

**COMPETITIVE STRATEGIES AND PERFORMANCE OF REGISTERED SMALL
AND MEDIUM FOOD AND BEVERAGE MANUFACTURING FIRMS IN NAIROBI
COUNTY, KENYA**

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**A Research Project Submitted to the Department of Entrepreneurship and Economics in
the School of Business and Economics in Partial Fulfillment of the Requirements for the
Award of the Degree of Master of Business Administration (Strategic Management)
of the Cooperative University of Kenya**

NOVEMBER, 2023

DECLARATION

I confirm that this research project is my inventive effort and has never been presented or used anywhere for academic award or for any other award.



19/10/2023

.....

.....

Signature

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I/We confirm that the work reported in this project was carried out by the candidate under my/our supervision and has been submitted with my/our approval as the university supervisor(s).

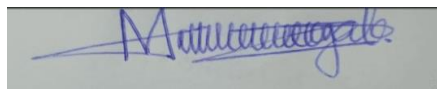


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DEDICATION

First, I would like to thank the almighty God for the gift of life and good health and wisdom as I accomplish this project. I dedicate this project to my parents for the support they have accorded to me to attain this milestone. I really salute you for your patience, love and provision. May the almighty Lord bless you and keep you.

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LIST OF ABBREVIATIONS AND ACRONYMS

ANOVA	Analysis of Variance
GDP	Gross Domestic Product
G.o.K	Government of Kenya
KAM	Kenya Association of Manufacturers
KNBS	Kenya National Bureau of Statistics
SMEs	Small and Medium Enterprises
SMFs	Small and Medium Manufacturing Firms
SPSS	Statistical Packages of Social Sciences
USA	United States of America
VIF	Variance Inflation Factor
WB	World Bank

DEFINATION OF KEY TERMS

- Strategy:** an organization's comprehensive approach to realizing its stated objectives and goals (Griffin, 2018).
- Competitive strategies:** long term strategies that an organization uses to achieve an above average position to generate superior returns (Heil & Helsen, 2019)
- Cost leadership:** an integrated set of actions used to create goods or services with attributes that are desirable to customers at the lowest cost possible (Ireland et al.,2011)
- Differentiation strategy:** ability of an individual business to coming up with fresh ways to differentiate their products (Ruto, 2018),
- Focus strategy:** entails identifying a small segment of the market which it intends to dominate (Porter, 2015).
- Product innovation:** a process whereby ideas and knowledge that are new are transformed into new products and services (Wanyoike, 2016).

ABSTRACT

Small and medium food and beverage manufacturing firms play an integral part in revenue generation in Kenya's economy and as avenue for employment opportunities for unemployed Kenyan youths. With globalization and current economic trends in the market, many of the food and beverage manufacturing firms face fierce competition that hinders their growth potential. This presents a need for these firms to adopt competitive strategies to help them cut a niche in the industry. Therefore, this research aimed at determining the influence of competitive strategies on performance of small and medium food and beverage manufacturing firms in Nairobi County. This research was supported by the following objectives: to investigate the impact of cost leadership strategy on the performance of small and medium food and beverage manufacturing firms in Nairobi County; to determine the effect of differentiation strategy on the performance of small and medium food and beverage manufacturing firms in Nairobi County; to examine the effect of focus strategy on the performance of small and medium food and beverage manufacturing firms in Nairobi County and to establish the effect of innovative strategy on the performance of small and medium food and beverage manufacturing firms in Nairobi County. This study was grounded on Competitive Advantage theory and Competency-based theory of the firm. The research used descriptive design and targeted 18 registered small and medium food and beverage manufacturing firms in Nairobi County. Simple random sampling was used to select the sample in conjunction with purposive sampling technique to ensure only respondents with desired information were selected in the study. Structured questionnaire was used to collect primary data. Data collected was analyzed using statistical packages for social sciences (SPSS) version 28 and presented in tables, charts and graphs. Multiple linear regressions model was used to establish the relationship between the independent variables and the dependent variable of the study. Findings showed that cost leadership, differentiation strategy, focus strategy and innovative strategy, positively and significantly influence performance of small and medium size food and beverage manufacturing firms in Nairobi County with beta coefficient values ranging from 0.524, 0.535, 0.431 and 0.423 respectively. As a result, the researcher determined that all four competitive strategies examined in the study had a substantial impact on the performance of small and medium food and beverage manufacturing enterprises' in Nairobi County. Furthermore, the researcher recommended that small and medium food and beverage manufacturing enterprises' management should adopt competitive strategies in order to meet their performance targets. The study also suggests that further research be conducted to examine policy implications on the adoption of competitive strategies in Kenyan small and medium food and beverage manufacturing enterprises', as the current study was mainly oriented towards the adoption of competitive strategies and the subsequent influence on their performance.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter covered the background of the study, the problem statement, the general and specific objectives, the significance, and the study scope.

