

**EVALUATION OF THE RELATIONSHIP BETWEEN PORTER'S GENERIC  
COMPETITIVE STRATEGIES AND ORGANISATIONAL PERFORMANCE  
AMONG AGRO FOOD PROCESSING FIRMS IN NAKURU AND KERICHO  
COUNTIES IN KENYA**

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THE DEGREE OF MASTER IN BUSINESS ADMINISTRATION**

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## DECLARATION AND APPROVAL

This research project is my original work and it has not been submitted for any degree or any award in this or any other University.

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### **Approval of Research Project**

This research project has been submitted for examination with my approval as the university supervisor.

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## **DEDICATION**

I dedicate this research work to my parents, brothers and sisters for their support throughout the study.

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I give special thanks to GOD almighty for the gift of life and strength during the entire period of my studies at Egerton University. I am also very grateful to Egerton University especially the Faculty of Commerce for providing me with a good learning environment together with all the facilitation I needed. My heartfelt and sincere thanks go to all the managements of the agro food processing firms that I visited and accorded me support during data collection period. My father among other family members is highly appreciated for their financial and emotional support during my entire period of study. Lastly, I appreciate the support of my colleagues for sharing with me useful ideas during the period of study and research. Above all, I thank the Almighty God for enabling me to complete this program. God bless you all.

## **ABSTRACT**

The study sought to evaluate the relationship between Porter's generic competitive strategies and organizational performance among agro food processing firms in Nakuru and Kericho Counties in Kenya. Specific objectives were;- to determine the relationship between utilization of focus strategy and organizational performance, to determine the relationship between the utilization of cost leadership strategy and organizational performance , to determine the relationship between differentiation strategy and organizational performance and to determine the combined effect of Porter's generic competitive strategies focus, differentiation and cost leadership on organizational performance. The target population was agro food processing firms in Nakuru and Kericho Counties. A cross sectional survey was conducted involving 53 large and medium agro-food processing firms. Primary data was collected using structured questionnaires administered to a management staff in each of the agro food-processing firm. Data was analyzed with help of the Statistical Package for Social Sciences (SPSS) version 17.0. Both descriptive statistics and correlation analysis were used to analyze data. The findings from the study indicated that focus and differentiation strategies significantly influenced organizational performance in terms of growth in market share; cost leadership strategy did not significantly influence organizational performance among agro- food processing firms in the study area. Cost leadership, differentiation and focus strategies were found not to significantly influence organisational performance individually, however the combined Porter's generic competitive strategies were found to significantly influence organisational performance. Consequently, this study made the following recommendations: the managements in the agro-food processing should strengthen utilization of all the Porter's competitive strategies in order to realize meaningful performance among agro- food processing firms; increase the level of research and development in production; diversify their products as well as undertake regular product re-launch or re-design and promotion and effectively implement the Porter's competitive strategies in order to realize increased levels of organizational performance especially in employee productivity, revenue per employee and profitability margins.

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# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Competitiveness is at the core of success or failure of firms. It determines the appropriateness of a firm's activities that can contribute to its performance such as innovations, cohesive culture or good strategy implementation. Competitive strategy aims to establish a profitable and sustainable position against forces that determine industry competition (Porter, 1998). These forces include; the threat of new entrants, rivalry between existing firms, threat of powerful buyers and suppliers, threat of substitute products and other forces acting in the wider economy. Strategy is concerned with how firms ought to act in the market place, whereas competition is concerned with the processes that discriminate between the fortunes of different firms; the process by which performance become relative.

Porter's generic strategy matrix highlights cost leadership, differentiation and focus as the three basic strategy choices for firms. A venture can choose how it wants to compete, based on a match between its type of competitive advantage sought and the target market pursued, as the key determinants of choice (Akan, Allen, Helms, & Spralls, 2006). Competitive advantage grows out of the value a firm is able to create for its buyers that exceeds the firm's cost of its creation. Competitive advantage is useful to an organization when it is sustainable and sustainable competitive advantage leads to above average performance in an industry. Different firms adopt different approaches towards attaining sustainable competitive advantage, a firm is said to have a sustainable competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when those other firms are unable to duplicate the benefits of this strategy (Barney, 1991).

According to the Porter's five forces framework, firm performance is a function of industry and firm effects (Grant, 1991). Industry structure affects the sustainability of firm performance, whereas positioning reflects the firm's ability to establish competitive advantage over its rivals (Porter, 1998). There are three major generic competitive strategies a firm may adopt these are; cost-leadership, differentiation and focus (Porter,

1998). Firms that follow the cost-leadership strategies concentrate on operating at lower costs than competitors. On the other hand, firms pursuing a differentiation strategy distinguish themselves by certain attributes of their products and services. They select one or more differentiation attributes that buyers perceive as important and direct their activities at providing those attributes. Differentiation attributes vary in different markets and industries (Spanos & Lioukas, 2001). Firms that choose focus strategy concentrate on serving specific defined segments; this can either be broad or narrow focus.

### **1.1.1 Competitive Strategies**

A competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition. In cost leadership a firm strives to be the least cost producer, 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 and preferential access to raw materials. If a firm can achieve and sustain overall cost leadership it is said to be an above-average performer in its industry provided it can command prices at or near the industry average (Porter, 1998). At equivalent or lower prices than its rivals, a cost leader's low-cost position translates into higher returns. In cases where the product is not perceived as comparable or acceptable by buyers, a cost leader will be forced to discount prices below competitors' to gain sales. This may nullify the benefits of its favorable cost position.

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 (Porter, 1998). A firm that can achieve and sustain differentiation will be an above-average performer in its industry, if its price premium exceeds the extra costs incurred in being unique. A differentiator, therefore, must always seek ways of differentiation that lead to a price premium greater than the cost of differentiating.

Focus strategy rests on the choice of a narrow competitive scope within an industry. The focuser selects a segment or a group of segments in the industry and tailors its strategy to serving them to the exclusion of others (Pearce & Robinson, 2007). By optimizing its

strategy for the target segments, the focuser seeks to achieve a competitive advantage in its target segments even though it does not possess overall competitive advantage. The focus strategy has two variants, which are cost focus and differentiation focus. In cost focus, a firm seeks a cost advantage in its target segment, while in differentiation focus a firm seeks differentiation in its target segment (Porter, 2008). Cost focus exploits differences in cost behavior in some segments, while differentiation focus exploits the special needs of buyers in certain segments.

### **1.1.2 Performance in Agro food Processing industries**

Agriculture is an activity, which is heavily affected by climatic conditions. The impacts of changes in climate on agricultural activities have been shown to be significant for low input farming systems in developing countries in Africa (McGuigan, Reynolds & Wiedmer, 2002). The performance of the agricultural sector is determined by crop and animal production, which depends on a large number of factors varying from climatic conditions to government policy. These factors directly affect agro food processing because agricultural activities serve to provide the sources of raw materials for agro food processing firms.

Agro food processing industries have made significant contribution to Kenyan economy with their contribution to the gross domestic product (GDP) growing at 10%, 11.8%, 12.8%, 13.6% and 13.3%, between 1993 and 1998, however, the contribution of agriculture to GDP stagnated at 24% while that of manufacturing declined from 13.8% to 13.3%. In spite of the decline in the agricultural sector's contribution to GDP, it remains one of the most important sectors driving economic growth in Kenya (Republic of Kenya. Ministry of State for Planning National Development and Vision 2030, 2008).

Agriculture is among the major contributors to the economic pillar of the government's strategic development plan dumped vision 2030. It accounts for 24% of the Kenyan GDP closely followed by tourism at 12.5%. Agriculture therefore presents a big opportunity for the Kenyan economy to attain the sustained growth of 10% required to achieve vision 2030.

Processed foods account for 80% of global food sales, packaged food corresponds to only one third or less of total food expenditure in developing countries (World Bank, 2008). Food processing in developing countries is an important component of the manufacturing sector, growing as a percentage of GDP as income increases, although with a proportionate declining share in total manufacturing (Humphrey & Memedovic, 2006). Data on food processing in developing countries is however incomplete and the importance of the informal sector can vary from 20% to 70% of the food industry depending on product category and country. Ten per cent of processed food products are traded globally and trade growth has stalled since the middle '90s. The share of processed foods as a proportion of total agricultural exports has increased sharply for all developing countries. On the other hand, since the '90s most less developed countries (LDCs) have become net food importers, with the majority of these imports corresponding to processed foods (World Bank, 2008).

### **1.2 Statement of the Problem**

Business arenas especially in products markets are experiencing a global wave of technology driven competition, globalization of manufacturing and shortening of products life cycles. Globalization leads to more intense competition among manufacturing organizations, with increased competition and customer demands, some organizations employ Porter's generic competitive strategies to attain competitive advantage in the market. Although there have been several individual studies on relationship between Porter's generic strategies and performance in banking (Ogutu & Nyatichi, 2012) and in sugar and soft drink manufacturing (Musyoki, 2010 and Obado, 2005). Few studies have evaluated whether use of Porter's competitive strategies by firms in the agro processing led to a superior organizational performance. This study sought to evaluate relationship between use Porter's generic competitive strategies and organizational performance among agro-food processing firms in Nakuru and Kericho Counties in Kenya.

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

The study aims to evaluate the relationship between Porter's generic competitive strategies and performance among agro food processing firms in Nakuru and Kericho Counties in Kenya.

## **1.4 Specific Objectives**

The specific objectives of the study were;-

- i) To determine whether there is a relationship between the utilization of focus strategy and organizational performance in agro food processing firms in Nakuru and Kericho Counties.
- ii) To determine whether there is a relationship between the utilization of cost leadership strategy and organizational performance in agro food processing firms in Nakuru and Kericho Counties.
- iii) To determine whether there is a relationship between the utilization of differentiation strategy and organizational performance in agro food processing firms in Nakuru and Kericho Counties.
- iv) To determine the combined effect of Porter's generic competitive strategies (focus, differentiation and cost leadership) on organizational performance in agro food processing firms in Nakuru and Kericho Counties.

