EFFECT OF COMPETITIVE STRATEGIES ON ORGANIZATIONAL PERFORMANCE IN THE SUGAR INDUSTRY IN KENYA

BY

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DECLARATION

This research project is my original work and has not been presented for a degree in any other University.

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DEDICATION

This research work is dedicated to my family members especially my parents, Saul and Pamela Wekesa for their support and encouragement to scale the heights of education.

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I thank the Almighty God for the gift of life, unending grace and resources throughout this course. I would also like to thank my father and mother for their encouragement and unwavering financial support during my studies, God bless you.

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ABSTRACT

Organizational performance in the sugar industry has become a major focus of managers due to the stiff competition witnessed in the industry. With this in mind, the issue of competitive strategies of the sugar industry has become paramount and all the sugar factories are preparing for stiff competition from new entrants. To achieve this objective, the sugar factories need a strategy that is competitive, sound and outstanding. The purpose of this research study was to establish the influence of competitive strategies on the organization performance, focusing on Sugar companies in Kenya. The conceptual framework had the three competitive strategies; cost leadership, differentiation and focus as independent variables and organization performance as the dependent variable. The model chosen for the study was Porter's generic model. Porter's generic strategies describe how a company pursues competitive advantage across its chosen market scope. There are three generic strategies, either lower cost, differentiated, or focus. The study adopted a descriptive survey research design. The target population for the study comprised of 108 respondents drawn from 9 sugar companies operating in Kenya. The study used census sampling to select its respondents from the target therefore it had a sample population of 108 respondents. Questionnaires were used as the main data collection tool. Data collected was classified into categories for ease of statistical analysis .The coded data was analyzed using descriptive statistics and regression analysis that accepted or rejected null hypotheses. This was done with the aid of statistical package for social scientist (SPSS) version 16.0. These findings therefore indicated that the major way that the organization uses cost leadership is by pricing its products lower than those of their rivals in the market. The findings also indicated that the organization uses company branding as the major way of differentiating the organization and the product from their competitors for the sake of improving firm's performance. The study concluded that organizations should closely monitor cost leadership as a tool and apply it to the advantage of their organization. It also concluded that organizations that apply differentiation strategy are able to create a niche for themselves in the market and even create customer loyalty. The organizations under study seem to have applied focus strategy on minimal basis and therefore the study recommended that organization should look into how they can apply focus strategy in order to spur the growth of the organization.

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ACRONYMS AND ABBREVIATIONS

ANOVA: Analysis Of Variance

COMESA: Common Market for Eastern and Southern Africa

KSB: Kenya Sugar Board

SPSS: statistical package for social scientists

DEFINATION OF TERMS

Competitive Strategies: were developed and popularized by Michael Porter (2005). They describe how a company pursues competitive advantage across its chosen market scope. The generic strategy reflects the choices made regarding both the type of competitive advantage and the scope. Porter (2005) argued that a competitive strategy aims to establish a sustainable and profitable position of a firm against the forces of competition in an industry

Competitive advantage - is a position that a firm occupies in its competitive landscape and it exists when a company makes economic rents, earnings exceed costs. (Papulova and Papulova, 2006) defines it as being able to satisfy customer needs more effectively than competitors.

Cost Leadership Strategy- This is where the primary focus of a firm is to achieve low costs relative to competitors. (Jassim, 2008)

Differentiation Strategy- (Jassim, 2008) defines it as a firm creating uniqueness by clearly distinguishing the organization goods and services from those of its competitors.

Focus Strategies- This is where a firm seeks differentiation or cost advantage in its target segment under a narrow competitive scope. (Porter, 2005)

Organizational performance -is described as the extent to which the organization is able to meet the needs of its stakeholders and its own needs for survival (Griffin, 2003). According to Swanson (2000), organizational performance is the valued productive output of a system in the form of goods or services

CHAPTER ONE

INTRODUCTION

This chapter aims at giving a background of the study, statement of the problem, objectives of the study, hypothesis, and significance of the study and the scope of the study.

1.1Background of the Study

The progression of globalization in manufacturing and service industries, accompanied by the changing competitive situation in the world markets, the changing characteristics of trade relations, and the effects of policies and government frameworks have created a new dynamic business environment and a fair market structure shaped by liberation, interdependence and technological enhancements. In view of that highly competitive market, companies must quickly grasp surprising opportunities, respond to threats and outmaneuver their rivals to endure and succeed. Strategy can be defined as the direction and scope of an organization over the long- term that provides advantage for the organization through its pattern of resources within a demanding environment. Strategies exist at several levels in organizations, ranging from the overall business to individuals working. However, the levels of strategies are divided into three broad categories, namely corporate, business and functional levels (Thompson, 2006).

To obtain firm performance within the scope of sustainable competitive advantage, decisions on shaping firm’s competitive strategies are one of the main issues for managers under firms’ business level strategy. Because, the formulation and completion of competitive business strategies that will improve performance are one of the competent methods to achieve firm's sustainable competitive advantage. Therefore, the impact of competitive strategies on firm performance is a major issue of unease for the policy makers and has been playing an important role to refine firm performance for a long time. Competitive advantage is the result of a strategy helping a firm to maintain and sustain a favorable market position. This position is translated into higher profits compared to those obtained by competitors operating in the same industry (Calcagno, 2007).

Indeed, understanding which resources and firm behaviors lead to competitive advantage is considered to be the fundamental issue in strategic management studies (Porter, 2000; Ghemawat, 2006). Not all industries have equal potential. They differ fundamentally in their ultimate profit potential as the collective strength of the forces of competition differs (Woodward, 2008). In the 21stcentury business landscape, firms compete in a complex and challenging context that is being transformed by many factors from globalization, frequent and uncertain changes to the growing use of information technologies (DeNisi, Hitt and Jackson, 2003).

Thus, achieving the desired performance is a major pre-occupation of senior managers in the competitive and slow growth markets, which characterize many businesses today and the sources of competitive advantage have been a major concern for scholars and practitioners (Peteraf, 2003). Most organizations search for the best strategies in order to consolidate their position in the market. Maintenance of competitive position and application of appropriate strategy most frequently ensure company's survival in the market and good results of its performance (Athiyaman, 2005).

Porter (2005) analysed the competitive advantage of a firm in relation to its scope of activities (competitive scope) and came out with three strategies which he called competitive strategies. Porter also contends that generic strategies namely, cost leadership, differentiation, and focus strategies, are mutually limited or at least non complementary, and there are rare companies that can adopt more than one of these strategies simultaneously because of its high cost. He argued that a firm that will implement these strategies will earn returns in excess of the industry returns.

Dess and Davis (2004)'s findings support that firms adopting at least one of the generic strategies have superior performance than firms that do not (firms that have a stuck-in-middle position). Karnani (2004) derives that a superior cost or differentiation position leads to a larger market share, which in turn leads to higher profitability.

White (2006) handles the strategy-organization- performance context within Porter's competitive strategies' typology. White (2006) concludes that business units that employ pure cost strategies achieve higher return on investment (ROI) when they have low autonomy, and the sales growth of pure differentiation strategies benefits from strong functional coordination for key functions under the responsibility of business unit manager. Wright (2001) denotes that the adoption of both low cost and differentiation strategy can lead to highest performance. The studies have generally concentrated on one sector and found results cannot be generalized to other industries.

The sugarcane industry in Kenya is a major employer and player in the national economy. It is one of the most important crops in the economy alongside maize, tea, coffee and horticulture. The largest contribution of the sugarcane industry is its salient contribution to the fabric of communities and rural economies in the sugar belts (Kenyasugar.co.ke). The Kenya Sugar Board (KSB) is the regulatory body of the Sugar Industry, established on 1st April, 2002, under the Sugar Act 2001, succeeding the defunct Kenya Sugar Authority. The mandate of the Kenya Sugar Board as stipulated in Section 4 (1) and 4 (2) of the Sugar Act 2001 is regulate, develop and promote the Sugar Industry; Co-ordinate the activities of individuals and organizations within the industry and to facilitate equitable access to the benefits and resources of the industry by all interested parties.

There are several sugar processing factories in Kenya, divided into parastatal and private owned factories. Parastatal run factories include; Nzoia, Sony, Muhoroni, Miwani and Chemelil sugar companies while the private sugar companies include Mumias, Kibos and Allied, Butali, SOIN, Trans Mara and West Kenya. Currently, the industry directly supports approximately 250,000 small-scale farmers who supply over 92 percent of the cane milled by the sugar companies. An estimated six million Kenyans derive their livelihoods directly or indirectly from the industry. In 2008, the industry employed about 500,000 people directly or indirectly in the sugar cane business chain from production to consumption.