1.1 Background of the Study

Over time, firms have adopted competitive strategies that have helped them manage the increasing complexity of their internal and external environments. Barney (2010) states that a business has a competitive edge if it implements a strategy that creates value that is not being used concurrently by any present or potential competitors. Competitive strategy is the pursuit of a favorable competitive position in the principal industry setting for competition (Porter, 2019). The objective of competitive strategy is to establish a lucrative and long-lasting stance against the factors that impact industrial rivalry. This requires identifying sources of competition in a continually evolving environment and then devising strategies to match the abilities of organizations with those changes (Arasa & Githinji, 2014). All of a company's actions and strategies to draw customers in, fend off competition, and maintain a competitive edge are considered its competitive strategy.

Competitive strategy encompasses the various tactics and approaches a business has employed or is presently using to attract clients, repel rivals, and fortify its market position (Thompson & Strickland, 2003). Porter (2019) described the three methods for developing a competitive strategy. These include working to be the largely affordable cost provider, which is referred to as a low-cost leadership strategy, putting effort to provide unique and innovative product which stands out in the market, which is referred to as a differentiation strategy, and paying attention to a specific group in the market, which is referred to as a focus or niche strategy (Arasa & Githinji, 2014).

In today's dynamic business and economic environment, organizations strive for market share, resources, and customers by delivering goods and services that satisfy their clients' needs. Due to technical developments brought about by global competition, customers are seeking higher-quality products and services at lower prices (Dirisu et al., 2019). More precisely, the product life cycle

has reduced due to the increased speed of global competition. In an attempt to gain a competitive edge over other companies, this has caused them to concentrate on developing their organizational capacities. These days, an organization may have several objectives, but the two most crucial ones are to establish a competitive advantage and raise performance relative to competitors (Raduan et al.,2014).

Due to the existence of a number of obstacles impeding the manufacturing sector's development, the full potential of the sector in developing nations has yet to be realized. According to Mwangi et al. (2013), small and medium food and beverage manufacturing firms (SMFs) in developing nations generally struggle with challenges related to capital resources, human resource capabilities, technological skills, and business regulations. A significant problem is helping SMFs grow in underdeveloped nations. Moreover, their expansion is primarily constrained by a lack of funding, a lack of human resource capacity, and a lack of technology capacity as noted by (Visser, 2013). Their success, which is attributed to overcoming tough competition from large and well-established firms among other challenges, is a product of embracing numerous strategies, effective and sound leadership, and prudent utilization of resources to gain an edge over their competitors (Mutisya, 2013). According to (Bowen et al., 2009), so as to cope with stiff competition in Kenya, Small and medium-sized firms are forced to spread their operations to other regions within the country and East Africa. This rapid expansion is meant to increase their product visibility and awareness, hence increased market share. These smart and risky undertakings provide small and medium-sized enterprises with a competitive advantage against their competitor hence growth and profitability in this market (Mwangi et al., 2013; KNBS, 2012).