## **1.5 Research Questions**

The following research questions were stated to guide the study:

- i. What is the relationship between utilization of focus strategy and organizational performance in agro food processing firms in Nakuru and Kericho Counties.
- ii. What is the relationship between utilization of cost leadership strategy and organizational performance in agro food processing firms in Nakuru and Kericho Counties.
- iii. What is the relationship between utilization of differentiation strategy and organizational performance in agro food processing firms in Nakuru and Kericho Counties.
- iv. What is the combined effect of Porter's generic competitive strategies (Cost leadership, differentiation and focus) on organizational performance in agro food processing firms in Nakuru and Kericho Counties.

## **1.6 Justification of the Study**

Business firms are continuously striving to out-perform their competitors. In attempts to cope with globalization, ever-changing consumer demands, increasing use of technology in



production and communication business firms adopt competitive strategies. This study will contribute to the existing knowledge on strategic management and will enable managers in the agro-food processing to understand the effects of adoption of these competitive strategies on performance. In addition, it will assist the players in the agro food processing in understanding the relationship between employment of competitive strategies and organizational performance and stimulate further research. This study was conducted in agro processing industry because of its importance to the Kenyan economy and was concentrated in Nakuru and Kericho Counties in Kenya.

### **1.7 Scope of the Study**

This study covered the relationship between Porter's generic strategies and organizational performance among agro food processing firms in Nakuru and Kericho Counties. A cross sectional survey was conducted on top management of the 53 large and medium agro food processing firms in Nakuru and Kericho Counties which were in Kenya bureau of standards database, 2012 (Appendix 1). In each of the medium and large agro- food-processing firm, a member of the top management was selected to fill the questionnaire.

### **1.8 Limitations and delimitations of the Study**

The study was limited only to the agro food processing firms in Nakuru and Kericho Counties and was cross sectional due to time limitation, longitudinal studies are usually recommended for studies that are more conclusive. There was also a limitation on resources required to print materials, to travel to administer questionnaires and to analyze and finally present the research project.

The study objectives were to investigate the relationship between cost leadership, differentiation and focus strategies and organizational performance and to determine the combined effect of Porter's generic competitive strategies on organizational performance in agro food processing firms in Nakuru and Kericho Counties. The findings of the study will be generalized to the agro processing firms in Nakuru and Kericho counties. The study utilized close-ended questions and the respondents were restricted to the choices given in the questionnaire.

## **1.9 Operational Definition of Terms**

**Agro food Industry** - refers to industries in food processing, includes activities of all firms, which serve to add value to agricultural products, intermediates or residues from plant or animal origin to constitute food for human or animal consumption.

**Organizational performance** - refers to achievement of organizational objectives. This was measured in terms of growth in market share, number of customer complaints, reworks, suggestions from employees, revenue per employee, sales backlogs and profitability margin.

**Business environment** - environment is defined as the immediate surroundings of an object. Business environment refers to all actors in a given industry, which affect performance of an individual firm.

**Strategy** - a plan of action or policy designed to achieve a major or overall aim.

**Competitive strategy**- consists of all the moves and approaches a firm has taken and is taking to attract buyers, withstand competitive pressures, and improve its market position.

**Management staff** – directors and managers who have power and responsibilities to make decisions and oversee an enterprise, they included the chief executive officer, directors, deputy and section heads.

**Cost leadership strategy**- refers to a firm striving to be the overall low-cost producer in the industry

**Focus strategy**-refers to a firm focusing on a narrow portion of the market rather than the whole market.

**Differentiation strategy**- It focuses on how to deliver products that customers perceive as different. Differentiators target customers in well-defined smaller segments who are willing to pay premium prices by trying to be unique in some dimensions widely valued by buyers.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter gives the empirical and theoretical background of Porter's generic strategies and competitive advantage. It will also give the researcher's conceptual framework developed in solving the research problem.

#### **2.2 Empirical Literature**

A number of studies have been done on the relationship between Porter's generic competitive strategies and organisational performance; these studies have been done in banking, manufacturing and in telecommunications industries.

Rosenzweig, Roth and Dean (2003), conducted a study on the relationship between competitive capabilities and business performance in consumer products industries in North America, Europe and Asia. They analyzed competitive capability with product quality, delivery reliability, process flexibility, and cost leadership and business performance with return on assets, the percentage of revenues from new products, customer satisfaction, and sales growth in target market relative to main competitors. The study revealed that competitive capability directly influenced the percentage of revenues from new products; cost leadership was the sole competitive capability that leads to increased percentage of revenues from new products.

In a study carried out by Bisungu, Chege and Musiega (2014) on effects of competitive strategies adopted by farmers' cooperatives on performance in Butere – sub County, Kenya a strong positive relationship was found between cost leadership and cooperative's competitive advantages. The use of customer focus and quality management strategies were found to have affected business performance in a positive way through increased sales volume and growth as a result of customer loyalty, top management commitment for quality and improvement of quality and service.

According to Dirisu, Iyirole and Ibidunni (2013) in a study carried out to examine the influence of product differentiation as a tool of competitive advantage on the

organizational performance of manufacturing companies, using Unilever Nigeria Plc as a case study. Organizational performance was the dependent variable further broken into sub-variables (customer satisfaction and sales growth). The independent variable was product differentiation which was operationalized in terms of higher product quality, new product innovation, product design and unique product features. The study found out that product differentiation as a tool of competitive advantage had a positive and significant influence on organizational performance of manufacturing companies in Nigeria. In a similar study on the effects of competitive strategies on performance of dairy firms in Kenya by Waema (2013), the three Porters generic strategies were found to be related with performance. Focus strategy was found to have the strongest association with performance followed by cost leadership and lastly differentiation.

Ogutu and Nyatichi (2012) conducted a study on competitive strategies adopted by multinational banks in Kenya, the study revealed that there was a relationship between adoption of competitive strategies and organizational performance, differentiation and focus were the most used strategies. Adoption of competitive strategies presents a means to achieving superior performance; research in the screw industry (Wright, Tu, & Helmst, 1991) revealed that a relationship exists between competitive strategies and firm performance. Businesses that compete with the low cost strategy attempt to lower their cost of operations through process research and development (Wright et al., 1991). They also emphasize high capacity utilization, low advertising, and low relative direct costs, the emphasis on low costs is to under price their rivals. Successfully competing with low cost strategy may lead to competitive advantage and so superior performance in the market place. On the other side firms utilizing differentiation strategy emphasize advertising in order to achieve unique reputation. Such firms rely on the quality of their outputs to support higher pricing policies as compared to their competitors.

According to a study conducted by Musyoki (2010) on effects of generic competitive strategies on performance a case study of Coca cola bottlers Kenya, differentiation and service quality were found to have the greatest impact on organizational performance. On a study on the relationship between competitive strategies and firm performance; a case of mobile communication companies in Kenya (Arasa & Gathinji, 2014) differentiation and

low cost leadership were shown to have most significant effect on performance. In this study organizational performance was operationalized in terms of growth in sales, market share, complaints resolution, revenue from newly developed products and operating expenses.

### **2.3 Theoretical Framework on Competitive Advantage**

Existing strategic perspectives concerned with how firms create and sustain competitive advantage are the Industrial Organization (I/O) and the Resource-Based View of the firm (RBV). Since at least 1911, scholars have tried to explain why some firms persistently outperform others (Barney & Arkan, 2001). Strategic management deals with this question from a managerial perspective and tries to explain the sources of sustained competitive advantage. Strategic management has however changed dramatically since its starting point in the 1950ies, when Selznick introduced the need to bring an organization's internal state and external expectations together for implementing policy into the organizations social structure (Kong, 2008). This perspective was later further developed in 1982 by Wehrich who conceptualized the internal and external analysis into a structured matrix known as the SWOT (Strength, Weakness, Opportunities and Threats) framework. This model provides information in order to match the firm's internal strengths and weaknesses with the external opportunities and threats. As strategic management has continued to change, the SWOT framework has been split into two separate schools of strategy. The first school of strategy is the industrial organization school of thought, which is represented by the opportunities and threats and the second school of thought is the resource-based view of the firm represented by the strengths and weaknesses (Mitchel & Coles, 2003).

#### **2.3.1 Industrial Organization and Competitive Advantage**

The dominant school of thought in strategic management has been the industrial organization, where the relationship between the firm and the industry is essential. A principal model of this school has been Michael Porter's (1985) five competitive forces for analyzing industry structures. In this model, a firm's profitability is influenced by its relative size compared to its industry rivals, suppliers and customers (Porter, 1985). The industry forces in which a firm operates requires that a firm adapts to these requirements in

order to survive in the long run, firms which fail to adapt will be forced to exit from the industry.

The models within the industrial organization school of thought are based on the following two assumptions: firstly, companies in an industry are identical in terms of the strategically relevant resources they control and the strategies they pursue (Porter, 1981). Secondly, resources in an industry are identical because an organization's resources used to implement strategies are highly mobile in the market (Barney, 1991). Moreover, within the industrial organization school of thought the key to sustained competitive advantage is choosing an appropriate industry and positioning itself within that industry.

Porter(1985) considered that in the long term the extent to which a firm is able to create a defensible position in an industry is a major determinant of the success with which it will outperform its competitors. The industrial organization perspective regards competitive advantage as a position of superior performance that a firm can achieve through one of the following generic strategies: cost leadership, differentiation or focus. Cost leadership is the achievement of the lowest unit cost base of the industry, whereas differentiation is the ability to charge a premium price for offering some perceived added value to the customer. The focus strategy is the concentration on a narrow segment and within that segment attempting to achieve either a cost advantage or differentiation (Porter, 1985).

#### **2.3.1.1 Cost Leadership Strategy**

Porter's cost leadership strategy focuses on gaining competitive advantage by having the lowest cost in the industry (Hyatt, 2008). Cost leadership is based on operational efficiency (Katsioloudes, 2006), the aim of this strategy is to open up a sustainable cost advantage over competitors. The firm's lower cost of operation edge serves as basis for either under pricing their goods and services and so gaining market share at the expense of competitors or the firm earning a higher profit margin by selling their products at the prevailing market prices (Porter, 1996).

Lower costs and cost advantages result from process innovations, learning curve benefits, and economies of scale, product designs, reduced manufacturing time and costs and

reengineering activities. Only one firm in an industry can be the lowest cost leader and if this is the only difference between a firm and competitors, the best strategic choice is the low cost leadership role (Malburg, 2000). A firm could enjoy low cost leadership through access to raw materials or superior proprietary technology, which helps to lower costs (Bauer & Colgan, 2001). As a low cost leader, an organization can present barriers against new market entrants who would need large amounts of capital to enter the market.