1.2 Statement of the Research Problem

The sugar sector in Kenya plays an important role in the country’s economy. The industry contributes significantly to the national economy and to knowledge globally. However, realization of the full benefits of the sector will hinge on the extent to which various stakeholders will tackle the problems hampering growth of the industry. The sugar sector in Kenya currently faces a multitude of constraints and problems, both at the farm (cane producing) and the factory (sugar producing) stages. The problems hampering growth at the factory level are; high operating costs, cheap imported sugar from COMESA Countries, inefficient and old factory machinery that forces the sugar factories to operate below the maximum crushing capacity. At the farm level, problems being encountered are high input costs and low prices of cane. Both the farm and the factory level constraints make the sugar industry in Kenya very inefficient and uncompetitive. Many sugar factories are forced to constantly operate below capacity, leading to a situation in which our national consumption of milled sugar (which currently stands at an average of 600,000 metric tonnes per year) outweighs the production level at 400,000 to 450,000 metric tons (Kenya Sugar Board, 2014). This shortfall creates room for cheaper imported sugar (from COMESA Countries) which is sold at a much lower price than the local sugar - a scenario which further hurts the Kenyan sugar industry.

To survive, the companies must be agile enough to respond to the pressures to compete on levels unrivalled in the past. Focus has now shifted to internal processes in order to offer the company the best opportunity to take on the unique challenges facing the company today. In order for the sector to know if it is competitive in an industry with a lot of competition, effective competitive strategies are important. As sugar companies seek to enhance their competitive positions in an increasingly global marketplace, they are discovering that for an organization to become profitable it must put in place competitive strategies that position itself in market dominance and improve the firm’s overall performance. According to Porter (2000, 2005), firms with a clear strategy outpace firms without a strategy. According to Porter (2007) and Bowman (2008), its competitive strategy that creates competitive advantage hence influences organization performance.

The study aims at establishing the influence of competitive strategies given by Porter (2005) on organization performance among the sugar companies operating in Kenya.

1.3 Objectives of the Study

1.3.1 Main Objectives of the Study

The main objective of the study was to determine the effect of competitive strategies on organizational performance in the sugar industry in Kenya.

1.3.2 Specific Objectives

The specific aims of the study were: -

i. To determine the effect of cost leadership strategy on organizational performance.

ii. To establish the effect of differentiation strategy on organizational performance.

iii. To ascertain the effect of focus strategy on organizational performance.

1.4 Research Hypothesis

The following hypotheses were tested: -

Ho_1: Cost Leadership strategy has no significant influence on organizational performance.

Ho_2: Differentiation Strategy has no significant effect on organizational performance.

Ho_3: Focus Strategy has no significant influence on organizational performance.

1.5 Significance of the Study

The study will be of value to:

The management of sugar companies in Kenya as they will be able to know the importance of competitive strategies and how to take advantage of them to reach their customers whenever they are hence high turnover rate leading to improved financial performance.

The study will also create a monograph which could be replicated in other sectors which are facing high competition from the private sector.

Most importantly, this research is further aimed at offering some practical suggestions on the role of competitive strategies in order to gain competitive advantage. The policy makers will obtain knowledge of the sugar sector dynamics and the appropriate positioning strategies; they will therefore obtain guidance from this study in designing appropriate policies that will regulate the sector.

Future and present scholars may use the results of this study as a source of reference. The findings of this study can be compared with positioning strategies in other sectors to draw conclusions on various ways an institution can respond to competitive forces in the environment. It will also benefit consultants who endeavor to provide assistance to successful running of organizations in developing and sustaining a competitive edge in their environment.

1.6 Scope of the Study

The study was carried out among the 9 sugar companies operating in the Kenyan sugar market as at 30th June 2014 as per the Kenya Sugar Board statistical report of 2014. The study focused on; the effect of cost leadership strategy on organizational performance; the effect of differentiation strategy on organizational performance and the effect of focus strategy on organizational performance. The study was conducted between the months of September 2014 and November 2014.

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CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter is concerned with the review of literature related to the study. Presents an overview of theoretical and conceptual framework of the study, discusses the concept of organizational performance and how competitive strategies as argued by Porter (2005) are expected to influence organizational performance. Finally, it presents the conceptual framework of the study.

2.1 Theoretical framework

The study identifies Porter's generic strategies by Porter, (2000) as being relevant to the topic and adequately related to the variables which are at play in this study. Porter's generic strategies describe how a company pursues competitive advantage across its chosen market scope. There are three generic strategies, either lower cost, differentiated, or focus. A company chooses to pursue one of two types of competitive advantage, either via lower costs than its competition or by differentiating itself along dimensions valued by customers to command a higher price. A company also chooses one of two types of scope, either focus (offering its products to selected segments of the market) or industry-wide, offering its product across many market segments. The generic strategy reflects the choices made regarding both the type of competitive advantage and the scope. The concept was described by Michael Porter in 2000.

This model relates to the study in that it illustrates how an organization can pursue its competitive advantage by applying the strategies that porter proposed in his study. The model will guide the organization on how it can go about adapting the relevant strategies to ensure that it improves its performance in the market place. It is also relevant to the study because it directly talks about the strategies that this study focuses on, namely cost leadership, differentiation and focus.

2.2 Concept of Organizational Performance

Organizational performance refers to ability of an enterprise to achieve such objectives as high profit, quality product, large market share, good financial results, and survival at pre-determined time using relevant strategy for action (Koontz and Donnell, 2003). Organizational performance can also be used to view how an enterprise is doing in terms of level of profit, market share and product quality in relation to other enterprises in the same industry. Consequently, it is a reflection of productivity of members of an enterprise measured in terms of revenue, profit, growth, development and expansion of the organization. Organizational performance includes multiple activities that help in establishing the goals of the organization, and monitor the progress towards the target (Johnson et al., 2006). It is used to make adjustments to accomplish goals more efficiently and effectively. For any business to be successful, functions must be defined and accomplished. It is important for an organization to develop strategies that are designed around the skills that would enhance the performance of the organization.

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives).According to Richard et al. (2009) organizational performance encompasses three specific areas of firm outcomes:

(a) financial performance (profits, return on assets, return on investment, etc.); (b) product market performance (sales, market share, etc.); and (c) shareholder return (total shareholder return, economic value added, etc.). The term Organizational effectiveness is broader. Specialists in many fields are concerned with organizational performance including strategic planners, operations, finance, legal, and development. In recent years, many organizations have attempted to manage organizational performance using the balanced scorecard methodology where performance is tracked and measured in multiple dimensions such as: financial performance (e.g. shareholder return), customer service, social responsibility (e.g. corporate citizenship, community outreach) and employee stewardship.

Organizational performance is described as the extent to which the organization is able to meet the needs of its stakeholders and its own needs for survival (Griffin, 2003). According to Swanson (2000), organizational performance is the valued productive output of a system in the form of goods or services. Organizational performance can be subdivided into three categories: financial performance (profit), internal non-financial performance (productivity) and external non-financial performance (customer satisfaction).Private sector organizations strive for good financial results whereas public organizations are aimed at non-financial aims like delivering good public services to citizens.

To achieve performance through employees, the organization must consider them as asset and must be treated with attention so that the employees become productive. There are a number of indicators by which company performance may be judged. The balanced scorecard offers both qualitative and quantitative measures that acknowledge the expectations of different stake holders and related assessment of performance in the choice of a strategy. In this way performance is linked both to short term outputs and process management (Johnson et al., 2006). Due to the realization that people are the most valuable assets in an organization, the importance of performance management has been pushed to the fore (Bartlett and Ghoshal, 2005).

The performance measurement system employed in an organization must therefore measure the performance of all assets including the human ones. The balance scorecard of Kaplan and Norton (2006) is a mechanism which provides a holistic measure of organizational performance. It is a set of measures that provide managers a fast but comprehensive view of the business. The Balanced Scorecard is not only a measurement system but also a management system, which enables organizations to clarify their vision and strategy and translate them into action (Kaplan and Norton, 2006). It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. When fully deployed, the balance scorecard transforms strategic planning from an academic exercise into the nerve centre of an enterprise. The Balance Scorecard includes both financial measures that tell the results of actions already taken, and operational measures that are the drivers of future financial performance (Kaplan and Norton, 2006).

2.3 The Concept of Competitive strategy

According to Thompson *et al.*, (2004), competitive strategy refers to how an organization is able to compete in a particular industry. Competitive strategy is concerned with how a company can gain competitive advantage through a distinctive way of competing. In looking at competitive strategy closely, it is important to note that decisions generate actions which produce results. In other words, organizational results are the consequences of the decisions made by its leaders. The framework that guides and focuses these decisions is strategy. The framework that guides competitive positioning decisions is called competitive strategy. The purpose of competitive strategy is to build a sustainable competitive advantage over the organization's rivals. It defines the fundamental decisions that guide the organization's marketing, financial management and operating strategies.