1.1.1 The Concept of Competitive Strategies

An organization's overall plan for achieving its stated goals and objectives is known as its strategy (Griffin, 2018). Likewise, competitive strategies are long term strategies that an organization uses to achieve an above average position to generate superior returns (Heil & Helsen, 2019). The main determinants of a firm's performance and competitive advantage, according to Ombaka et al. (2018), are its resources. Strategic assets encompass any financial, physical, human, intellectual, and additional resources that a business employs to produce and advertise goods and services to clients in a way that is competitive.

The concept of competitive strategies was coined by Michael Porter in 1980s. Porter (1980) identified efficiency (cost) and product/service quality as some of the central concerns of many firms, and which are addressed in the competitive strategies. Early in the 1980s, generic strategies were first applied, and they seem to be much more common now. They describe the four strategic options available to businesses seeking a long-term competitive advantage. According to Porter (1980), no one competitive strategy is guaranteed to be effective, and even businesses that have successfully implemented one of Porter's competitive strategies have discovered that they are unable to maintain the strategy.

1.1.2 Global Perspective of Adoption of Competitive Strategies

Small Korean enterprises were the subject of research by Hou-Sung (2014) that focused on their strategic behavior. The study discovered that the three most effective competitive strategies stressed by small Korean enterprises were innovative, efficient, and versatile methods. Dollinger and Golden (2016) performed research on small manufacturing enterprises in the United States of America (USA) to discover the influence of four distinct competitive strategies (confederate, agglomerate, conjugate, and organic) that are common among small manufacturing firms in the United States of America. The study's conclusions showed that small manufacturing enterprises in the USA most typically used organic and agglomerate collective strategies. In both research, the directors of small enterprises should think about their organizations' capabilities as well as the industrial context when deciding the kind of strategy to pursue.

Yuliansyah et al. (2017) state that developing performance assessment systems that complement business strategy is necessary to enhance performance. More precisely, it has been found that the most effective way for Indonesian financial institutions to obtain a competitive edge and perform better is by employing a differentiation approach as opposed to a low-cost strategy. In a similar vein, Seifzadeh and Rowe's (2013) study found that in terms of financial performance, business units of Iranian businesses that use product differentiation strategies do better than those that use operational excellence methods.

In Saudi Arabia, Saoula (2019), researched on the business strategy and performance of small and medium manufacturing enterprises. They discovered that the financial success of SMFs was highly influenced by six different business strategy types i.e. innovative, niche, turnaround, low cost, growth and differentiation strategies. Their empirical data shows that a range of business strategies

were employed by companies operating in different business contexts, and that these strategies were linked to the organization's overall performance. Provided more empirical evidence demonstrating the relationship between business strategy and organizational success, as well as the idea that different businesses operating in a range of business environments selected different kinds of business strategies.

According to Ahmed (2019), there are seven distinct business strategies that manufacturing SMEs in Malaysia have adopted: low cost, differentiation, harvest, niche, growth, vertical integration, and concentration. This study's empirical data supports the idea that SMEs in a variety of manufacturing industries must use a variety of business strategies. It's interesting to note that this study's findings demonstrated the relevance and applicability of Porter's (1980) three generic strategies for major firms, as well as their value to SMEs in Malaysia's manufacturing industry.

Beal (2018) examined the business strategies of small manufacturing companies in Italy. According to the study, small manufacturing entities employed five main types of competitive strategies. In addition, these companies used strategies for cost leadership, marketing differentiation, innovation differentiation, quality differentiation, and service differentiation.

1.1.3 Regional Perspective of Adoption of Competitive Strategies

The development of small and medium manufacturing firms (SMFs) in Africa has been slowed by various factors as noted by different researchers. For instance, Arasa and Githinji (2014) found most SMEs in Africa encounter difficulties with regards to financial resources, human capital, technology capabilities, and business regulations and limits. The growth of SME is a major obstacle for developing nations. They are primarily constrained by a lack of funding, human resource capacity, and technology capacity (Visser, 2013).