### **2.3.1.2 Differentiation Strategy**

When using differentiation strategy, a company focuses its efforts on providing a unique product or service (Bauer & Colgan, 2001). Differentiation strategy seeks to differentiate the company's products by offering different products from rivals in ways that appeal to a broad spectrum of buyers (Thompson & Strickland, 2001). It focuses on how to deliver products that customers perceive as different. Differentiators target customers in well-defined smaller segments who are willing to pay premium prices by trying to be unique in some dimensions widely valued by buyers. It can be based on the product itself, the delivery system by which it is sold, the marketing approach and a broad range of other factors.

Differentiation strategy requires that a firm choose differentiation attributes that are different from its rivals. A firm must truly be unique at something or to be perceived as unique if it is to expect a premium price. Differentiation results from uniquely creating buyer value, it leads to superior performance if the value perceived by the buyer exceeds the cost of differentiation. A firm may choose to differentiate in the following ways design, technology, distribution and product features (Katsioloudes, 2006). According to Arasa and Gathinji, (2014), firms that succeed in differentiation strategy often have the following internal strengths: access to leading scientific research; highly skilled and creative product development team; strong sales team with the ability to successfully communicate the perceived strengths of the product; and corporate reputation for quality and innovation.

### **2.3.1.3 Focus Strategy**

34-In focus strategy firms utilize their core competencies to serve the needs of a particular industry segments. According to Thompson (1996) this strategy entails concentrating on a

narrow buyer segment and outcompeting rivals on the basis of lower cost or differentiation depending on the requirements of a particular segment. The segment can be defined by geographical market, type of customer or by product line. The firm can choose to focus on a select customer group, product range, geographical area, or service line (Hyatt, 2008). Focus also is based on adopting a narrow competitive scope within an industry. It 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 (Arasa & Gathinji, 2014). According to Porter, 2008, 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. By optimizing its strategy for the target segments, the focuser seeks to achieve a competitive advantage in its target segments even though it does not possess a competitive advantage overall (Porter, 1985). A firm using a focus strategy often enjoys a high degree of customer loyalty and this entrenched loyalty discourages other firms from competing directly. Because of their narrow market focus, firms pursuing a focus strategy have lower volumes and therefore less bargaining power with their suppliers (Stone, 1995). However, firms pursuing a differentiation-focused strategy may be able to pass higher costs on to customers since close substitute products do not exist.

The main shortcoming of this perspective according to Barney (1991) is the Porter's (1985) central principle of industry attractiveness. Theories of imperfect product market competition are not sufficient for the development of a theory of economic rents and as a result, Barney and Arikan (2001) suggest that economic rents can be obtained through the resources that a firm controls.

### **2.3.2 Resource Based View and Competitive Advantage**

The resource based view has defined firm's resources as all assets, capabilities, organizational processes, firm attributes, information and knowledge controlled by a firm (Barney, 1991). This theory was established in reaction to the industrial organization view and its emphasis is on the firm's external competitive environment as a primary determinant of the firm's success (Peteraf, 1993). It holds that competitive



advantage is grounded within the firm, in its resources both the tangible and intangible assets that enable it to perform a particular task effectively. The theory posits that, because resources are heterogeneous among firms and imperfectly mobile across firms, differences in resource endowments can exist and endure over time (Barney, 1991). It argues that a firm has competitive advantage when it creates a successful strategy based on firm resources that cannot be duplicated by a current or potential competitor.

Firms may achieve superior performance by identifying and acquiring the appropriate bundles of resources necessary for the production of desired products (Wernerfelt, 1984). These internal resources can be classified, according to the classic typology proposed by Barney (1991) into four fundamental categories: physical, human, social and organizational capital resources. Physical capital includes the technology used in a firm, plant, equipment and geographic location (Barney, 1991). Organizational capital includes patents, data codified in databases, routines and manuals. According to Barney (1991) to achieve sustainable competitive advantage these resources must be valuable, rare, imperfectly imitable and non-substitutable, while firms with valuable and rare resources can attain a competitive advantage, for this advantage to be sustainable, the firm's resources must also be not be easily imitated or substituted.

According to Barney (2002), a firm experiences competitive advantages when its actions in an industry or market create economic value and when few competing firms are engaging in similar actions. Barney (2007) defined a firm to be having competitive advantage when it is able to create more economic value than rival firms. Attaining and sustaining competitive advantage leads a firm to attaining a superior position in the market place. Competitive advantages that are sustained over time lead to superior performance (Peteraf, 1993).

According to Fahy (2000) through the resource-based view of the firm, insights into the nature of competitive advantage are obtained. It helps to explain why some resources are more advantage-generating than others and also why resource asymmetries and consequent competitive advantages persist even in conditions of open competition. Organizations with similar resources often have difference in the efficiency of resource

usage brought about by the differences in capability, which is the reason for the deep-seated competitive advantage. Prahalad and Hamel (1990) defined core capability as the accumulated knowledge of an organization, especially about how to coordinate the different skills of production and the organic integration of a variety of technical flow of knowledge. Barney (2001) focuses on internal resources as the key to sustained competitive advantage; Hamel and Prahalad (1994) focused on core competencies and argued that firm's sustained competitive advantage is to be found in its core competencies. In order for a competence to be a core competence, three criteria have to be met: the competence has to; - provide access to more than one market, give a significant contribution to the end product or products and be difficult for competitors to imitate. Accordingly, if a company possesses a core competence and understands how to take advantage of it, it can lead to sustained competitive advantages.

#### **2.4 Organizational Performance**

Performance measurement is the evaluation of outcomes of an organization as a result of management decisions on resources of an organization and execution of those decisions made by the members of an organization (Hofer, 1983). The basis of formulating performance indicators that achieve competitive advantage have been in operation as early as the beginning of our century (Chandler, 1997). These traditional performance measures were financial and usually historical. Currently firms are pursuing multiple objectives; managers usually set goals and monitor performance from a balanced scorecard perspective comprising financial, customer, internal and learning- based metrics, with the relative importance of particular metrics depending on the firm's strategy (Kaplan & Norton 1996).

Hansen and Wernerfelt (1989), identified three economic and organizational factors that determine firm performance these are; - industry characteristics, competitive position and firm resources. The attractiveness of an industry refers to the opportunities that it presents for achieving an acceptable return on investment. A firm may have resources that provide it with a competitive advantage in any particular industry, but if the industry is unattractive, even above average profits may be low relative to other strategic options (Spender & Grant, 1996). The factors affecting industry attractiveness are referred to as industrial

forces. These forces include key participants in the competitive arena: buyers, suppliers, competitors, potential entrants, and substitute products. It is the amount of bargaining power each of the forces has over the firm that makes the industry attractive or unattractive (Harrigan, 1985). Porter (1998) classified determinants of bargaining power as bargaining leverage and price sensitivity.

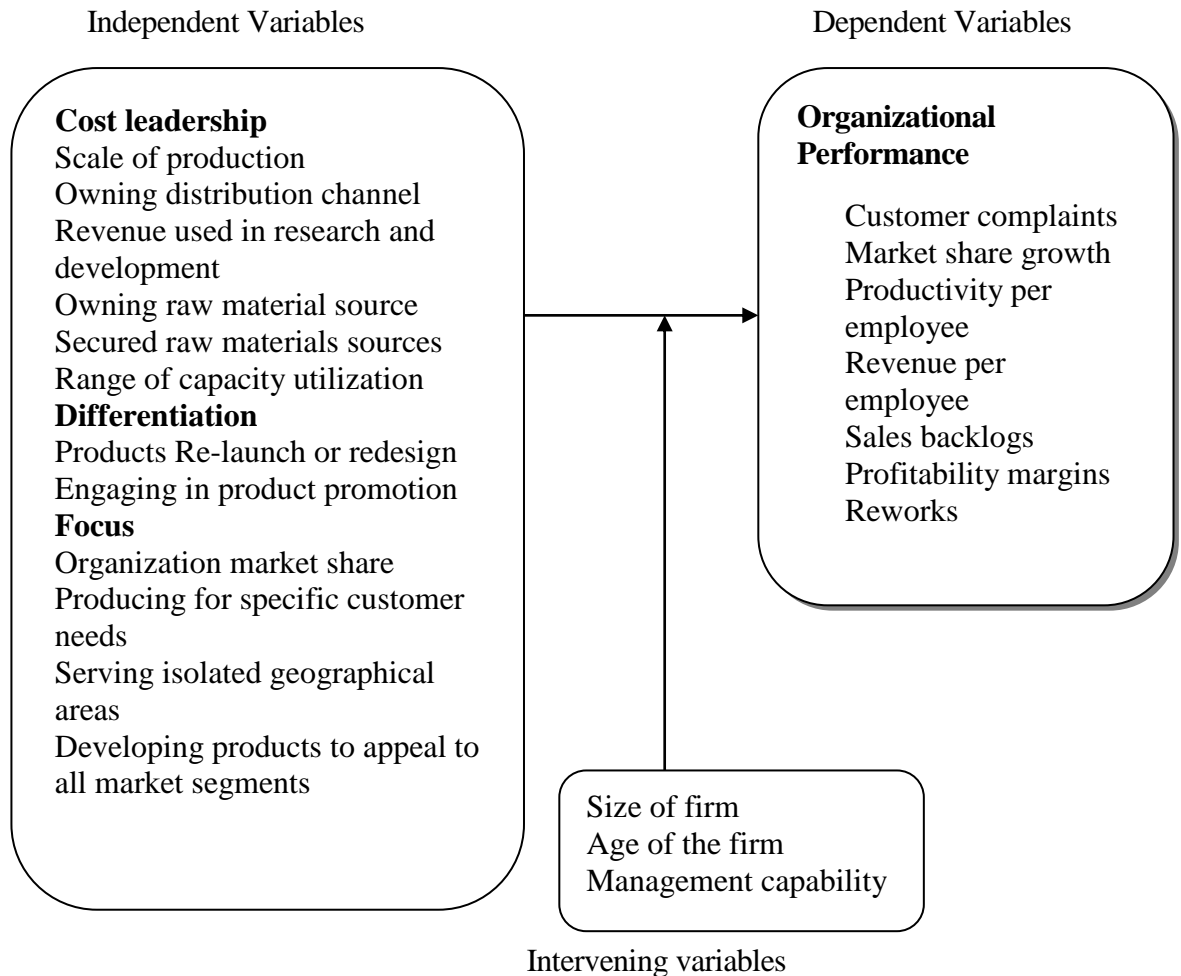
Existing and potential competitors can affect the profitability of an industry. Such rivalry determinants include industry growth, fixed costs, product differences, brand loyalty, concentration and balance within the industry. The existence of or lack of barriers to entry can affect industry attractiveness. These barriers include economies of scale, property rights, capital requirements and access to distribution channels (Hansen & Wernerfelt, 1989).