Roth, (2008) argues that a better way to strategically position a company on the advantage strategies of cost is to increase market share by transforming from lowest cost producer to lowest cost supplier of products. This way the company translates its cost advantage strategies into price advantage strategies for its customers and thereby improves the market share. The prospect of increasing the market share provides a great opportunity for the company to leverage the economies of scale coupled with the ruthless cost cutting measures it plans to execute. The more competitive space it occupies, means that more competitors are eliminated, more effective are the economies of scale and as a result the costs are driven lower. When a company is able to transform the efforts of cost reduction into cost advantage strategies for customers, the company can be said to be successfully pursuing low cost leadership strategy.

Yoon, (2004) notes that a competitive company is a company that continuously strives to reduce costs and in the market place it has got the image of supplier of products at the lowest prices; this company captures a big market share and eliminates competitors hence improves revenues and its performance. Economies of scale and efficiency form the core around which such a company executes its strategy. Companies pursuing cost leadership strategy compare each and every activity along their value chain with competitors and are committed to surpass them. Innovation in such companies is focused on process improvements rather than on products. In fact companies pursuing cost leadership strategy target mass markets with proven products. Yoon, (2004) argues that the cost leaders today generally miss out on one important aspect. They typically concentrate on delivering a product of competitive quality at the lowest cost and pass on part of the savings to customers. They are so obsessed with costs and pricing that rarely do they dissect the customer value proposition. This is a prospective area that may provide yet another cost reduction opportunity and at the same time attract potential customers from a niche segment. A company when it compares the value proposition that it offers against the attributes that customers really value, new insights and opportunities may open up. Such a study may reveal some factors on which the company may be incurring substantial expenditure and yet the customers do not care about the particular feature or facility. Cutting on such frills may help in improving the bottom line. But cuts on frills accompanied by thrust on factors where company's offering is below the customers' expectations provides an excellent opportunity for cost cutting and serving enhanced value to the customers, which may draw customers from outside the current market space, just on the boundary of niche segments. Most popular no frills strategy is pursued by Southwest Airlines which based its strategy on clear understanding of the segment of customers it was going to serve by operating the flight services at lowest fares and prompt schedules. The clear understanding of expectations of the segment it was going to serve and competitive value proposition that this segment was being offered by the aviation industry opened up the real opportunity of lowering its costs and yet maximizing the value of low fares and adherence to schedules for its customers by keeping clear of facilities like baggage transfers, meals, seat arrangement etc., which any way the customers were not bothered about.

The generic competitive strategies form a business tool which helps strategists understand how the position of a company within its industry can be directly related to the strategy it employs. The strategy employed can then be analyzed to understand where a company's Competitive strategies lie, with a view to maintaining it. Porter (2005) identified the two main types of Competitive strategies as cost advantage strategies and differentiation. In developing and maintaining their competitive advantage strategies, companies have the option to adopt one of the three generic strategies: cost leadership, differentiation or focus. The horizontal axis across the top of the graph shows the type of Competitive strategies the company has, whilst the vertical axis relates to the scope of the competition, either broad and company-wide or narrow and limited to a market segment.

		COMPETITIVE ADVANTAGE	
		Lower Cost	**Differentiation**
COMPETITIVE SCOPE	**Broad Target**	**Cost Leadership**	**Differentiation**
	Narrow Target	Cost Focus	Differentiation Focus

Fig. 2.1 Three Generic Strategies

Source: Porter (2005)

Porter, (2005) notes that the cost leadership strategy where a company aims to cut-price its competitors by reducing overheads or the fixed costs associated with manufacture and distribution; it requires a focus on the efficiency of production lines and economies of scale. This strategy is employed where customers have the ability to change suppliers easily and the products or services are standardized and well understood by the consumer. A good example of cost leadership strategy is employed by supermarket chains on everyday necessity goods. By using this strategy, marketing the product becomes less important. Benefits include raising barriers for competitors to enter the market and easing the effect of fixed-cost rises across the industry. It involves the firm winning market share by appealing to cost-conscious or price-sensitive customers. This is achieved by having the lowest prices in the target market segment, or at least the lowest price to value ratio (price compared to what customers receive).

Porter, (2000) noted that the primary reason for pursuing forward, backward, and horizontal integration strategies to gain cost leadership benefits. Among cost elements to consider are facilities, operations, overheads, cost saving from experience, and being relatively frugal in such areas as research development, service, sales force, training and development and advertising. According to Venu, (2001) Striving to be the low-cost producer in an industry can be especially effective when the market is composed of many price-sensitive buyers, when there are few ways to achieve product differentiation, when buyers do not care much about differences from brand to brand, or when there are a large number of buyers with significant bargaining power. The basic idea is to underprice competitors and thereby gain market share and sales, driving some competitors out of the market entirely.

According to Porter, (2000), the differentiation strategy is employed where a unique attribute of a product or service is highlighted relative to similar alternatives presented by the competition. It allows a higher price to be charged or a greater ability to command customer loyalty. Differentiation strategy is used where the company sees its key product competencies as more profitable advantage strategies than simple cost leadership. Customers react to this strategy by paying more for a perceived greater reliability or quality or by returning to a trusted brand. It relies heavily on marketing or advertising to maintain the brand identity and raises the barrier to competitors entering the market.

Allen et al., (2006), notes that firms that adopt a differentiation strategy seek to establish fundamental differences in a variety of dimensions so that buyers perceive a marked contrast between the products of one firm and its rivals. A firm focuses on providing a unique product or service. Successful differentiation can mean greater product flexibility, greater compatibility, and more features .Differentiation yields high margins with which to deal with supplier power and clearly mitigates buyer power since buyers lack comparable alternatives and thereby allows a firm to charge a higher price for its products. Allen et al., (2006) argue that the focus strategy is aimed at a specific target consumer group, for example cultural, economic, political, geographical or age-related groups. The strategy employs either cost focus or differentiation focus within its target audience, and in this sense it is a narrower application of one of the aforementioned strategies. Saga holidays, for example, focus on a specific group of consumers - the over

50's. Benefits include the increase in brand loyalty developed as customers perceive the company to be a specialist.

While De Wit and Meyer (2005) argued that a firm can simultaneously achieve cost leadership and differentiation strategies as the rewards are great and the benefits addictive, as differentiation leads to premium prices at the same time that cost leadership implies lower costs. They added that reducing costs does not always involve a sacrifice in differentiation.

2.4 Cost Leadership and Organizational Performance

Cost leadership is a concept developed by Porter (2005), and is used in business strategy. It describes a way to establish the competitive advantage of an organization over rivals. Cost leadership, in basic words, means the lowest cost of operation in the industry. The cost leadership is often driven by company efficiency, size, scale, scope and cumulative experience (learning curve). A cost leadership strategy aims to exploit scale of production, well defined scope and other economies such as a good purchasing approach, producing highly standardized products, using high technology among others. Many companies choose a strategic mix to achieve market leadership. This mix consists of simultaneous cost leadership, superior customer service and product leadership.

Porter (2005) identified ten cost drivers that determine the cost behavior of various value activities. Hence a firm that is pursuing a cost leadership strategy should have a high score on most of the ten cost drivers. Porter identified them as: Economies of scale which will manifest itself through product development, national wide advertisement, and scale sensitive firm infrastructure, geographical organization of sales force as opposed to product line organization, research and development of new products or models and reduction in transportation costs. The second driver is learning which manifests itself through labor efficiency improvement, product design modification, improved scheduling, yield improvement and improved utilization of assets. The other cost drivers are: pattern of capacity utilization, linkages both internally and externally, sharing of resources and processes in the firm and its value chain, integration of value activities, timing of actions, discretionary policies, location of value activities and institutional factors. Porter asserted that a cost leader will earn above average return hence it is also expected that the organization performance of the firm might improve.

According to Allen et al., (2006), when a firm designs, produces and markets a product more efficiently than its competitors such a firm has implemented a cost leadership strategy. Cost reduction strategies across the activity cost chain will represent low cost leadership. Attempts to reduce costs will spread through the whole business process from product design to the final stage of selling the product. Any processes that do not contribute towards minimization of cost base should be outsourced to other organizations with the view of maintaining a low cost base (Akan et al., 2006). Low costs will permit a firm to sell relatively standardized products that offer features acceptable to many customers at the lowest competitive price and such low prices will gain competitive advantage and increase market share. These explains that the cost efficiency gained in the whole process will enable a firm to mark up a price lower than competition which ultimately results in high sales since competition could not match such a low cost base. Jassim (2008) explained that the primary focus of a cost leadership strategy is to achieve low costs relative to competitors. According to Porter (2005), the strategic logic of cost leadership requires a firm to be the cost leader, not one of the several firms vying for this position.