Adegbite (2018) investigated how competitive strategies affected the corporate performance of Nigeria's small and medium-sized businesses. This study found that small and medium-sized businesses' ability to control costs is greatly influenced by their use of cost leadership strategies, which suggests that when businesses use effective cost leadership strategies, their operating costs are typically reduced.

Yanney (2014) assessed how corporate strategy and leadership style affected the performance of small and medium-sized enterprises (SMEs) in Ghana's manufacturing sector. The study's data

demonstrated that organizational success is more influenced by business strategy than by leadership. Similarly, while transactional leadership style, differentiation, and focus strategies did not have an impact on organizational behavior, cost leadership and transformational leadership did. As a consequence of the study, it was advised that SMEs combine cost leadership and a transformational leadership style to spur growth and improve organizational performance of manufacturing entities.

1.1.4 Kenyan Perspective of Adoption of Competitive Strategies

Studies conducted in Kenya also pointed that SMFs in Kenya face myriad of challenges that affect their overall performance. For instance, a study by Njoroge, Arasa and Nganu (2017) affirmed that a firm's capacity to maintain a sustainable competitive edge is a result of its strategic leadership, technology adoption, resource availability, and organizational culture. According to the study, in order for SMEs to stay competitive and meet the necessary standards, should adopt strategic leadership practices, benchmark against industry best practices to maintain constant communication with their customers, embrace the adoption of appropriate technology to achieve higher levels of efficiency and effectiveness, ensure optimal resource utilization, and cultivate a good balance between organizational processes and culture.

In a research on how competitive strategies affect SMEs' organizational performance in Nairobi County, Kenya, Isaboke (2018) found that using Michael Porter's generic strategies gave SMEs a competitive edge and enhanced their performance. The study observed that the selection of strategy affected the improvement in organizational performance. SMEs who used a focus strategy outperformed those that used low-cost and differentiation strategies. Moreover, Muthoni and Severina (2018) found a contrasting results from SMEs that used innovation and focus/niche strategies to those utilizing other competitive strategies (differentiation and low cost) to have had no considerable improvement in their competitiveness.

Muriuki and Kiiru (2019) also noted that firms that embody strategic innovations were likely to have a significant and extraordinary impact on their performance. The excellent overall achievement would allow the firms to have a more competitive advantage in a competitive industry by edging out competitive firms. A firm's strategic innovation would show its determination to introduce new technologies and products to enhance its performance. According to Kiptoo and Koech (2019) organization's achievement of competitive advantage demands the firms across

diverse sectors should revamp critical aspects of their strategies to align with the success of their related activities.

Okello (2022) addressed the effect of strategic innovation on creating competitive advantage in manufacturing firms in Kenya. The study showed that while 98.9% of the manufacturing businesses studied embraced business model innovation (BMI), 100% of them adopted organizational and product innovation. The results showed that organizational, business model, and product innovation all had an impact on manufacturing businesses' ability to compete, and they suggested that in order to do so, manufacturing firms should embrace strategic innovation.

1.1.5 Small and Medium Manufacturing Sector in Kenya

In Kenya, small and medium-sized manufacturing firms (SMFs) play an important role by creating employment to vast section of Kenya's population and generate revenue, which demonstrates their importance in advancing economic development, innovation, and creativity across the globe (Mkala, Wanjau & Kyalo, 2018). Since the demand for industrial goods has a higher income elasticity than the demand for non-industrial goods, the manufacturing sector has been recognized as the main driver of economic growth. SMFs are autonomous, non-subsidary firms/businesses with fewer employees than a specific threshold. The number of employees varies from one nation to another. The maximum is often 250 in most businesses (Ahmad, 2019). SMFs are key to a nation's economic development, therefore guaranteeing their success is crucial for generating income and jobs as well as for maintaining stability.