## **2.5 Conceptual Framework**

Competitive advantage is gained by translating a broad based strategy into specific action steps; the ability to gain competitive advantage determines the success or failure of firms. In attempts to attain competitive advantage firms have adopted Porter's generic strategies. The framework of this study utilized Porter's generic strategies as means to attaining superior performance in the agro food processing firms. According to the framework (figure 2.1) Porter's generic strategies constituted independent variables while performance constituted dependent variables. Porter's generic strategies were operationalized for ease of measurement. Cost leadership competitive measures were assessed through the following attributes; - scale of production, ownership of distribution channels, level of revenue used in research and development, ownership of raw material sources, securing raw materials suppliers and range of plant capacity utilization. Differentiation strategy competitive measures were assessed through the following attributes; number of products categories, number of products, products re-launch or redesign and engaging in product promotion.

Lastly firm's focus strategy related strategy measures were assessed through the following attributes; organization market share growth, producing for specific customer needs, serving isolated geographical areas and developing products to appeal to all market segments. Employment of Porter's strategies was expected to result in superior

performance and was assessed through, level of customer complaints, growth in market share, productivity, revenue per employee, sales backlogs, profitability margins and reworks within last two years.



**Figure 2.1:** Relationship between Porter's generic strategies and Organizational performance

*Source: Adapted from "core concepts of resource based view", (Ketchen, Hult & Slater, 2007)*

Figure 2.1 shows a model for interaction of Porter's generic strategies under the influence of various factors to achieve superior business performance. The model proposes two types of influential factors which are internal and external. Internal factors include age of the business, management capability and organization size, whereas external factors include environmental, social, political, legal, geographical and or technological elements which

may influence the utilization of the indicated Porter's generic strategies in the agro food processing industry.

Acquiring and preserving sustainable competitive advantage and superior performance are a function of the resources and capabilities brought to the competition (Barney, 1995). Nyakeruma (2006) observed that a host of external factors influence a firm's choice of direction, structure organizational structure and internal processes. A business firm is not isolated from the environment in which it operates. Its future developments, the results it can achieve and the constraints within which it operates are all functions of the business environment.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The chapter presents the research methodology used in the study; it covers the research design, data collection, target population, reliability and validity of the research instrument, data collection procedure and instruments and finally data analysis and presentation of results.

#### **3.2 Research Design**

The study employed a descriptive research design, descriptive research deals with describing characteristics of a particular group (Kothari, 2004). The descriptive research design is used when the purpose of the study is to describe the characteristic of a phenomenon to estimate proportion of elements which behave in a certain way and make specific predictions. The research was carried out in the agro food processing industries in Nakuru and Kericho Counties.

#### **3.3 Population of the Study**

The population of the study consisted of 98 agro food-processing firms in Nakuru and Kericho Counties in the Kenya Bureau of Standards database, 2012. These firms were classified into categories of small, medium and large enterprises depending on the annual turnovers.

#### **3.4 Sampling Procedure and Sample Size**

The firms classified as small enterprises with annual turnovers below 200,000 shillings and firms, which did not have any valid permit from Kenya Bureau of Standards for more than two years did not form part of target population. A purposive study was carried out in 53 medium and large enterprises in Nakuru and Kericho Counties (see appendix 1).

#### **3.5 Reliability and Validity of the Research Instrument**

Validity refers to the quality that a procedure or instrument or tool used in research is accurate, correct, true and meaningful and right. Construct and content validity of the questionnaire were determined by the help of experts (such as the research supervisors).

This was expected to give guidance to ensure that the instruments were constructed in a manner that could not mislead the respondents in the course of providing information. This served to ensure that the items in the instruments were representative of the research independent and dependent variables and more so ensure that the research objectives were addressed by the information sought in the instrument.

Reliability of an instrument is the degree of consistency with which it measures a variable (Mugenda & Mugenda 2003). It is concerned with estimates of the degree to which a research instrument yields consistent results or data after repeated trials. To ensure reliability, the researcher used the cronbach alpha reliability test where the questionnaires were administered to a few selected agro- food processing firms in Nyeri county that bear the similar characteristics as those in Nakuru and Kericho Counties. The calculated Cronbach alpha from the pilot study was found to be 0.732 (within the acceptable reliability limits of at least 0.7).

### **3.6 Data Collection Procedure and Instruments**

The study utilized primary data collected using questionnaires. The questionnaire (Appendix 2) was administered to one management staff in each of the targeted agro- food processing firm.

### **3.7 Data Analysis and Presentation of Results**

Data collected on various firms was analyzed qualitatively and quantitatively using statistical package for social sciences (SPSS). Both inferential and descriptive statistics were used; descriptive statistics included frequencies, percentages and summary tables. The extent to which competitive strategies had been employed by firms in the agro- food processing firms in Nakuru and Kericho Counties was obtained from the descriptive statistics which were the frequency and percentage tables.

To determine the relationship between use of Porter's competitive strategies and organizational performance among the agro-food processing industries in the study area, correlation analysis was used. The correlation analysis was carried out at 95% confidence level ( $p < 0.05$ ). To determine the combined effect of Porter's generic competitive

strategies (cost leadership differentiation and focus) and organizational performance a multiple regression model was developed. Porter's generic competitive strategies represented independent variables while organizational performance was the dependent variable. The general formula is as indicated below:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + E \dots \dots \dots \text{equation 1}$$

Where:

Y- Composite performance indicator

$\beta_0, \beta_1, \beta_2, \beta_3$ - Parameters to be estimated

$X_1$ - Cost leadership indicator

$X_2$  - Differentiation indicator

$X_3$ - Focus strategy indicator

E = Error term



## **CHAPTER FOUR**

### **RESULTS AND DISCUSSION**

#### **4.1 Introduction**

This chapter presents the research findings and discussion of the results with reference to the specific objectives. It presents results regarding the background information on the agro food processing firms, organizational performance, Porter's generic competitive strategies and the relationship between Porter's generic competitive strategies and organizational performance and the combined effect of the Porter's generic strategies on organizational performance.

#### **4.2 Description of the Agro- food processing firms in the Study Area**

The description included: type of agro- food processing firms, duration in operation, nature of operation and number of employees in the firms as discussed in the sections below;-

##### **4.2.1 The Type of the Agro- food processing firms**

The study targeted all the agro- food-processing firms within Nakuru and Kericho Counties in Kenya. A study was carried out in 53 large and medium enterprises, according to study findings (Table 4.1) 39.6% of the industries were in animal feed manufacturing, 30.2% were in tea processing, 9.4% were in milk processing, 7.5% were involved in baking, 5.7% were milling firms and 3.8% each were involved in canned fruits and vegetables processing and edible fats and oils processing respectively. These findings indicate that a significant proportion of the agro- food processing firms were involved in both animal feed manufacturing and tea processing.

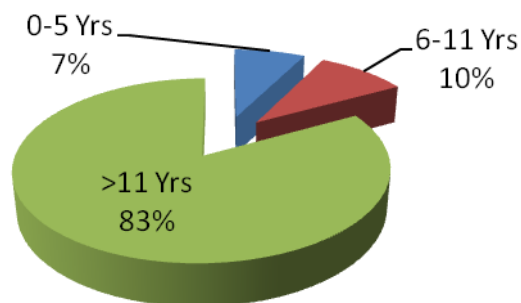
**Table 4.1: The Type of the Agro- food processing firms**

Firm	Frequency	Percent
Milling	3	5.7
Milk Processing	5	9.4
Edible fats & Oil processing	2	3.8
Animal feed manufacturing	21	39.6
Tea processing	16	30.2
Canned fruits and Vegetables	2	3.8
Baking	4	7.5
Total	53	100.0

*Source: Field data, 2013*

#### 4.2.2 Firm's Number of Years in Operation

According to study findings (Figure 4.1), 83% of the agro- food processing firms had been in operation for a period of more than 11 years, 10% had been in operation for a period between 6-10 years while only 7% had been in operation for less than 5 years. The study findings imply that majority of the agro- food processing firms had been in operation long enough and hence in a position to provide required information under study.



**Figure 4.1: Firm's Duration in Operation**

#### 4.2.3 Nature of Ownership of the Agro- food processing firms

Study findings shows that 96.2% of the agro- food processing firms were privately owned, whereas 1.9% each were publicly and government owned, respectively. The findings suggest that a majority of the industries were privately owned.

#### 4.2.4 Number of Employees in the Agro- food processing firms

Based on the study findings (Table 4.2), 37.7% of the agro- food processing firms had a workforce of more than 100 employees, 24.5% had 21-40 employees, 13.2% had 41-60 employees, 11.3% had less than 20 employees and 9.4% had 61-80 employees while only 3.8% had between 81-100 employees. The findings generally indicate that a significant proportion of the agro- food processing firms had at least 20 employees.

**Table 4.2: Number of Employees among the Agro-food processing firms**

Number of Employees	Frequency	Percent
<20	6	11.3
21-40	13	24.5
41-60	7	13.2
61-80	5	9.4
81-100	2	3.8
>101	20	37.7
Total	53	100.0

*Source: Field data, 2013*

#### 4.2.5 Level of Organizational Performance among Agro- food processing firms

The study also sought to establish the level of organizational performance among agro-food processing firms. In this regard, the study investigated the various aspects of organizational performance namely: growth in market share, customer complaints, re-works within the past 2 years, number of suggestions by employees, revenue per employee, productivity per employee, sales backlog and profitability margin.