According to Venu, (2001), the performance of an organization thus depends heavily on cost leadership as one of the strategies that can be employed by organizations to ensure that they better their performance. This strategy involves the firm winning market share by appealing to cost-conscious or price-sensitive customers. This is achieved by having the lowest prices in the target market segment, or at least the lowest price to value ratio (price compared to what customers receive). To succeed at offering the lowest price while still achieving profitability and a high return on investment, the firm must be able to operate at a lower cost than its rivals. There are three main ways to achieve this. Venu, (2001), states that the first approach is achieving a high asset turnover. In service industries, this may mean for example a restaurant that turns tables around very quickly, or an airline that turns around flights very fast. In manufacturing, it will involve production of high volumes of output. These approaches mean fixed costs are spread over a larger number of units of the product or service, resulting in a lower unit cost, i.e. the firm hopes to take advantage of economies of scale and experience curve effects. For industrial firms, mass production becomes both a strategy and an end in itself. Higher levels of output both require and result in high market share, and create an entry barrier to potential competitors, who may be unable to achieve the scale necessary to match the firms' low costs and prices

According to Zeithaml *et al.*, (2005), the second dimension is achieving low direct and indirect operating costs. This is achieved by offering high volumes of standardized products, offering basic no-frills products and limiting customization and personalization of service. Production costs are kept low by using fewer components, using standard components, and limiting the number of models produced to ensure larger production runs. Overheads are kept low by paying low wages, locating premises in low rent areas, establishing a cost-conscious culture, etc. Maintaining this strategy requires a continuous search for cost reductions in all aspects of the business. This will include outsourcing, controlling production costs, increasing asset capacity utilization, and minimizing other costs including distribution, research development and advertising. The associated distribution strategy is to obtain the most extensive distribution possible. Promotional strategy often involves trying to make a virtue out of low cost product features.

Venu, (2001), states that the third dimension is control over the supply/procurement chain to ensure low costs. This could be achieved by bulk buying to enjoy quantity discounts, squeezing suppliers on price, instituting competitive bidding for contracts, working with vendors to keep inventories low using methods such as Just-in-Time purchasing or Vendor-Managed Inventory. Wal-Mart is famous for squeezing its suppliers to ensure low prices for its goods. Dell Computer initially achieved market share by keeping inventories low and only building computers on order. Other procurement advantages could come from preferential access to raw materials, or backward integration.

If an organization chooses the approach that best suits it or uses a mixture of the three approaches to come up with a hybrid approach and employs it effectively, the organization will be able to realize improved performance since it will be in position to attract more customers than its rivals and as such, it is highly likely to realize increased margins from higher sales turnovers.

2.5 Differentiation and Organizational Performance

According to Porter (2000), differentiation strategy involves creating a product that is perceived as unique. The unique features or benefits should provide superior value for the customer if this strategy is to be successful. Because customers see the product as unrivaled and unequaled, the price elasticity of demand tends to be reduced and customers tend to be more brand loyalists. This can provide considerable insulation from competition. Porter (2005) also argued that the logic of differentiation strategy requires a firm to be truly unique at something or be perceived as unique. He concludes that, reward for uniqueness is a premium price.

Jassim (2008) differentiation strategy primary focus is creating uniqueness such that the organization's goods and services are clearly distinguished from those of its competitors. Porter (2005) argued that a firm creates value for a buyer by either lowering buyer cost or raising buyer performance, by lowering delivery, installation or financing costs, lowering the required rate of usage, lowering direct cost of maintenance or space, indirect costs, risk of product failure and lowering the buyer cost in other value activities.

According to Porter raising the buyer performance includes exceeding the buyer's desired performance, helping to meet buyer's non-economic goals and satisfying their needs in a better way. If a firm successfully earns a premium price in excess of differentiation cost then it returns will be above average resulting in improved organization performance.

According to Pollitt and Bouckaert, (2000) differentiation can be a source of competitive advantage. Although research in a niche market may result in changing a product in order to improve differentiation, the changes themselves are not differentiation. Marketing or product differentiation is the process of describing the differences between products or services, or the resulting list of differences. This is done in order to demonstrate the unique aspects of a firm's product and create a sense of value. Marketing textbooks are firm on the point that any differentiation must be valued by buyers. The term unique selling proposition refers to advertising to communicate a product's differentiation.

According to Pollitt and Bouckaert, (2000) a differentiation strategy is appropriate where the target customer segment is not price-sensitive, the market is competitive or saturated, customers have very specific needs which are possibly under-served, and the firm has unique resources and capabilities which enable it to satisfy these needs in ways that are difficult to copy. These could include patents or other Intellectual Property (IP), unique technical expertise (e.g. Apple's design skills or Pixar's animation prowess), talented personnel (e.g. a sports team's star players or a brokerage firm's star traders), or innovative processes. Successful brand management also results in perceived uniqueness even when the physical product is the same as competitors’. This way, Chiquita was able to brand bananas, Starbucks could brand coffee, and Nike could brand sneakers. Fashion brands rely heavily on this form of image differentiation.

The shareholder value model holds that the timing of the use of specialized knowledge can create a differentiation advantage as long as the knowledge remains unique. This model suggests that customers buy products or services from an organization to have access to its unique knowledge. The advantage is static, rather than dynamic, because the purchase is a one-time event.

The unlimited resources model utilizes a large base of resources that allows an organization to outlast competitors by practicing a differentiation strategy. An organization with greater resources can manage risk and sustain profits more easily than one with fewer resources. This provides a short-term advantage only. If a firm lacks the capacity for continual innovation, it will not sustain its competitive position over time.

According to Pollitt and Bouckaert, (2000), a company that succeeds in using the differentiation strategy will no doubt enjoy a competitive edge over rivals. Such a positioning for the firm does have an implication on the performance of such a company because once there is a perceived superiority of a company’s products over others in the market or just some element of uniqueness, customers will go for the product. In the event that this occurs, the sales volumes of the company shall soar. The implication of this is improved financial performance for the company.

2.6 Focus strategy and Organizational Performance

Under a focus strategy a business focuses its effort on one particular segment of the market; it seeks differentiation or cost advantage in its target segment under a narrow competitive scope and aims to become well known for providing products/services for that segment. They form a competitive advantage by catering for the specific needs and wants of their niche market. Once a firm has decided which market segment they will aim their products at; Porter said they have the option to pursue a cost leadership strategy or a differentiation strategy to suit that segment. A focus strategy is known as a narrow scope strategy because the business is focusing on a narrow (specific) segment of the market. Porter (2005) mentioned that the focus strategy has two variants; cost focus and differentiation focus. Cost focus exploits differences in cost behavior while differentiation focus exploits special needs of the buyers in a certain segment. In adopting a narrow focus, the company ideally focuses on a few target markets.

Reck *et al*, (2008) states that in adopting a narrow focus, a company ideally focuses on a few target markets (also called a segmentation strategy or niche strategy). These should be distinct groups with specialized needs. The choice of offering low prices or differentiated products/services should depend on the needs of the selected segment and the resources and capabilities of the firm. It is hoped that by focusing your marketing efforts on one or two narrow market segments and tailoring your marketing mix to these specialized markets, you can better meet the needs of that target market. The firm typically looks to gain a competitive advantage through product innovation and/or brand marketing rather than efficiency. It is most suitable for relatively small firms but can be used by any company. A focused strategy should target market segments that are less vulnerable to substitutes or where competition is weakest to earn above-average return on investment. Hence the organization performance is expected to improve. Reck *et al*, (2008) states that in adopting a broad focus scope, the principle is the same: the firm must ascertain the needs and wants of the mass market, and compete either on price (low cost) or differentiation (quality, brand and customization) depending on its resources and capabilities. Some companies have a broad scope and adopt a cost leadership strategy in the mass market. Others target the mass market with its movies, but adopts a differentiation strategy, using its unique capabilities in story-telling and animation to produce signature animated movies that are hard to copy, and for which customers are willing to pay to see and own. Mobile companies also target the mass market with products, but combines this broad scope with a differentiation strategy based on design, branding and user experience that enables them to charge a price premium due to the perceived unavailability of close substitutes.