Kenyan government has acknowledged the role and potential of the manufacturing sector as a key driver of economic, industrial change and job creation over time. Whereas Kenya is on the path of becoming an industrial hub of Africa, the economic road map contained in Kenya Vision 2030 expects the manufacturing mobilize all their resources so to be able to contribute at least 15% of the GDP (Government of Kenya, 2007). According to (Gov. of Kenya, 2013), latest reports and indicators shows that currently contribution of manufacturing sector on the GDP has stagnated at 10% while that of Micro and small businesses, which comprise up to 95% of all firms, contribute less than 15% to GDP, whereas medium and large businesses, which make up 5% of all firms contributes the lion share of more than 60% of the sector's GDP.

In terms of wage employment and payment by industry, the sector is rated third and fourth, respectively (KNBS, 2014). By increasing the sector's productivity and creativity, the government

hopes to accomplish its objective of helping manufacturing SMEs grow into the leading industries of the future. The SMFs have been regularly lauded for their contributions to economic expansion and sustainable development. Kenya's economy is dominated by SMEs and SMFs. According to the Economic Survey (2016), SMEs created more than half of all new jobs in 2015. However, SMEs continue to encounter a variety of internal and external business environment issues. Nevertheless, they have triumphed over numerous obstacles, including fierce competition from larger companies (Mutisya, 2016), by using a variety of methods and making good use of their resources.

Small and medium manufacturers are expanding into other areas to enhance their market shares despite growing competition in Kenya's business sector (Bowen, Morara, & Mureithi, 2019). Some SMEs in the manufacturing industry have thrived in the fiercely competitive business environment. Others have fallen short, though (Arasa & Githinji, 2014; KNBS, 2014). Consequently, this study looks at how competitive strategies affect the performance of small and medium-sized manufacturing companies in Nairobi County, Kenya. According to a 2018 poll conducted by the Kenya National Bureau of Standards (KNBS), 400,000 SMEs fail to commemorate their birthdays, and a small percentage of them survive to reach their fifth birthday, an indicator of a challenging operational environment. During the 3rd summit and Expo of Kenya Association of Manufacturers, (KAM) it became apparent that SMEs face huge untapped potential to turnaround the Kenyan economy. KAM identified inadequate financial capacity, technological advancements, limited market access, inadequate knowledge and skills gap, unfavorable regulatory policies as some hindering factors.

Onyango (2017) also noted that the main challenges faced by SMFs range from poor product perceptions, low quality products, close product similarities and different product valuations/pricing. Consequently, according to vision 2030 Kenyan manufacturing sector must address some teething challenges which include reduced expected returns on investment and a lack of long-term financing, an unfavorable business climate and lax legal enforcement and limited access to capital (Government of Kenya, 2017). The World Bank (WB, 2013) mentions that 59% of firms report that they compete with unregistered/informal firms. The informal competition practices have been rated as the biggest barrier by formal manufacturing firms which account for the GDP contribution decline from the manufacturing sector.

1.2 Statement of the Problem

Few businesses can be guaranteed to survive in the current dynamic operational environment and to guarantee their returns to make them competitive in the constantly evolving business landscape. This is the primary cause of the fierce competition that exists among manufacturing firms in the industry (Gecheo, 2020). Performance of small and medium manufacturing firms is seen to have changed in the twenty-first century as a result of factors like globalization, technological advancements, and changes in customer preferences and tastes (Ahmad & Schroeder (2011). Small and medium-sized businesses (SMEs) in the food and beverage manufacturing industry are the source of human resource competences, creativity, and innovation, which are crucial components for manufacturing competitiveness. According to Koontz and Thomas (2012), any SMEs success depends on their performance levels and capacity to sustain those levels. They further claim that the performance of SMFs is crucial because it influences their survival, collapse, prosperity, expansion and how quickly investments are made.