The above aspects of organizational performance were assessed using a five-point Likert scale: Very Low (1), Low (2), Moderate (3), High (4) and Very High (5). The results were presented in the Table 3 and findings discussed in the following section.

**Table 4.3: Level of Organizational Performance among Agro- food processing firms**

Performance Indicator	Percentage Response (%)					Total (%)
	Very Low	Low	Moderate	High	Very High	
Growth in Market Share	7.5	22.6	34.1	35.8	0.0	100.0
Customer Complaints	50.9	41.5	3.8	1.9	1.9	100.0
Re-works within the past 2 years	45.3	45.3	5.6	3.8	0	100.0
Number of suggestions by employees	0.0	5.7	58.5	26.4	9.4	100.0
Revenue per employee	5.7	24.5	58.5	11.3	0.0	100.0
Productivity per employee	3.8	34.0	49.0	13.2	0.0	100.0
Sales backlog	54.7	41.5	3.8	0.0	0.0	100.0

*Source: Field data, 2013*

The study findings (Table 4.3) revealed that in 35.8% of the agro- food processing firms the growth in market share was reported to be high, in 34.1% it was moderate while in 30.1% it was reported to be low. These findings suggest that the growth in market share among the agro- food processing firms was generally moderate to high. In addition, the study findings showed that in 92.4% of the agro- food processing firms customer complaints were reported to be high, in 1.9% they were moderate while in 5.7% they were reported to be low. These findings indicate that the customer complaints among the agro- food processing firms were generally very high.

Furthermore, the findings indicate that in 90.6% of the agro- food processing firms re-works within the past 2 years were reported to be high to very high, in 5.6% they were moderate while in 3.8% they were reported to be low. These findings suggest that re-works within the past 2 years among the agro- food processing firms ranged from high to very high. In addition, study findings revealed that in 35.8% of the agro- food processing firms, the numbers of suggestions from employees were reported to be high to very high, in 58.5%, they were moderate while in 5.7% they were reported to be low. These findings

point to the fact that the numbers of suggestions by employees among the agro- food processing firms were generally moderate to high. According to the study findings, in 11.3% of the agro- food processing firms the revenue per employee was reported to be high, in 58.5% it was moderate while in 30.2% it was reported to be low. These findings suggest that the revenue per employee among the agro- food processing firms was generally moderate to low.

In addition, study findings show that in 13.2% of the agro- food processing firms the productivity per employee was reported to be high, in 49% it was moderate while in 37.8% it was reported to be low. These findings indicate that the productivity per employee among the agro- food processing firms was generally moderate to low. Finally, study findings revealed that in 96.2% of the agro- food processing firms the sales backlogs were reported to be high, in 1.9% they were moderate while in 1.9% they were reported to be low. These findings indicate that the sales backlogs among the agro- food processing firms were generally high.

#### **4.2.6 The Profitability Margin among Agro- food processing firms**

The study also sought to determine the profitability margin among agro- food processing firms. The results are presented in Table 4.4 below.

**Table 4.4: Profitability Margin among Agro- food processing firms**

Profitability Margin (%)	Frequency	Percent
21-30	8	15.1
31-40	6	11.3
41-50	11	20.8
51-60	8	15.1
61-70	10	18.9
71-80	4	7.5
81-90	6	11.3
Total	53	100.0

*Source: Field data, 2013*

Based on study findings, 20.8% of the agro- food processing firms had a profitability margin of 41-50 percent, 18.9% had 61-70 percent, 15.1% each had 51-60 and 21-30 percent, respectively; 11.3% each had 31-40 and 81-90 percent, respectively whereas 7.5% had 71-80 percent. The study findings indicate that majority of the agro- food processing firms generally had a profit margin ranging between 41-70 percent.

#### **4.3. Extent of Utilisation of Differentiation, Cost leadership and Focus Strategies**

The study sought to establish the extent of utilization of differentiation, cost leadership and focus strategies among agro- food processing firms, the study investigated the various aspects of differentiation strategy namely: product breadth (categories), products depth (number of products), re-launch or redesign of products and product promotion.

The study findings show that 94.3% of the agro- food processing firms had 0-5 product categories, 3.8% had between 6-10 product categories while 1.9% had more than 16 product categories. These findings generally revealed that majority of agro- food processing firms in the study area had 0-5 product categories. Firms with more than 16 product categories were the long established firms in animal feeds processing and edible fats and oils processing.

The study findings (Table 4.5) revealed that 90.6% of the agro- food processing firms had 0-5 products, 5.7% had 6-10 products while 3.8% had more than 16 products. These findings generally reveal that majority of agro- food processing firms had 0-5 products. This was due to possibility of having many related products like different types of feeds for cattle, pigs and poultry and different grades of the same product due to specific product attributes.

**Table 4.5: Number of Products among the firms**

Number of Products	Frequency	Percent
0-5	48	90.6
6-10	3	5.7
>16	2	3.8
Total	53	100.0

**Source:** *Field data, 2013*

Based on whether the firms had re-launched or re-designed its products, only 34% of the agro-food processing firms had re-launched or re-designed their products while 66% of the firms had not. This involved rebranding the products or changing the packaging design or adding new ingredients to improve product performance. These findings suggested that only a small proportion of the agro- food processing firms practiced product re-launch or re-design. Most of the firms had not re-launched their products.

With regard to whether the agro-food processing firms practiced product promotion study findings showed that, only 24.5% of agro-food processing firms reported to have practiced product promotion whereas 75.5% did not. These findings indicate that only a small proportion of the agro- food processing firms practiced product promotion. This was due to huge capital required to carry out product promotion, majority of the firms were medium sized and lacked required resources to carry out product promotion campaigns in print and mass media.

According to the study findings (Table 4.6) indicates that in 51% percent of the agro-food processing firms differentiation strategy was achieved to a moderate extent, 37.3% to a low extent, 7.8% to high extent whereas 3.9% to a very low extent. The study findings suggest that differentiation strategy was generally achieved to a low to moderate extent in (88.3%) of the agro- food processing firms.

**Table 4.6: Extent of Differentiation Strategy among Agro- food processing firms**

Industry	Percentage Response (%)				Total
	Very low	Low	Moderate	High	
Milling	0 (.0%)	3(100.0%)	0(.0%)	0(.0%)	3(100.0%)
Edible fats & Oil processing	0(.0%)	0(.0%)	2(100.0%)	0(.0%)	2(100.0%)
Animal feed manufacturing	1(4.8%)	9(42.9%)	9(42.9%)	2(9.5%)	21(100.0%)
Tea processing	0(.0%)	5(31.3%)	11(68.8%)	0(.0%)	16(100.0%)
Canned fruits and Vegetables	1(50.0%)	1(50.0%)	0(.0%)	0(.0%)	2(100.0%)
Baking	0(.0%)	1(50.0%)	1(50.0%)	0(.0%)	2(100.0%)
Milk processing	0(.0%)	0(.0%)	3(60.0%)	2(40.0%)	5(100.0%)
Total	2(3.9%)	19(37.3%)	26(51.0%)	4(7.8%)	51(100.0%)

*Source: Field data, 2013*

The study also sought to establish the extent of utilization of cost leadership strategy among agro- food processing firms. To achieve this objective, the study investigated the various aspects of cost leadership strategy such as: scale of production activities, ownership of distribution channels, level of research and development, ownership of raw materials and secured to suppliers of raw materials as discussed below:-

Study findings indicated that 84.9% of the agro- food processing firms practiced long production runs of homogeneous products whereas 15.1% had small-scale runs of custom-made orders. These findings revealed that majority of the agro- food processing firms (84.8%) practiced long production runs of homogeneous products. With long runs of homogeneous products machine set up costs and start up losses were minimized, these firms usually maintained the same process parameters throughout the production runs, this was the case for most of the agro food processing firms in tea processing, milling and animal feed manufacturing. In small-scale runs, production was tailored to meet specific customer needs.

According to study findings, 52.8% of the agro- food processing firms did not have ownership of the product distribution channels whereas 47.2% reported to have ownership of distribution channels for their products. These findings indicate that a significant proportion of agro- food processing firms (52.8%) did not have ownership of the products



distribution channels. This was because most of the firms were medium sized and did not have resources required to establish the distribution channels, only some of the firms which had been in operation for more than 10 years owned distribution channels.

The study findings (Table 4.7) revealed that in 56.6% of the agro- food processing firms, the level of research and development was found to be low, in 37.7% it was moderate while in 5.7% it was reported to be high. These findings suggest that in majority of agro- food processing firms (94.3%) the level of research and development in production was found to be low to moderate. This was attributed to the huge costs associated with adoption of new production methods which requires replacement of production lines.

**Table 4.7: Research and Development in Production**

Level	Frequency	Percent
Low	30	56.6
Moderate	20	37.7
High	3	5.7
Total	53	100.0

*Source: Field data, 2013*

With regard to whether the agro- food processing firms had ownership of raw material source, study findings showed that, only 15% of the industries reported to have ownership of raw material sources whereas 85% did not. These findings indicated that majority of the agro- food processing firms (85%) did not have ownership of the source of raw materials used in production. This was because apart from few firms in tea and milk processing which owned the plantations of tea for tea processing and dairy cattle for milk processing, the rest of the firms did not own sources of raw materials.

Based on whether the firms had secured suppliers of raw materials, study findings indicated that 90.6% of the industries were reported to have secured suppliers of raw materials whereas 9.4% did not. These findings indicated that despite lack of ownership of sources of raw materials, majority of the agro- food processing firms (90.6%) had secured suppliers of raw materials in production. These firms secured sources of raw materials through having contracts with prequalified suppliers, this was to minimize cost of poor quality through

variations in raw material quality and also minimize variations in prices of the raw materials.

Study findings (Table 4.8) indicated that in 28.3% of the agro- food processing firms, the plant capacity utilization each was found to be 60-79 percent and 80-100 percent, respectively. The findings further show that 26.4% of the industries had plant capacity utilization of 40-59 percent while 17% had 20-39 percent. These findings indicated that majority of agro- food processing firms had a plant capacity of between 60-100 percent.