Reck *et al*, (2008) argues that Porter identified that one combination of the strategies is possible: combining market segmentation with differentiation. However, in general, other combinations are not possible due to a conflict between cost reduction and value-added differentiation. Therefore, a company should retain one overall main strategy to maintain its long term competitive advantage strategies. Target marketing tailors a marketing mix for one or more segments identified by market segmentation. Target marketing contrasts with mass marketing, which offers a single product to the entire market. Two important factors to consider when selecting a target market segment are the attractiveness of the segment and the fit between the segment and the firm's objectives, resources, and capabilities. Reck *et al*, (2008) also states the following as some examples of aspects that should be considered when evaluating the attractiveness of a market segment: size of the segment (number of customers and/or number of units), growth rate of the segment, competition in the segment, brand loyalty of existing customers in the segment, attainable market share given promotional budget and competitors' expenditures, required market share to break even, sales potential for the firm in the segment and expected profit margins in the segment

According to Mintzberg, (2000) market research and analysis is instrumental in obtaining information. For example, buyer intentions, sales force estimates, test marketing, and statistical demand analysis are useful for determining sales potential. The impact of applicable micro-environmental and macro-environmental variables on the market segment should be considered. Mintzberg notes that larger segments are not necessarily the most profitable to target since they are likely to have more competition. It may be more profitable to serve one or more smaller segments that have little competition. On the other hand, if the firm can develop a competitive advantage strategy, for example, via patent protection, it may find it profitable to pursue a larger market segment

Thompson (2004) notes that there are several different target-market strategies that may be followed by any organizations; targeting strategies usually can be categorized as one of the following: Single-segment strategy - also known as a concentrated strategy. One market segment (not the entire market) is served with one marketing mix. A single-segment approach often is the strategy of choice for smaller companies with limited resources. Selective specialization- this is a multiple-segment strategy, also known as a differentiated strategy. Different marketing mixes are offered to different segments. The product itself may or may not be different - in many cases only the promotional message or distribution channels vary. Product specialization- the firm specializes in a particular product and tailors it to different market segments. Market specialization- the firm specializes in serving a particular market segment and offers that segment an array of different products. Full market coverage - the firm attempts to serve the entire market. This coverage can be achieved by means of either a mass market strategy in which a single undifferentiated marketing mix is offered to the entire market, or by a differentiated strategy in which a separate marketing mix is offered to each segment.

Thompson (2004) argues that a firm that is seeking to enter a market and grow should first target the most attractive segment that matches its capabilities. Once it gains a foothold, it can expand by pursuing a product specialization strategy, tailoring the product for different segments, or by pursuing a market specialization strategy and offering new products to its existing market segment. The key to strategy formulation lies in understanding and overcoming the system barriers that obstruct the attainment of organizational goals. An effective strategy recognizes these barriers and develops decisions and choices that circumvent them.

2.7 Conceptual framework

The study applied the conceptual framework in Figure 2.2 to illustrate how various variables participated in the study. The conceptual framework provided the study with a guideline on how independent and dependent variables interacted in relation to the effect of competitive strategies on organizational performance in the sugar industry in Kenya. The independent variables for the study are the three competitive strategies namely; cost leadership, differentiation and focus. Each of them was examined to find out their effects on the organizational performance of the sugar companies operating in Kenya. The organizational performance is the dependent variable.

Independent Variable **Dependent Variable**

Competitive Strategies **Organizational**
Performance

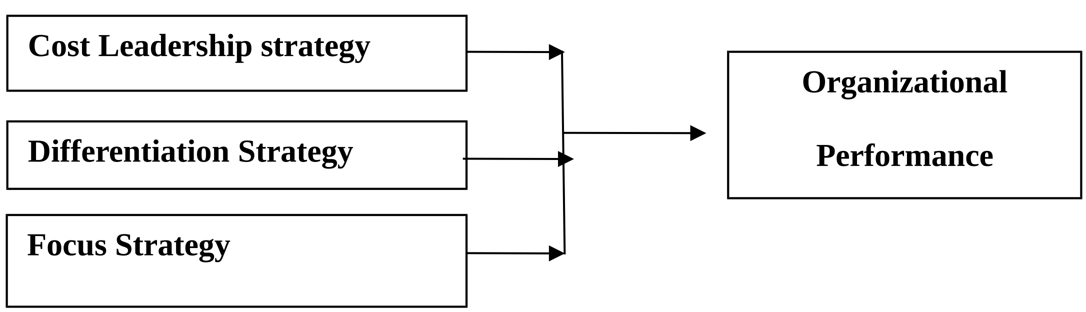

Fig 2.2 Conceptual Framework

Source: Researcher (2014)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter focuses on the methodology that will be used for the study. It highlights the research design, the target population, the sample design, data collection methods, data analysis and ethical issues of the study.

3.2 Research Design

The study adopted a descriptive survey design. Exploratory studies and descriptive survey designs were used to allow for the gathering of information, summarize, present and interpret it for the purpose of clarification (Creswell, (2003). It also involves large numbers and describes population characteristics by the selection of unbiased sample Kothari, (2007). This design was used because it helped the researcher have an insight on the impact of competitive strategy on organizational performance. This design provided further insight into research problem by describing the variables of interest. A survey of sugar companies operating in Kenya was applied to determine how competitive strategy influences organization performance in the sugar industry. This design provided further insight into research problem by describing the variables of interest.

3.3 Target Population

The target population is the specific population about which information is desired. According to (Ngechu, 2004), a population is a well-defined set of people, services, elements, event, and group of things or households that are being investigated. The target population consisted of 108 senior employees drawn from 9 sugar companies operating in Kenya.

3.4 Sample Design

Kothari (2004) define a sample as part of the target population that has been procedural selected to represent it. Sampling is the process of systematically selecting representative elements of a population. The study used census sampling design to select the sample population. This is where the researcher used all the individuals from the target for the study. The study therefore had a sample of 108 respondents drawn from the senior employees of 9 Sugar Companies in operating in Kenya.

Table 3.1 Target and sample population

Company	Target population	Sample population
Mumias sugar	19	19
Nzoia sugar company	15	15
Sony sugar company	14	14
Chemelil sugar company	9	9
West Kenya sugar company	10	10
Butali sugar company	12	12
Muhoroni sugar company	7	7
Transmara sugar company	14	14
Kibos sugar company	8	8
Total	108	108

Source: Research Data (2014)

3.5 Data Collection Instruments

This refers to the tools to be used for collecting data and how these tools will be developed. The data collection instruments that were used to collect data from the selected respondents were questionnaires. Selection of this tool is guided by the nature of data to be collected, time available and objectives of the study.

3.5.1 Questionnaires

The study used primary data which was collected through self-administered questionnaires. The structured questionnaires were used to collect data on the effect of competitive strategy on organizational performance in the sugar industry in Kenya. The questionnaires consisted of both open and closed ended questions designed to elicit specific responses for qualitative and quantitative analysis respectively. The questionnaires were administered through “drop and pick later” method.

Adequate time was given for the respondent to answer questions and the respondent used semi-structured questionnaires to avoid misunderstanding or wrong interpretation. The questionnaire utilized a five point likert scale namely Strongly disagree (SD), Disagree (d), Undecided (U), Agree (A) and Strongly Agree (SA) which was assigned scores of between 1 and 5. This allowed the researcher to draw conclusions based on comparisons made from the responses. The researcher opted to use questionnaires so as to collect a lot of information over a very short period of time.

3.5.2 Reliability of the Research Instruments

It is necessary to ascertain the validity and reliability of the instruments used to collect data so that the research findings could be reliable. Bless and Higson-Smith (2005) highlight that reliability is "concerned with the consistency of measures", thus, the level of an instrument's reliability is dependent on its ability to produce the same score when used repeatedly. The questionnaires to be used for the purposes of this study were designed by a panel of experts at the University.

The researcher also used the test re-test method to determine the reliability. The main purpose of the test re-test study is to check on suitability and the clarity of the questions on the instruments designed, relevance of the information being sought, the language used and the content validity of the instruments from the responses given.

3.5.3 Validity of the Research Instruments

According to Miles and Huberman (2004) validity on the other hand refers to whether an instrument actually measures what it is supposed to measure, given the context in which it is applied. In order to ascertain content and face validity, the questionnaires were presented to the supervisor in the University for Scrutiny and advice. The contents and impressions of the instruments were improved based on the lecturer's advice and comments. The questionnaire was then constructed in a way that they related to each question. This ensured that all research questions were covered. The questionnaire to be used in this study was then given to the independent experts in consultation with a statistician to evaluate it for face and content validity as well as for conceptual clarity and investigative bias. In terms of using the information gathered through the questionnaire, it must be emphasized that no summative scores were used for interpretation purposes but rather the answers to individual items in the questionnaire. According to Polit and Hungler (2007), a pre-test is a trial run to determine whether an instrument solicits the type of information envisioned by the researcher.