Though studies have been done concerning competitive strategies, for instance, Muia (2017) examined the impact of competitive strategies on the performance of insurance companies in Kenya. Baraza and Arasa (2017) also studied the effect of different strategies adopted by manufacturing firms to gain their competitive position in the industry. The study mainly focused on the financial implications on adoption of the competitive strategies. Consequently, Fatuma (2018) looked the competitive strategies and the performance of SMEs in Mandera county. The study focused on strategic alliances, partnerships and joint ventures. Additionally, Githendu (2022) examined effect of competitive strategies on performance of manufacturing firms in Nairobi. The study looked at the effect of production strategy, pricing strategy, quality strategy and distribution strategy and their effect on performance. The above studies have been inclined to specific context which is different from the current study's interest hence presenting both a contextual and conceptual gap.

Given the aforementioned circumstances as well as others, further study was necessary to fully comprehend the link between cost leadership, focus, differentiation, and product innovation strategies and their influence on the performance of SMEs in the food and beverage manufacturing sector. This research was done to get a better understanding of how competing tactics impact the performance of Nairobi County's small and medium-sized food and beverage manufacturing firms.

1.3 Objectives of the study

The following objectives served as a guide for this study:

1.3.1 General objective

This study aimed at investigating influence of competitive strategies on the performance of small and medium size food and beverage manufacturing firms in Nairobi County.

1.3.2 Specific objectives

- i. To examine the influence of cost of leadership strategy on the performance of small and medium food and beverage manufacturing firms in Nairobi County.
- ii. To investigate the impact of differentiation strategy on the performance of small and medium food and beverage manufacturing firms in Nairobi County.
- iii. To examine the influence of focus strategy on the performance of small and medium food and beverage manufacturing firms in Nairobi County.
- iv. To establish the impact of innovative strategy on the performance of small and medium food and beverage manufacturing firms in Nairobi County.

1.4 Research questions

- i. What is the influence of cost leadership strategy on performance of small and medium food and beverage manufacturing firms in Nairobi County?
- ii. What is the impact of differentiation strategy on the performance of small and medium food and beverage manufacturing firms in Nairobi County?
- iii. What is the influence of focus strategy on performance of small and medium food and beverage manufacturing firms in Nairobi County?
- iv. What is the impact of innovative strategy on performance of small and medium food and beverage manufacturing firms in Nairobi County?

1.5 Significance of the study

1.5.1 Business owners and other key stakeholders

This study will be helpful in generating more information on the competitive strategies that help businesses to maintain a competitive edge from their market rivals while at the same time attract considerable market shares of available customers. Similarly, the findings from this study will be

helpful as it will enable SMFs formulate and implement competitive strategies in line with the recommendations therein.

1.5.2 Policy makers and Government agencies

Many small and medium-sized manufacturing firms (SMFs) have had to create competitive strategies in order to continue in business as the number of SMFs in the market has expanded. This may be attributed to both the implementation of fiscal policy and the current state of the economy. Researching competing strategies and how they affect performance will lay the groundwork for developing policies that will ignite an economic revolution in the industry.

1.5.3 Academic scholars and Researchers

This study is also instrumental in developing frameworks upon which other upcoming researchers will get vast literature reference to support their studies and basis for their inferential recommendations. The study will provide more knowledge insight for future scholars in the field of strategic management and other related disciplines.

1.6 Scope of the study

The purpose of this study was to look at how competitive strategies affected the performance of Nairobi County's small and medium-sized food and beverage manufacturing firms. Firms in Nairobi county were preferred because of their business diversity and nature of competitiveness. Nairobi county also presented a good geographical scope for the researcher to study different types of small manufacturing entities compared to other regions. The study especially examined how the performance of SMFs in Nairobi County were affected by cost leadership, differentiation strategy, focus strategy, and innovation strategy. The area covered by the study was small and medium manufacturing firms in Nairobi county only. The study targeted employees of selected registered SMFs in Nairobi county as the population. The study covered a period of eight months.