**Table 4.8: Plant Capacity Utilization among Agro- food processing firms**

<b>Capacity</b>	<b>Frequency</b>	<b>Percent</b>
20-39	9	17.0
40-59	14	26.4
60-79	15	28.3
80-100	15	28.3
Total	53	100.0

*Source: Field data, 2013*

According to the study findings (Table 4.9) indicates that in 41.2% percent each of the agro- food processing firms cost leadership strategy was achieved to very low and low extent, respectively. Study findings further show that in 17.6% of the agro- food processing firms cost leadership strategy was achieved to a moderate extent. The study findings suggest that cost leadership strategy was generally achieved to a low extent in (84.4%) of the agro- food processing firms.

**Table 4.9 Extent of Cost Leadership Strategy among Agro- food processing firms**

Industry category	Percentage Response (%)			Total
	Very low	Low	Moderate	
Milling	3(100.0%)	0(.0%)	0(.0%)	3(100.0%)
Edible fats & Oil processing	1(50.0%)	1(50.0%)	0(.0%)	2(100.0%)
Animal feed manufacturing	8(38.1%)	11(52.4%)	2(9.5%)	21(100.0%)
Tea processing	8(50.0%)	3(18.8%)	5(31.3%)	16(100.0%)
Canned fruits and Vegetables	1(50.0%)	1(50.0%)	0(.0%)	2(100.0%)
Baking	0(.0%)	2(100.0%)	0(.0%)	2(100.0%)
Milk processing	0(.0%)	3(60.0%)	2(40.0%)	5(100.0%)
Total	21(41.2%)	21(41.2%)	9(17.6%)	51(100.0%)

*Source: Field data, 2013*

Most of the agro food processing firms (84.9%) in the study area utilized long runs of homogenous production. Majority of the firms (62.8%) did not have established distribution channels and research and development was found to be low to moderate in the majority (94.3%) of the firms. Most firms (85%) did not own sources of raw materials and majority of firms utilized plant capacity at between 60-100%.

The study also sought to establish the extent of focus strategy among agro- food processing firms. To achieve this objective, the study investigated the various aspects of focus strategy such as: percentage market share, products meeting the needs of specific segment, products addressing the needs of needs of isolated geographical areas and products' appeal to all segments as discussed below:-

According to study findings, 85% of the agro- food processing firms accounted for 0-19 percent of the market share, 9% had 60-79 percent while 6% of the industries accounted for 20-39% market share. These findings suggest that majority of the agro- food processing firms (85%) accounted for 0-19 percent of the total market share. This was because majority of the firms were medium sized and they felt they accounted for a market share of 0-19% in the study area.

According to study findings in 11.3% of the agro- food processing firms, the products met the needs of specific segments of the market whereas 88.7 % did not. These findings indicate that in majority of agro- food processing firms (88.7%), the products did not meet the needs of specific segments of the market. The respondents felt that their firms did not develop products to appeal to all market segments; this was because products were developed for general market needs because most of the products were commodities.

According to study findings, in only 17% of the agro- food processing firms, the products met the needs of isolated geographical areas whereas only 83% did not. These findings indicate that in majority of agro- food processing firms (83%), the products did not meet the needs of isolated geographical areas. The respondents felt that their firms did not meet needs of isolated geographical areas, this was due to huge costs associated with developing elaborate products distribution channels since majority of the firms were medium sized.

Based on study findings, in only 24.5% of the agro- food processing firms, the developed products appealed to all segments of the market whereas 75.5% did not. These findings indicate that in majority of agro- food processing firms (75.5%), developed products did not appeal to all segments of the market.

According to the study findings (Table 4.10) indicates that in 62.7% percent of the agro- food processing firms focus strategy was achieved to a high extent, 21.6% to a very high extent, 7.8% to very low extent, 5.9% to moderate extent whereas 2% to low extent. The study findings suggest that focus strategy was generally achieved to a high extent among majority (84.3%) of the agro- food processing firms.

**Table 4.10: Extent of Focus Strategy among Agro- food processing firms**

Industry category	Percentage Response (%)					Total
	Very low	Low	Moderate	High	Very High	
Milling	0(0.0%)	0(0.0%)	0(0.0%)	3(100.0%)	0(0.0%)	3(100.0%)
Edible fats & Oil processing	0(0.0%)	0(0.0%)	0(0.0%)	1(50.0%)	1(50.0%)	2(100.0%)
Animal feed manufacturing	1(4.8%)	0(0.0%)	2(9.5%)	16(76.2%)	2(9.5%)	21(100.0%)
Tea processing	3(18.8%)	0(0.0%)	0(0.0%)	8(50.0%)	5(31.3%)	16(100.0%)
Canned fruits and Vegetables	0(0.0%)	1(50.0%)	0(0.0%)	0(0.0%)	1(50.0%)	2(100.0%)
Baking	0(0.0%)	0(0.0%)	0(0.0%)	2(100.0%)	0(0.0%)	2(100.0%)
Milk processing	0(0.0%)	0(0.0%)	1(20.0%)	2(40.0%)	2(40.0%)	5(100.0%)
<b>Total</b>	<b>4(7.8%)</b>	<b>1(2.0%)</b>	<b>3(5.9%)</b>	<b>32(62.7%)</b>	<b>11(21.6%)</b>	<b>51(100.0%)</b>

*Source: Field data, 2013*

#### 4.4. Relationship between Focus Strategy and Organizational Performance

The first objective was to determine the relationship between the utilization of focus strategy and performance in agro food processing firms in Nakuru and Kericho Counties, to meet this objective Spearman's rank correlation at 95% confidence level ( $p < 0.05$ ) was used. The overall index scores of focus strategy were correlated with overall index scores of organizational performance.

According to the correlation results findings (Table 4.11), focus strategy was found to have a significant and positive relationship with growth in market share ( $r = -.361$ ,  $P < 0.05$ ), negative relationship with customer complaints ( $r = -0.119$ ,  $P > 0.05$ ), weak positive relationship with reworks within the past 2 years ( $r = .071$ ,  $p < 0.05$ ), weak negative relationship with number of suggestions by employees ( $r = -0.177$ ,  $P > 0.05$ ), weak positive relationship with revenue per employee ( $r = 0.210$ ,  $P > 0.05$ ) weak positive relationship with productivity per employee ( $r = .410$ ,  $P > 0.05$ ), weak positive relationship with sales backlog ( $r = .064$ ,  $P > 0.05$ ) and finally weak negative relationship with profitability margin ( $r = -.039$ ,  $P > 0.05$ ).

Significant relationship was found between focus strategy and growth in organization market share and focus strategy was found not to be significantly related to customer complaints, reworks within the past 2 years, number of suggestions per employee, productivity per employee, revenue per employee, sales backlog and profitability margin.

**Table 4.11: Relationship between Focus Strategy and Organizational Performance**

Organizational Performance	Statistics	Focus Strategy
Growth in Market share	Correlation Coefficient (Spearman's rank correlation)	.361**
	Sig. (2-tailed)	0.005
	N	53
Customer complaints	Correlation Coefficient (Spearman's rank correlation)	-.119
	Sig. (2-tailed)	0.402
	N	53
Reworks within last 2 years	Correlation Coefficient (Spearman's rank correlation)	.071
	Sig. (2-tailed)	0.612
	N	53
Number of suggestions by employees	Correlation Coefficient (Spearman's rank correlation)	-.177
	Sig. (2-tailed)	0.205
	N	53
Revenue per employee	Correlation Coefficient (Spearman's rank correlation)	.210
	Sig. (2-tailed)	0.132
	N	53
Productivity per employee	Correlation Coefficient (Spearman's rank correlation)	.041
	Sig. (2-tailed)	0.772
	N	53
Sales backlog	Correlation Coefficient (Spearman's rank correlation)	.064
	Sig. (2-tailed)	0.647
	N	53
Profitability margin	Correlation Coefficient (Spearman's rank correlation)	-.039
	Sig. (2-tailed)	0.780
	N	53

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

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

*Source: Field data, 2013*

#### **4.5 Relationship between Cost Leadership Strategy and Organizational Performance**

The second objective was to determine the relationship between the utilization of cost leadership strategy and performance in agro food processing firms in Nakuru and Kericho Counties, to meet this objective Spearman's rank correlation at 95% confidence level ( $p < 0.05$ ) was used. The overall index scores of cost leadership strategy were correlated with overall index scores of organizational performance.

According to the correlation results findings (Table 4.12), cost leadership strategy was found to have a weak negative relationship with growth in market share ( $r = -0.0914$ ,  $P > 0.05$ ). Weak negative relationship with customer complaints ( $r = -0.091$ ,  $P > 0.05$ ), weak positive relationship with reworks within the past 2 years ( $r = 0.166$ ,  $p > 0.05$ ), weak positive relationship with number of suggestions by employees ( $r = 0.166$ ,  $P > 0.05$ ), weak positive relationship with revenue per employee ( $r = 0.062$ ,  $P > 0.05$ ), weak positive productivity per employee ( $r = 0.056 > 0.05$ ) weak positive relationship with sales backlog ( $r = 0.026$ ,  $P > 0.05$ ) and finally weak negative relationship with profitability margin ( $r = -0.255$ ,  $P > 0.05$ ).

Cost leadership strategy was found not to be significantly related to any of the organizational performance measures;-growth in market share, customer complaints, reworks within the past 2 years, number of suggestions by employees, revenue per employee, productivity, sales backlog and profitability.

Research findings differed with research done by Wright et al. (1991) which found that a low cost strategy was associated with superior performance. This was due to extent to which cost leadership strategy was employed by the firms in the agro- food processing, most of the firms did not own sources of raw materials, distribution channels and did not have optimal plant capacity utilization. They also lacked proper research and development in production technologies. The cost leadership strategy was positively related to revenue per employee and productivity per employee because most firms's utilized mass production that is long runs of homogenous products.