3.6 Data Analysis

According to Kothari (2004) this step is essential for a scientific study and for ensuring that we have all relevant data for making comparisons and analysis. Data collected from primary sources was coded, stored and analyzed using computerized systems. Data was entered into the computer SPSS package and data was processed using descriptive statistics to identify the characteristics of variables under study. Factor analysis was used to determine which factors were suitable for the study. Population estimate used was the mean. Inferential statistics such as regression techniques were also used to analyze the data.

The following regression model was applied:

$y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + ẹ$……………………..(i)

Where;

y = Organizational performance,

α =Constant term,

β=Beta coefficients,

X1= Cost Leadership strategy,

X2= Differentiation strategy,

X3=Focus strategy and

ẹ = Error term.

3.7 Measurement of Variables

From the conceptual framework, the study had three independent variables; Cost leadership Strategy (Pricing, Economies of Scale, Wastage management, Outsourcing), Differentiation strategy (Packaging, Marketing, Quality differentiation, Company differentiation) and Focus Strategy (Market segmentation, Mass marketing, Niche marketing, Product marketing) and one dependent variable, organization performance.

The independent variables were measured through the Likert scales using measurement items adapted from relevant literature unless otherwise specified; while the relationship with dependent variable was measured through running a regression analysis.

3.8 Ethical Issues

The researcher obtained an introductory and research authorization letter from Moi University stating the purpose of the study and how the researcher would maintain privacy and confidentiality of information obtained from the respondents. The purpose, expected duration of the participation and benefits of the study were communicated to all participants in advance.

3.9 Limitations of the Study

The study was limited in the sense that the study outcomes were dependent on the knowledge-ability and openness of respondents on the information that the study sought. As a precaution to get helpful information the researcher choose sugar companies that had established themselves in the industry and therefore the best source to get the information for the study.

The study could also have limited results due to lack of reception from the study area. The researcher countered this possibility by visiting the location earlier and seeking consent from the management which aided and smoothed the process of data collection. The research also sought an introductory letter from the school so as to assure the respondents that the information was only for academic purposes and therefore there have no need to worry about a thing and ensure them of the credibility of the researcher.

CHAPTER FOUR

DATA ANALYSIS , PRESENTATION AND INTERPRETATION

4.0 Introduction

This chapter aimed to analyse the influence of competitive strategies on organizational performance in the sugar industry in Kenya. The information collected will be presented in tabular formats. Discussions of the findings will be given below the tabular representation of the findings. The information analysed will be interpreted in relation to the research objectives to ensure that it is provides answers to the research questions.

4.1 Response Rate

A sample of 108 respondents drawn from 9 sugar companies operating in Kenya was used for the study; however only 106 respondents returned the questionnaire after filling them. Since the number of questionnaires collected represented more than 85% of the sample it was deemed adequate and sufficient for purposes of data analysis as suggested by (Field, 2005). The respondents were quite cooperative and the data provided was taken to be a true representation of the respondents views due to independence of the study carried out.

4.2 Background Information

The study sought to determine the demographic information of the respondents. The research found it necessary to analyse the general characteristics of the respondents as the characteristics of the respondents could have had an influence on the responses elicited from the respondents. The findings are presented in table 4.1

Table 4.1 Background Information

VARIABLES		Frequency	Percentage
Gender	Male	60	57
	Female	46	43
	Total	106	100
Age	Under 30 years	3	3
	31 – 40 years	66	62
	41 and over	37	35
	Total	106	100
Education level	Tertiary college	54	51
	University	36	34
	Post graduate	16	15
	Total	106	100
Working Experience	0 - 3 Years	19	18
	4 - 7 Years	67	63
	8 Years and above	20	19
	Total	106	100

Source: Survey Data (2014)

The study findings established that 46% of the respondents were female and 54% of the respondents were male. The variation in the gender was not significant in a way to affect the responses by the respondents identified therefore the genders were well represented and the findings could be relied upon as they didn't portray any bias.

The study findings on the ages of the respondents indicate that 5.7 % of the respondents were aged below 30 Years, 59.4% were aged between the ages of 31-40 Years, and 34.9% were aged 41 and over. This therefore indicates that the respondents were drawn from different age brackets and therefore they could provide information from various age brackets and reflecting the true nature of competitive strategies within the sugar companies operating in Kenya.

The research also sought to identify the level of education of the respondents so as to assess variations of the respondent's level of education. The research findings established that 51% of the respondents were tertiary college level respondents, 34% were of university level and 15% were post graduate level. From the responses, we can see that all the levels of education are represented which implies that the researcher was able to collect varied views with regard to the level of education. The findings indicate that the respondents are learned and therefore are able to answer the questions posed with intelligence.

The researcher tried to find out the duration that the respondents have worked in the organization and found out that: 10% of the respondents had been in the organization for a period between 0-3 years, 30% for a period between 4-7 years and finally 60% of the respondents had been in the organization for over 8 years. From the results it was clear that the researcher was able to collect views from different categories of respondents as far as their duration and experience with the organization is concerned and therefore was able to get their different perspectives of the organization's operations .

4.3 Factor Analysis

The study conducted a factor analysis to determine which factors were suitable for the study.

Table4.2 Factor Analysis

Rotated Component Matrix[a]	**Factor Loading**	**Decision**
The company outsources some functions which are not core to reduce costs	0.886	Retain
The company has a specific niche market to sell its products	-0.844	Retain
The company employs branding to differentiate itself and its products from rivals	-0.778	Retain
The company produces one products for all markets	0.919	Retain
The company has cut on overheads costs such as HR to reduce cost	0.866	Retain
Sales returns	0.556	Retain
The company uses different product attributes to market its products	0.538	Retain
The company prices its products lower than its rivals	0.926	Retain
The company employs technology to reduce costs	0.692	Retain
Profitability	0.62	Retain
The company focus on mass marketing for its different products	-0.553	Retain
The company packages same product differently to target different segments	0.89	Retain
The company relies on its distribution channels to target specific markets	0.822	Retain
The company uses different technology to vary product quality for different segments	0.698	Retain
The company offers individual attention to customer needs	0.899	Retain
Market share	0.743	Retain
The company buys in bulk to reduce on cost	0.808	Retain
The company is very strict on wastage of material	0.698	Retain
The company produces at least one product for each market segment	0.516	Retain
The company produces products of different qualities for different markets	0.895	Retain
The company produces different products for different markets	0.617	Retain

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 20 iterations.

Source: Survey Data (2014)

Construct validity measures “the degree to which a scale measures what it intends to measure” (Garver and Mentzer, 2009) and it is assessed by factor analysis in this research. In order to assess the construct validity, 21 items were examined by principal components extraction with varimax rotation. The findings are represented in the table 4.2. The table shows the factor loading for each item, any item that fails to meet the criteria of having a factor loading value of greater than 0.5 was to be dropped, however none of the factors were dropped from the study (Liao et al, 2007).The study had the following measures (0.886, 0.844, 0.778, 0.919, 0.866, 0.556, 0.538, 0.926, 0.692, 0.620, 0.553, 0.890, 0.822, 0.698, 0.899, 0.743, 0.808, 0.698, 0.516, 0.895, 0.617) all of which were above the threshold of 0.5 (Field, 2005). Therefore, confirming the appropriateness of the factor analysis for the data set.

4.4 Competitive Strategies on Organizational Performance

4.4.1 Cost Leadership on Firm’s Performance

The researcher sought to establish the effects that cost leadership has on firm’s performance. The findings of the study are indicated in table 4.3.

Table 4.3 Cost Leadership on Firm's Performance

Responses		5	4	3	2	1	Total	Means
The company buys in bulk to reduce on cost	FRE	9	50	0	29	9	106	3.3679
	%	8.5%	47.2%	0%	27.4	8.5%	100%	
The company is very strict on wastage of material	FRE	0	18	49	39	0	106	2.8019
	%	0%	17%	46.2	36.8	0%	100%	
The company employs technology to reduce costs	FRE	9	74	6	6	11	106	3.6038
	%	8.5%	69.8%	5.7%	5.7%	10.4%	100%	
The company has cut on overheads costs such as HR to reduce cost	F	12	32	8	11	43	106	2.6132
	%	11.3	30.2%	7.5%	10.4	40.6%	100%	
The company prices its products lower than its rivals	FRE	21	74	0	11	0	106	3.9906
	%	19.8	69.8%	0%	10.4	0%	100%	
The company outsources some functions which are not core to reduce costs	FRE	13	13	35	36	9	106	2.8585
	%	12.3	12.3%	33%	34%	8.5%	100%	
		%						

Source: Survey Data (2014)

From the responses the researcher sought to establish which of the cost leadership strategies mostly influenced the firm'. This was done by comparing the means of the coded responses of the respondents and computing the percentages of the respondents who were in agreement with the responses provided.

