	.776	.176	5.357	3	75	.002

a. Predictors: (Constant), Differentiation Strategy, Low Cost Leadership Strategy, Focus Strategy

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	126.813	3	42.271	68.46	.000 <sup>b</sup>
	Residual	46.309	75	0.617		
	Total	173.122	78			

a. Dependent Variable: Performance

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

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.915	.116		7.888	.000
Low Cost Leadership Strategy	.797	.243	.703	3.280	.001
Focus Strategy	.712	.308	.621	2.312	.024
Differentiation Strategy	.608	.202	.523	3.010	.004

a. Dependent Variable: Performance

**CORRELATIONS**

```

/VARIABLES=Performance LowCostLeadershipStrategy FocusStrategy
DifferentiationStrategy
/PRINT =TWOTAIL NOSIG
/MISSING=PAIRWISE.
    
```

**Correlations**

**Notes**

Output Created	03-SEP-2021 14:15:20
Comments	
Input	Data C:\Users\User\Downloads\mulei(1).sav Active Dataset DataSet1 Filter <none> Weight <none> Split File <none> N of Rows in Working Data File 79 Definition of Missing User-defined missing values are treated as missing.
Missing Value Handling	Statistics for each pair of variables are based on all the cases with valid data for that pair.
Cases Used	

Syntax		CORRELATIONS /VARIABLES=Performance LowCostLeadershipStrategy FocusStrategy DifferentiationStrategy /PRINT =TWOTAIL NOSIG /MISSING=PAIRWISE.
Resources	Processor Time	00:00:00.03
	Elapsed Time	00:00:00.90

[DataSet1] C:\Users\User\Downloads\mulei(1).sav

### Correlations

		Performance	Low Cost Leadership Strategy	Focus Strategy	Differentiation Strategy
Performance	Pearson Correlation	1	.781*	.784*	.817*
	Sig. (2-tailed)		.027	.011	.020
	N	79	79	79	79
Low Cost Leadership Strategy	Pearson Correlation	.781*	1	.721*	.784*
	Sig. (2-tailed)	.027		.016	.012
	N	79	79	79	79
Focus Strategy	Pearson Correlation	.784*	.721*	1	.639*
	Sig. (2-tailed)	.011	.016		.001
	N	79	79	79	79
Differentiation Strategy	Pearson Correlation	.817*	.784*	.639*	1
	Sig. (2-tailed)	.020	.012	.001	
	N	79	79	79	79

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

## Appendix V: Research Publication

[http://www.jibism.org/core\\_files/index.php/JIBISM/article/view/161](http://www.jibism.org/core_files/index.php/JIBISM/article/view/161)

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### PORTER'S COMPETITIVE STRATEGIES AND PERFORMANCE OF PUBLIC CORPORATIONS IN NAIROBI CITY COUNTY, KENYA

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#### ABSTRACT

Public corporations in Kenya operate in changed environmental conditions. To survive and succeed in the increasingly competitive environment, the corporations are adopting various strategies. This paper examined the effect of Porter's competitive strategies on performance of public corporations in Nairobi City County, Kenya. The study adopted an explanatory research design. The target population for this study was 133 public corporations in Nairobi City County. A sample of 99 public corporations was used. Primary data was obtained using self-administered questionnaires. Descriptive statistics such as frequencies, percentages, mean score and standard deviation were used to summarize data. Multiple regression analysis was used to test the research hypothesis. The study established that the Public Corporations to a great extent adopted differentiation strategy, low-cost leadership strategy and focus strategy. The study revealed that the strategies had a positive effect on the performance of the firms. Low-cost leadership strategy had the greatest effect on the performance followed by focus strategy while differentiation strategy had the least effect on performance. The study recommends adoption of the competitive strategies to enhance performance of the public corporations.

**Key Words:** *Low-cost leadership strategy, Differentiation strategy, Focus strategy, Performance*