**Table 4.12: Relationship between Differentiation Strategy and Organizational Performance**

Organizational Performance	Statistics	Cost Leadership Strategy
Growth in Market share	Correlation Coefficient	.0194
	(Spearman's rank correlation)	
	Sig. (2-tailed)	0.164
Customer complaints	N	53
	Correlation Coefficient	.091
	(Spearman's rank correlation)	
Reworks within last 2 years	Sig. (2-tailed)	0.521
	N	53
	Correlation Coefficient	.166
Number of suggestions by employees	(Spearman's rank correlation)	
	Sig. (2-tailed)	0.014
	N	53
Revenue per employee	Correlation Coefficient	.166
	(Spearman's rank correlation)	
	Sig. (2-tailed)	0.236
Productivity per employee	N	53
	Correlation Coefficient	.062
	(Spearman's rank correlation)	
Sales backlog	Sig. (2-tailed)	0.659
	N	53
	Correlation Coefficient	.056
Profitability margin	(Spearman's rank correlation)	
	Sig. (2-tailed)	0.692
	N	53
Sales backlog	Correlation Coefficient	.026
	(Spearman's rank correlation)	
	Sig. (2-tailed)	0.852
Profitability margin	N	53
	Correlation Coefficient	-.255
	(Spearman's rank correlation)	
	Sig. (2-tailed)	0.065
	N	53

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

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

*Source: Field data, 2013*



#### **4.6 Relationship between Differentiation Strategy and Organizational Performance**

The third objective was to determine the relationship between the utilization of differentiation strategy and performance in agro food processing firms in Nakuru and Kericho Counties, to meet this objective Spearman's rank correlation at 95% confidence level ( $p < 0.05$ ) was used. The overall index scores of cost leadership strategy were correlated with overall index scores of organizational performance.

According to the correlation results findings (Table 4.13), differentiation strategy was found to be have a significant and positive relationship with growth in market share ( $r = 0.395$ ,  $P < 0.05$ ), negative relationship with customer complaints ( $r = -0.189$ ,  $P > 0.05$ ), weak positive relationship with reworks within the past 2 years ( $r = 0.050$ ,  $p > 0.05$ ), weak and positive relationship with number of suggestions by employees ( $r = 0.050$ ,  $P > 0.05$ ), weak and positive relationship with revenue per employee ( $r = 0.235$ ,  $P > 0.05$ ), weak and positive relationship with productivity per employee ( $r = 0.077$ ,  $> 0.05$ ), weak positive relationship with sales backlog ( $r = 0.217$ ,  $P > 0.05$ ) and finally a weak negative relationship with profitability margin ( $r = -0.049$ ,  $P > 0.05$ ).

Differentiation strategy was found to be significantly related with growth in market share but was not significantly negatively related to customer complaints, reworks within the past 2 years, number of suggestions by employees, revenue per employee, productivity, sales backlog and profitability. This findings support research carried out by Dirisu et al. (2013) which concluded that product differentiation as a tool of competitive advantage had a positive and significant influence on organizational performance. The differentiation strategy was negatively related to profitability due to the extra costs incurred when carrying out differentiation such as rebranding and product promotions. With increased product differentiation resulted in greater variety for buyers to choose, the number of customer complaints reduced while the market share increased.

**Table 4.13: Relationship between Differentiation Strategy and Organizational Performance**

<b>Organizational Performance</b>	<b>Statistics</b>	<b>Differentiation Strategy</b>
Growth in Market share	Correlation Coefficient	.395**
	(Spearman's rank correlation)	
	Sig. (2-tailed)	0.003
Customer complaints	N	53
	Correlation Coefficient	-.189
	(Spearman's rank correlation)	
Reworks within last 2 years	Sig. (2-tailed)	0.179
	N	53
	Correlation Coefficient	.050
Number of suggestions by employees	(Spearman's rank correlation)	
	Sig. (2-tailed)	0.475
	N	53
Revenue per employee	Correlation Coefficient	.05
	(Spearman's rank correlation)	
	Sig. (2-tailed)	0.724
Productivity per employee	N	53
	Correlation Coefficient	.235
	(Spearman's rank correlation)	
Sales backlog	Sig. (2-tailed)	0.090
	N	53
	Correlation Coefficient	.077
Profitability margin	(Spearman's rank correlation)	
	Sig. (2-tailed)	0.582
	N	53
Profitability margin	Correlation Coefficient	.217
	(Spearman's rank correlation)	
	Sig. (2-tailed)	0.118
Profitability margin	N	53
	Correlation Coefficient	-.049
	(Spearman's rank correlation)	
Profitability margin	Sig. (2-tailed)	0.726
	N	53

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

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

*Source: Field data, 2013*

#### 4.7 Combined Effect of Porter's generic competitive strategies on Organizational Performance

The fourth objective was to determine the combined effect of Porter's generic competitive strategies (focus, differentiation and cost leadership) on organizational performance in Nakuru and Kericho Counties ordinal logit regression analysis was done and results summarized in Table 4.14 below.

**Table 4.14: Ordinal logit Regression results on combined effect of Porter's generic strategies**

		Estimate	Std. Error	Wald	df	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
Threshold	[combperf = 15.00]	-.210	1.511	.019	1	.889	-3.172	2.752
	[combperf = 20.00]	.952	1.278	.555	1	.456	-1.553	3.456
	[combperf = 21.00]	1.262	1.250	1.019	1	.313	-1.188	3.711
	[combperf = 22.00]	2.054	1.218	2.844	1	.092	-.333	4.441
	[combperf = 23.00]	2.611	1.220	4.581	1	.032	.220	5.002
	[combperf = 24.00]	3.157	1.236	6.526	1	.011	.735	5.579
	[combperf = 25.00]	3.933	1.275	9.516	1	.002	1.434	6.432
	[combperf = 26.00]	5.383	1.375	15.33	1	.000	2.689	8.078
	[combperf = 27.00]	6.794	1.477	21.17	1	.000	3.900	9.688
Location	Cstperf	.908	.376	5.818	1	.016	.170	1.645
	Focusper	.070	.242	.084	1	.772	-.405	.546
	Diffperf	.890	.402	4.890	1	.027	.101	1.679

*Source, Field data*

Results of regression analysis (Table 4.14) reveal that cost leadership strategy was found to significantly influence organizational performance of agro food processing firms in the study area ( $P= 0.016$ ,  $P < 0.05$ ). Findings also indicate that differentiation strategy was not

found to significantly influence organizational performance of agro food processing firms in the study area ( $P= 0.772, P >0.05$ ). Finally findings reveal that Focus strategy was found not to significantly influence organizational performance of agro food processing firms in the study area ( $P= 0.27, P > 0.05$ ).

**Table 4.15: Ordinal Logit Regression Model Table**

Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	166.022			
Final	151.458	14.564	3	.002

*Source, Field data*

With regard to the combined effect of the Porter's generic competitive strategies on organizational performance, the results of the regression model were as presented in Table 4.15. According to findings, the results were significant ( $P=0.002, P<0.05$ ). These findings confirm that the observed change in organizational performance were attributed to the Porter's generic strategies hence the study concluded that the combined Porter's generic competitive strategies significantly influenced organizational performance among agro food processing firms in the study area.

The regression equation is expressed as below;-

$$Y = \beta_0 + \beta_1(X_1) + \beta_2(X_2) + \beta_3(X_3) + E$$

Where; Y- Composite performance indicator

$X_1$ - Cost leadership indicator

$X_2$  - Differentiation indicator

$X_3$ - Focus strategy indicator

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter summarizes and concludes the study based on specific objectives and gives recommendations for practice and suggestions for further research.

#### 5.2 Summary of the Study Findings

The first objective was to investigate the relationship between the utilization of focus strategy and performance in agro food processing firms in Nakuru and Kericho Counties, to meet this objective Spearman's rank correlation at 95% confidence level ( $p < 0.05$ ) was used. Significant relationship was found between focus strategy and growth in organization market share and focus strategy was found not to be significantly related to customer complaints, reworks within the past 2 years, number of suggestions per employee, productivity per employee, revenue per employee, sales backlog and profitability margin. Ogotu and Nyatichi (2012) conducted a study on competitive strategies adopted by multinational banks in Kenya, the study revealed that there was a relationship between adoption of competitive strategies and organizational performance, differentiation and focus were the most used strategies.

The second objective was to investigate the relationship between the utilization of cost leadership strategy and performance in agro food processing firms in Nakuru and Kericho Counties, to meet this objective Spearman's rank correlation at 95% confidence level ( $p < 0.05$ ) was used. The overall index scores of cost leadership strategy were correlated with overall index scores of organizational performance. Cost leadership strategy was found not to be significantly related to any of the organizational performance measures;-growth in market share, customer complaints, reworks within the past 2 years, number of suggestions by employees, revenue per employee, productivity, sales backlog and profitability.

The third objective was to investigate the relationship between the utilization of differentiation strategy and performance in agro food processing firms in Nakuru and Kericho Counties, to meet this objective Spearman's rank correlation at 95% confidence level ( $p < 0.05$ ) was used. Differentiation strategy was found to be significantly related

with growth in market share but was not significantly negatively related to customer complaints, reworks within the past 2 years, number of suggestions by employees, revenue per employee, productivity, sales backlog and profitability. This findings support research carried out by Dirisu et al. (2013) which concluded that product differentiation as a tool of competitive advantage had a positive and significant influence on organizational performance

The fourth objective was to determine the combined effect of Porter's generic competitive strategies on organizational performance in Nakuru and Kericho Counties. Ordinal logit regression analysis was done the results of the regression analysis revealed that cost leadership strategy was found to significantly influence organizational performance of agro food processing firms in the study area ( $P= 0.016$ ,  $P < 0.05$ ). Findings also indicate that differentiation strategy was not found to significantly influence organizational performance of agro food processing firms in the study area ( $P= 0.772$ ,  $P > 0.05$ ). Finally findings reveal that Focus strategy was found not to significantly influence organizational performance of agro food processing firms in the study area ( $P= 0.27$ ,  $P > 0.05$ ).

### **5.3 Conclusions**

The main purpose of the study was to evaluate the relationship between Porter's generic competitive strategies and organizational performance among agro-food processing firms in Nakuru and Kericho Counties in Kenya. In this regard, the study examined the competitive strategies such as differentiation, cost leadership and focus and their relationship with organization performance in terms of growth in market share, customer complaints, re-works within the past 2 years, number of suggestions by employees, revenue per employee, productivity per employee, sales backlog and profitability margin.

The study concluded that Porter's generic competitive strategies were utilized to varying extents among the agro-food processing firms in Nakuru and Kericho Counties. It was notable that focus strategy was generally utilized to a great extent; cost leadership strategy was utilized to a low extent whereas differentiation strategy was utilized to a low to moderate extent the agro- food processing firms in the study area.