The responses indicated that a majority of the respondents (79.8%) indicated that the company prices its products lower than its rivals (mean = 3.99) . 72% of the respondents thought the company employs technology to reduce costs (mean = 3.60). 67.4% of the respondents thought that the company buys in bulk to reduce on costs mean = (3.37).

57.2% of the respondents thought that the company outsources some functions which are not core to reduce costs (mean = 2.86). 56% of the respondents agreed that the company is very strict on wastage of material (mean = 2.80). Very few of the respondents (52%) thought that the company cuts on overheads costs such as HR to reduce cost (mean = 2.61).

These findings therefore imply that the major way that the organization uses cost leadership is by pricing its products lower than those of their rivals in the market.

This could be attributed to the fact that organizations always want their products to do well and when these products are priced lower they are able to attract the attention of the customers since they seem within reach and therefore the clients are more likely to purchase them than those of competitors.

4.4.2 Differentiation and Firm Performance

The study sought to determine the effect of differentiation on firm's performance. The findings of the study are represented in table 4.3

Table 4.4 Differentiation on Firm's Performance

Responses		5	4	3	2	1	Total	Mean
The company employs branding to differentiate itself and its products from	FRE	64	17	0	25	0	106	4.1321
	%	60.4%	16%	0%	23.6%	0%	100 %	
The company packages same product differently to target different	FRE	16	27	3	56	4	106	2.9528
	%	15.1%	25.5%	2.8%	52.8%	3.8%	100 %	
The company produces products of different qualities for different markets	FRE	16	32	6	61	0	106	2.8585
	%	15.1%	30.2%	5.7%	57.5%	0%	100 %	
The company produces different products for different markets	FRE	26	46	18	16	0	106	3.7736
	%	24.5%	43.4%	17.0%	15.1%	0%	100 %	
The company uses different technology to vary product quality for different	FRE	23	48	0	30	5	106	3.5094
	%	21.7%	45.3%	0%	28.3%	4.7%	100 %	
The company uses different product attributes to market its products	FRE	18	51	25	12	0	106	3.7075
	%	17.0%	45.1%	23.6%	11.3%	0%	100 %	

Source: Survey Data (2014)

The study findings reveal that 82.6% of the respondents said that the company employs branding to differentiate itself and its products from rivals (mean = 4.13). 75.4% of the respondents said that the company produces different products for different markets (mean = 3.77); 74% of the respondents said the company uses different product attributes to market its products (mean = 3.7); 70% said the company uses different technology to vary product quality for different segments (mean = 3.5). 59% of the respondents said the company packages same product differently to target different segments (mean = 2.95) while 57.2% of the respondents said the company produces products of different qualities for different markets (mean = 2.85).

The findings therefore imply that the organization uses company branding as the major way of differentiating the organization and its products from their competitors to attract and retain more customers hence improve firm's performance.

These findings are in agreement with a study conducted by Acquash and yasai-Ardekani(2006) who said in branding, a company is able to achieve a competitive advantage over their rivals because of the perceive uniqueness of their product and services.

4.4.3 Focus Strategy on Firm's Performance

The study sought to determine the effect of focus strategy on the performance of the organization. The findings are presented in table 4.5

Table 4.5 Focus Strategy on Firm's Performance

Responses		5	4	3	2	1	Total	Mean
The company has a specific niche market to sell its products	FRE	16	31	0	46	13	106	2.9151
	%	15.1%	29.2%	0%	43.4%	12.3%	100%	
The company focus on mass marketing for its different products.	FRE	17	30	3	56	0	106	3.0755
	%	16.0%	28.3%	2.8%	52.8%	0%	100%	
The company offers individual attention to customer needs	FRE	8	0	6	74	18	106	2.1132
	%	7.5%	0%	5.7%	69.8%	17.0%	100%	
The company produces one products for all markets	FRE	0	16	74	19	0	106	2.9717
	%	0%	15.1%	69.8%	17.9%	0%	100%	
The company produces at least one product for each market segment	FRE	0	6	74	26	0	106	2.8113
	%	0%	5.7%	69.8%	24.5%	0%	100%	
The company relies on its distribution channels to target specific markets	FRE	19	27	16	24	20	106	3.0094
	%	19.9%	25.5%	15.1%	22.6%	18.9%	100%	

Source: Survey Data (2014)

The study findings revealed that 61.6% of the respondents said that the company focus on mass marketing for its different products. (Mean = 3.08). 60% of the respondents said the company relies on its distribution channels to target specific markets (mean = 3.00). 59.4% of the respondents said the company produces one products for all markets (mean = 2.97). 58.2% of the respondents said the company has a specific niche market to sell its products. 56.2% of the respondents said the company produces at least one product for each market segment (mean = 2.81) while 42.2% of the respondents said that the company offers individual attention to customer needs (mean = 2.11).

The finding therefore imply that the major way that the company applies focus strategy to improve the performance of the firm is by focusing on mass marketing for its different products.

One can therefore conclude that the organization chooses to focus on mass marketing strategy because it enables them to reach a wide segment which gives them a chance of improving their performance and doing well since their product will be available to a large market therefore more likely to be purchased. The product that the firm produces is consumed by a majority of the population and therefore could be the reason why the organization chooses to use mass marketing as a focusing strategy.

These findings are in agreement with Porter (2003) who argues that firms in the same industry can choose different scope in the same segment either a broad target or a narrow target. Lahtinen and Toppien also argue that a firm selects a group of segment in the industry and tailors its strategy to serving them to the exclusion of others and achieves a competitive advantage in its target segment.

4.4.4 Overall Regression Model for the Effect of Competitive Strategies on Organizational performance

On determining that all the variables of competitive strategies had an effect on firm performance the study went ahead to compute an overall regression model indicating how the variables interacted in the study.

Table 4.6 Model Summary for the Regression Model

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.610[a]	.372	.353	.39730

a. Predictors: (Constant), C, B, A

Source: Survey Data (2014)

The model summary indicated that about 37.2% of the regression model could be accounted for in the study.

Table 4.7 ANOVA Table for Regression

ANOVA[b]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	9.518	3	3.173	20.100	.000[a]
	Residual	16.100	102	.158		
	Total	25.618	105			

a. Predictors: (Constant), C, B, A

b. Dependent Variable: E

Source: Survey Data (2014)

As shown from the table, $F= 20.100$, $p< 0.000$

The F test provides an overall test of significance of the fitted regression model. The F value of 20.100 indicates that all the variables in the equation are important hence the overall regression is significant.

The ANOVA table for the regression indicated that the results computed using the regression model were significant meaning that the regression model had been computed well and not by chance.

Table 4.8 Overall Regression Model

		Coefficients[a]				
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.121	.389		5.448	.000
	Cost leadership	.610	.083	.642	7.309	.000
	Differentiation	.170	.078	.180	2.179	.032
	Focus strategy	-.212	.131	-.148	-1.619	.109
a. Dependent Variable: organization's performance						

Source: Survey Data (2014)

Organizational performance = 2.121+ 0 .083 (cost leadership) + 0 .078 (differentiation) + 0.131 (Focus strategy) + 0. 389 (Error Margin)

From the regression model therefore it can be concluded that the focus strategy had more impact on the organizational performance due to the high coefficient value ($\beta = 0.131$) followed by the cost leadership strategy which had a coefficient value of ($\beta = 0.083$) and finally the differentiation strategy which had a ($\beta = 0.078$).

4.5 Hypothesis Testing using the Multiple Regression Model

From the regression model computed in table 4.8, the research hypotheses were tested using the significance level of the coefficients; the research aimed to test the hypothesis with an aim of accepting whether there was any Effect of Competitive Strategies on Organizational performance. The research hypothesis for the study included;

H_{01}: Cost Leadership strategy has no significant influence on organizational performance

Research results rejected the hypothesis. ($\beta = 0.642$, $p = 0.000$).

The regression results in table 4.8 shows that cost leadership has an effect on organizational performance with a beta coefficient of 0.642, the effect is very significant at ($p=0.000$). These results imply that cost leadership plays a very significant role in determining organizational performance. This could be attributed to the fact that price of a commodity serves a very significant role in attracting customers to purchase or not purchase a product.

These findings concur with studies done by Phillips (2003) who said that cost leadership creates excesses in returns by providing a basic commodity level product at the lowest cost of production generating larger margins in profits.

Ho_2: Differentiation Strategy has no significant effect on organizational performance

Research results rejected the hypothesis. ($\beta = 0.180$, $p < 0.032$).