1.7 Limitations of the study

The study encountered a number of challenges during the project process. For instance, some respondents were reluctant in giving information due to sensitivity and thought that the study aimed at exposing their strategies to their competitors. The study overcame this by showing them a letter of authorization from the university together with the research permit, that gave him authority to carry the study.

Additionally, the researcher had difficulty getting information from the respondents because the information needed related to feelings, emotions, attitudes, and impressions that were difficult to precisely quantify and/or objectively verify. Since the research instruments did not bear the names of the respondents, the researcher invited them to engage without withholding any information they may have.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The literature review, theoretical reviews, empirical reviews, and the study's conceptual framework were all covered in detail in this chapter. In addition, it addressed research gaps, criticism of the body of current literature, and an overview of the literature review.

2.2 Theoretical Review

The models and theories that underpin the research were covered in the theoretical framework, which also examined the response and predictor variables included in this study.

2.2.1 Michael Porter Competitive Advantage Theory

The competitive advantage idea was proposed by Michael Porter in 1985. This theory states that the intricate relationship between suppliers, customers, substitute products, and the possibility of new rivals entering the market determines the degree of rivalry within an industry. Firms must establish a competitive advantage in order to thrive in a highly competitive marketplace. According to Porter (1985), businesses competing in a particular industry are required to carry out a variety of tasks that both incur costs and add value for customers. Utilizing a competitive strategy, a business seeks to position itself against the forces reshaping its industry in a way that is both sustainable and profitable.

According to Porter (1985), an organization achieves better performance by concentrating on one of three key business strategies: differentiation, cost leadership, and focus. However, many researchers hold a contrasting opinion that a firm may have the best chance of achieving a competitive advantage by combining these strategies (Karnani, 1984; Miller and Friesen, 1986; Hill, 1988). A company's strategy needs to be in line with its purpose and goals in order to get a competitive advantage (Parker and Helms, 1992; Kippenberger, 1996; Surowiecki, 1999; Ross, 1999). One of Porter's main business strategies is differentiation (Reilly, 2002). A business that employs this strategy concentrates all of its resources on offering a distinctive good or service (Porter, 1995; Hlavacka et al., 2001). This strategy encourages high levels of consumer loyalty since the product or service is unique (Porter, 2019; Ross, 1999; Hlavacka et al., 2001). Tailoring

the product or service to the customer's demands is one way to differentiate it from the competition. As a result, businesses can charge more to gain market share.

Using the focus strategy, a business may decide to concentrate on a certain industrial segment or set of segments. When a company lacks a broad competitive advantage, it adjusts its approach to better meet the needs of its target markets and get an edge over them. The distinctions between the segment being supplied and the other segments in the industry, as well as any variations in cost behavior or specific demands of a segment, are what motivate the cost emphasis and differentiation focus. It entails concentrating efforts solely on a certain niche market that rivals with a more general focus are unable to serve. Nonetheless, companies may sometimes choose to establish several business units under a same corporate structure (Porter, 2019). It means focusing the activities just on a specific niche market that competitors with a broader focus are failing to satisfy.

Porter's theory of generic competitive strategies provides relevant guidance for this research on the impact of competitive strategies on organizational performance. Organizations must establish a competitive position to thrive in a highly competitive operational environment, which is grounded on the theoretical foundation of Porter's generic theory. An organization's goal while implementing a competitive strategy is to place itself in opposition to the forces reshaping its industry in a sustainable and profitable position. Porter's idea of generic competitive strategies is pertinent to this study, since it provides guidance regarding competitive strategies used by organizations to survive.

2.2.2 Competency Based Theory of the Firm

According to Prescott (2011), this theory contends that a firm's ability to increase profits is a crucial component of organizational success since it may outperform its competitors in the industry. One theory that tries to explain how strategies are affected by business performance is competency-based theory. As a result, it may be used to analyze a company's competitiveness and sales, which coincide with customer happiness and improve their overall performance in the market (Lovelock, 2011).