With regard to the level of organizational performance, the study concluded that the overall organizational performance varied widely among the agro- food processing firms such that (customer complaints, reworks within the last 2 years and sales backlog) were found to be high, (growth in market share, employee productivity and profit margins) were found to low-moderate whereas revenue per employee was found to be low among the agro- food processing firms.

On the relationship between Porter's competitive strategies and organizational performance in agro- food processing firms, the study concluded that the focus strategy was found to be significantly related to growth in market share and was not significantly related to customer complaints, productivity per employee, revenue per employee, sales backlogs, profitability margins and reworks within past 2 years. Furthermore, cost leadership strategy was found not to be significantly related to customer complaints, market share growth productivity per employee, revenue per employee, sales backlogs, profitability margins and reworks within past 2 years. Finally, the study concludes that the differentiation strategy was found to be significantly related to growth in market share among the agro- food processing firms in the study area but not significantly related to customer complaints, market share growth productivity per employee, revenue per employee, sales backlogs, profitability margins and reworks within past 2 years. Cost leadership, differentiation and focus strategies were found no to significantly influence performance.

The study thus concludes that except the focus and differentiation strategies, which were found to be significantly related to organizational performance in terms of growth in market share, cost leadership was found not to significantly influence organizational performance among agro- food processing firms in the study area. Also the combined Porter's generic competitive strategies were found to significantly influence organisational performance.

### **5.3 Recommendations**

It is evident from the study findings that focus strategy was generally utilized to a great extent; cost leadership strategy was utilized to a low extent whereas differentiation strategy was utilized to a low to moderate extent the agro- food processing firms in the study area.

Specifically, study findings revealed that despite the observed high utilization focus strategy among the agro- food processing firms the products in a majority of the industries did not meet the needs of specific segments, did not meet the needs of isolated geographical areas, did not appeal to all segments and hence accounted for only 0-19% of the total market share. This study recommends the need to strengthen utilization of all the Porter's competitive strategies in order to realize meaningful performance among agro- food processing firms in the study area. Furthermore, the study recommends that the focus strategy in agro- food processing firms addresses the need for the products to meet the needs of specific segments, the needs of isolated geographical areas, appeal to all segments so as to command an increased market share.

With regard to extent of utilization of cost leadership strategy, the study found out that in majority of agro- food processing firms the level of research and development in production was found to be low to moderate and overall extent of utilization was found to be low among agro- food processing firms in the study area. This study recommends the need to increase the level of research and development in production as well as the effective utilization of cost leadership strategy among agro- food processing firms in the study area.

Based on extent of utilization of differentiation strategy, study findings suggested that only a small proportion of the agro- food processing firms practiced product re-launch or re-design as well as product promotion. Furthermore, it is evident that differentiation strategy was generally utilized to a low to moderate extent in the agro- food processing firms. This study therefore recommends that the agro- food processing firms should strive to diversify their products as well as undertake regular product re-launch or re-design and promotion.

The study also found out that aspects of organizational performance such as growth in market share, employee productivity and profit margins were found to be low-moderate whereas revenue per employee was found to be low among the agro- food processing firms. This suggests that the Porter's competitive strategies perhaps have not translated into significant improvement in performance among agro- food processing firms in the study area. Consequently, this study recommends effective application of Porter's competitive



strategies in order to achieve measurable improvement in the performance of agro- food processing firms.

Finally, this study revealed that except the focus strategy, cost leadership and differentiation were found to influence negatively organizational performance among agro- food processing firms in the study area in terms of profitability margins. The study also revealed that focus and differentiation strategies significantly influenced organizational performance in terms of growth in market share. There is need for agro- food processing firms to increasingly and effectively implement the Porter's competitive strategies in order to realize increased levels of organizational performance especially employee productivity, revenue per employee and profit margins.

#### **5.4 Suggestions for Future Research**

The study provided relevant insights on the extent to which agro- food processing firms utilize the Porter's competitive strategies and the relationship with organizational performance in agro food processing firms in the study area. Future research should attempt to replicate this study in other industrial sectors of the economy to find out the effects of Porter's generic strategies on performance. This will generate an understanding of the influence of the Porter's competitive strategies on performance in those industries.

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**APPENDIX 1**  
**List of targeted firms**

1. Valley bakers
2. Minibakeries nairobi –nakuru
3. Akiyda (2000) ltd (Nakuru)
4. Bake n bite limited (Nakuru)
5. Real foods africa LTD
6. Guildford Dairy Institute
7. Buzeki Dairy LTD
8. New KCC Nakuru – Factory
9. Happy cow LTD
10. Lens agricultural agencies
11. Hall mark feeds LTD
12. Wonder feeds LTD
13. Valley posho mill
14. Ushindi feeds LTD
15. Unga Farm Care (E.A) LTD [Nakuru feeds plant]
16. Tumaini millers (k) ltd
17. Taifarm millers
18. Royal animal feeds
19. Ranalo millers co. Ltd
20. Naku Modern feeds ltd
21. Mwanza agro-feeds company LTD
22. Miracle animal feeds
23. Milling Corporation of Kenya(2009) LTD
24. Kays farm supplies
25. Kim's poultry farm
26. Farmcare centre
27. Formula farm feeds ltd
28. Gaf feeds ltd
29. Century feeds
30. Golden flamingo enterprises LTD

31. Gilgil grains ltd
32. Sinendet flour millers
33. Levar food products
34. James finlay- Kitumbe factory LTD
35. Kaisugu LTD
36. Kapchebet Tea Factory
37. Kericho Tea Factory- Unilever
38. Kapkoros Tea Factory company LTD
39. Lasit Tea Factory LTD
40. Kiptagich Tea Estates LTD
41. KTDA[Chebut tea factory]
42. KTDA[Kapkatet tea factory]
43. KTDA[Mogosiek tea factory]
44. KTDA[Kapset tea factory]
45. KTDA[litein tea factory]
46. KTDA[Momul Tea Factory]
47. KTDA[Tegat Tea Factory]
48. Mau tea multipurpose cooperative society limited
49. Sotik Highlands Tea Company LTD
50. Njoro Canning LTD
51. Kabazi Cannery
52. Bidco Oil Refineries
53. United Millers

(Source: Kenya Bureau of Standards database as at February, 2012)

## APPENDIX 2

### Questionnaire

You are kindly requested to fill the questionnaire with precision and accuracy. Any information given will be treated with utmost confidentiality and will only be used for the purpose of this research.

#### SECTION A: GENERAL INFORMATION

Please put a tick (✓) in the appropriate box.

- i. For how many years has your organization been in the agro food processing industry?  
0- 5        5-10        Over 11
- ii. How many employees does your organization have?  
Below 20        21-40        41-60        61- 80        81-100        Above 101
- iii. In which category does your organization fall?  
 Milling  
 Milk processing  
 Edible fats and oils processing  
 Animal feed manufacturing  
 Tea processing  
 Canned fruits and vegetables  
 Baking  
 Any other
- iv. Which is your organization's ownership type?  
Private        Public        Parastatal

#### SECTION B: DIFFERENTIATION

Please put a tick (✓) in the appropriate box.

- i. Has the organization re-launched or re-designed their products in the recent past (within 0-5 years)?  
Yes        No      
If yes please  
explain.....
- ii. Does the organization engage in product promotion activities?  
Yes        No      
If yes please  
explain.....



**SECTION C: COST LEADERSHIP**

Please put a tick (√) in the appropriate box.

- i. What scale of production does the organization employ?
  - Small runs of custom made orders
  - Long runs of homogenous products
- ii. Is the organization having its own distribution system or owning selling terminals?
  - Yes  No

If yes please

explain.....

- iii. What percentage of your total revenue is utilized on research and development.
  - 0-10  11-20  21-30

Please

explain.....

- iv. Does the organization own sources of raw materials?
  - Yes  No

If yes please

explain.....

- v. Does the organization have secured suppliers of rare commodities through contracting suppliers?
  - Yes  No

If yes please

explain.....

- vi. What is the range of plant capacity utilization in your organization in percentages?
  - 0-19  20-39  40-59  60-79  80-100

**SECTION D: FOCUS STRATEGY**

Please put a tick (√) in the appropriate box.

- i. State your organization’s current market share (in percentages) relative to competitors.
  - 0-19  20-39  40-59  60-79  80-100
- ii. Does the organization attend to the specific needs of any given market segment by producing specifically for custom orders?
  - Yes  No

If yes please  
 explain.....

- iii. Does the organization desire to serve isolated geographic areas?  
 Yes  No

If yes please  
 explain.....

- iv. Does the organization develop product versions to appeal to all market segments?  
 Yes  No

If yes please  
 explain.....

**SECTION E: PORTER’S GENERIC COMPETITIVE STRATEGIES**

Please rate the extent of use of the following competitive strategies by putting a tick (√) in the appropriate box.

- i. Cost leadership  
 Very high  Moderately high  High  Low  Very low
- ii. Differentiation  
 Very high  Moderately high  High  Low  Very low
- iii. Focus  
 Very high  Moderately high  High  Low  Very low

**SECTION F: INDICATORS OF SUPERIOR PERFORMANCE**

For each of the following indicators of superior performance, please tick (√) to indicate status of each indicator on your organization.

- i. Growth in market share  
 Very high 10 9 8 7 6 5 4 3 2 1 Very low
- ii. Customer complaints  
 Very high 10 9 8 7 6 5 4 3 2 1 Very low

iii. Reworks within past 2 years                      Very high                                      Very low  
10 9 8 7 6 5 4 3 2 1

iv. Number of suggestions from employees in the past 2 years  
Very high                                      Very low  
10 9 8 7 6 5 4 3 2 1

v. Revenue per employee                      Very high                                      Very low  
10 9 8 7 6 5 4 3 2 1

vi. Productivity per employee                      Very high                                      Very low  
10 9 8 7 6 5 4 3 2 1

vii. Sales backlog                      Very high                                      Very low  
10 9 8 7 6 5 4 3 2 1

viii. Profitability margin in percentages

0-10      11-20      21-30      31-40      41-50      51-60      61-70     
71-80      81-90      91-100