The regression results in table 4.8 shows that Differentiation Strategy has a significant effect on organizational performance with a beta coefficient of 0. 180, the effect is very significant at ($p=0.032$). This therefore implies that when organizations differentiate themselves and their products there are able to perform better. This could be attributed to the fact customers are able to distinctly identify the organization's product and therefore creating customer loyalty. These findings are in agreement with studies done by Acquash and Yasai-Ardekani which states that differentiation helps firms to be able to achieve a competitive advantage over their rivals, increase their revenues, neutralize threats and exploit opportunities.

Ho_3: Focus Strategy has no significant influence on organizational performance

Research results accepted the hypothesis. ($\beta = -0.148$, $p = 0.109$).

The regression results in table 4.8 shows Focus Strategy has no significant influence on organizational performance with a beta coefficient of -0.148, the effect not significant at ($p=0.109$). These results imply that focus strategy has no direct effect on the performance of an organization. This could be attributed to the fact that focusing on particular segment of the market does not specifically imply that the organization will do well or it will increase its performance

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter will discuss the summary of the findings, the conclusions and the recommendations of the study.

5.1 Summary of Findings

The study sought to investigate the Effect of Competitive Strategies on Organizational performance. The findings of the study were discussed and presented according to the hypothesis of the study. They are summarized as follows:

The regression analysis on cost leadership strategy as shown by the results in table 4.8 shows that cost leadership has an effect on organizational performance with a beta coefficient of 0.642, the effect is very significant at (p=0.000). These results imply that cost leadership plays a very significant role in determining organizational performance. This could be attributed to the fact that price of a commodity serves a very significant role in attracting customers to purchase or not purchase a product. These findings concur with studies done by Phillips (2003) who said that cost leadership creates excesses in returns by providing a basic commodity level product at the lowest cost of production generating larger margins in profits.

The regression analysis on differentiation strategy as shown by the results in table 4.8 shows that Differentiation Strategy has a significant effect on organizational performance with a beta coefficient of 0. 180, the effect is very significant at (p=0 .032). This therefore implies that when organizations differentiate themselves and their products there are able to perform better. This could be attributed to the fact customers are able to distinctly identify the organization's products and therefore creating customer loyalty. These findings are in agreement with studies done by Acquash and Yasai-Ardekani which states that differentiation helps firms to be able to achieve a competitive advantage over their rivals, increase their revenues, neutralize threats and exploit opportunities.

The regression analysis on focus strategy as shown by the results in table 4.8 shows that Focus Strategy has no significant influence on organizational performance with a beta coefficient of -0.148, the effect not significant at (p=0.109). These results imply that focus strategy has no direct effect on the performance of an organization. This could be attributed to the fact that focusing on particular segment of the market does not specifically imply that the organization will do well or it will increase its performance. This could also be attributed to the fact that organizations involved in the study did not maximize the use of focus strategy as a way of improving organizational performance but rather concentrated on other competitive strategies.

5.2 Conclusion

Cost leadership strategy plays a significant role in determining the performance of the organization as lower prices of products attract more customers hence more sales volumes that lead to better organizational performance. The study indicates that it is the most effective form of Competitive Strategies that sugar companies use to improve Organizational performance through controlling costs tightly, refrain from incurring too many expenses on innovation, marketing and cutting prices when selling their products.

Differentiation strategy is useful in making an organization's product standout against other products and services in the market. Organizations that apply this strategy are able to create a niche for themselves in the market and even create customer loyalty. According to Pearce and Robinson (2005) differentiation strategies are based on providing customers with something that is different or unique that makes the company's strategic positioning distinct from its rivals. Organizations should therefore apply differentiation for the benefit of their organization to spur performance in the organization.

Focus strategy was not widely used by the sugar companies involved in this study as the companies targeted the mass market that use the company's products instead of focusing on specific segments and customers as argued by Slater and Narver (2008) that market focus places the highest priority on creating and maintaining superior customer value therefore the need to understand target customers and the potential of competitors.

5.3 Recommendations of the Study

The research made the following research recommendations based on the factors that were computed as contributing more significantly to the regression models of Competitive Strategies on Organizational performance.The study found out that not all the competitive strategies had an effect on organisational performance in the sugar companies operating in Kenya. The companies were also pursuing more than one competitive strategy to some levels. The companies were using either cost leadership strategy or differentiation strategy to improve the organisational performance to some level while the focus strategy had minimal effects.

The study established that cost leadership strategy influenced organisational performance by applying efficient technology to its business processes making the work more effective and reducing on unnecessary manpower. This will lower the operational costs of the business translating to lower production costs hence pricing of organisation products at lower prices that will attract more customers, sales volume will soar leading to better performance of the organisation. While differentiation strategy ensured that the company's products are distinctly identified, customer loyalty created leading to retention of customers and attraction of new ones. Therefore organizations should produce products of different quantities for different markets. This would greatly increase their market base because they will be in a position to access wealthy customers who can buy in bulk and the ordinary customers who can only afford small portions at a time. Therefore the policy makers and the management in the Kenya Sugar industry are advised to fully implement the cost leadership strategy or differentiation strategy to improve the performance of the sugar companies and even simultaneously use both strategies as argued by De Wit and Meyer (2005).

5.4 Suggestions for further Studies

Based on the research findings, the researcher recommended the following areas for further research to make this research and related studies more comprehensive.

i) The effect of focus strategy on firm performance: A case of the sugar industry in Western Kenya

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APPENDICES

APPENDIX I: LETTER TO THE RESPONDENTS

I am a student at Moi University undertaking a Master’s Degree course in Business Administration. As part of the requirements of an award of the master’s degree, I am carrying out a research study on **EFFECT OF COMPETITIVE STRATEGIES ON ORGANIZATIONAL PERFORMANCE IN THE SUGAR INDUSTRY IN KENYA.**

I kindly request you to assist in answering the questionnaire provided just for academic purposes. This information will be confidential.

Regards,

WEKESA ROBERT MUNYASIA
MBA Student

APPENDIX II: QUESTIONNAIRE

Please give answers in the spaces provided and tick (√) in the box that matches your response to the questions where applicable.

SECTION A: DEMOGRAPHIC CHARACTERISTICS

1. What is your gender?

   Male ( ) Female ( )

2. What is your age?

   Under 30 Years ( ) 31-40 years ( )

   41 years and over ( )

3. What is your highest level of education qualification? (Tick as applicable)

   a) Tertiary College ( )

   b) University ( )

   c) Post graduate ( )

4. Length of continuous service with the sugar company?

   a) 0-3 years ( )

   b) 4-7 years ( )

   c) 8 years and over ( )

SECTION B:

COST LEADERSHIP STRATEGY

5. To what extent does your company use the cost leadership strategy to improve its performance? Use 1- Strongly disagree, 2-disagree, 3-undecided, 4- agree, 5- strongly agree

Statement	5	4	3	2	1
The company prices its products lower than its rivals					
The company buys in bulk to reduce cost					
Company is very strict on wastage of materials					
The company employs new technology to reduce costs					
The company outsources some functions which are not core to reduce costs					
The company has cut costs on overheads such as human resource to reduce costs					

SECTION C:

DIFFERENTIATION STRATEGY

6. To what extent does the company differentiation strategy affect the company's performance? Use 1- Strongly disagree, 2-disagree, 3-undecided, 4- agree, 5- strongly agree

Statement	5	4	3	2	1
The company packages same product in different ways to target different markets					
The company produces products of different quantities for different segments					
The company produces different product for different markets					
The company uses different technologies to vary product quality for different markets					
The company uses different product attributes to market its products					
The company employs company branding to differentiate itself and products from to customer					

SECTION D:

FOCUS STRATEGY

7. To what extent does the company focus strategy affect the organizational performance? Use 1- Strongly disagree, 2-disagree, 3-undecided, 4- agree, 5- strongly agree

Statement	5	4	3	2	1
The company has specific niche markets to sell its products to					
The company focuses on mass marketing for its different products					
The company offers individual attention to customer needs					
The company produces one product for all markets					
The company produces at least one product for each market segment					
The company relies on its distribution channels to target specific markets					

SECTION E:

ORGANISATIONAL PERFORMANCE INDICATORS

8. Below are some of the Organizational performance indicators that are affected by the competitive strategies move by the company. Please indicate the extent to which you agree with the measures of organizational performance that have been most affected by the firm’s competitive strategies.

Use 1- Strongly disagree, 2-disagree, 3-undecided, 4- agree, 5- strongly agree.

Organizational Performance Indicator	5	4	3	2	1
Profitability					
Sales returns					
Market share					