According to this theory, an organization's ability to succeed in a competitive market depends on its leadership and effective behavior (Prescott, 2011). Management must employ competent plans and have a thorough understanding of the customers' future wants if the company is to remain competitive in the sector. Developing a plan of action, setting up the needs of the company, and

setting up the market interface are just a few of the first steps the company may do to improve its dynamic ability to be more competitive. The competence-based view's distinctive outside-in approach is clearly shown by this. Competence-based theory enables a business to obtain specific resources in an open system with the environment to boost production.

The competitive advantage of the company is constantly impacted by the introduction of new technology, products, and competitors. This has led to the development of new competitive strategies that are flexible and adaptable to technology improvements (Whetton, 2011). Therefore, this theory lays the groundwork for the firm's competitive character, which relates to the requirement for the firm to evaluate its competitive tactics in order to maintain its competitiveness in the market.

This theory is relevant to this study since it lays the foundation upon which an organization can achieve competitive advantage through product differentiation. The theory is connected to the differentiation strategy and further showed how business firms can enhance their competitiveness to remain a float in a given sector.

2.2.3 Ansoff Matrix Model Theory

Ansoff Matrix model is a tool for strategic planning that gives marketers, senior managers, and executives a framework for developing strategies for expansion. Igor Ansoff, a Russian-American researcher, is credited with creating the concept in 1957. The Ansoff Growth matrix is a useful tool for strategic planning that helps identify a company's product and market growth strategy. This theory assists in illuminating the origins of the idea of product development strategy in any firm.

Because each of these development decisions depends on both internal and external factors, the Ansoff matrix (1957) provides a framework for determining growth potential as a tool to help firms develop their goals. The matrix provides a methodical technique to evaluate prospective growth plans. Ansoff's Matrix postulates that the first variable is the variable of market penetration. Increased sales of the current products to the current market are the main objective of the variable. According to Gurcaylilar-Yenidogan and Aksoy (2018), applying this specific feature of the framework requires carrying out their main strategies. In order to draw in new clients, the first strategy involves lowering the pricing of goods and services. Increased marketing and distribution

spending is the second strategy. The third strategy involves starting a rival business in the same industry.

Product development variables make up the second factor and comprises the creation of new products to better satisfy the demands of the present market by investing in research and development to develop new items to do so (Manotas & Gonzalez-Perez, 2020). A different strategy entails acquiring rival companies' goods and services and comparing them to the company's offerings. The component also includes creating strategic alliances with other businesses operating in the same market.

Market development, the third matrix aspect, comprises entering a new market with the current items by expanding operations to other regions. Catering to various consumer categories, entering a new domestic market, and entering a foreign market are the strategies for this strategy. The fourth tactic, diversification, refers to the introduction of new items into a foreign market (Suciati et al., 2020). The application of the diversification strategy takes into account both connected and unrelated diversification processes. The existence of synergies for investigation in the new market is a requirement for related diversification. This is a result of the company's growth into markets that are unrelated to its core competencies, experience, and targeted demographic. Even if research indicates that consumers differ in how soon they decide to adopt (purchase) a product after it is brought into the market, the Ansoff growth approach still aids businesses in developing new goods and expanding into untapped areas.

This theoretical model supports this study as it tries to demystify the link between product innovation strategy to meet customer demands in the market and further supports the need for market penetration through differentiation strategy. Strategic planning is critical in realizing the objectives of the firm through improved processes.

2.3 Empirical Review

2.3.1 Cost Leadership Strategy and Performance

Ireland et al. (2011) define a cost leadership strategy as an integrated set of actions used to provide goods or services with attributes that customers find attractive at the lowest achievable cost. Furthermore, cost leadership is defined by Dutse and Aliyu (2018) as the situation in which a company presents itself as the lowest-cost producer or provider of a specific item or service in a

market. Failure to pursue this path is unavoidable; cost leadership does not indicate that a business produces items of poorer quality at relatively cheap costs (Liu, 2019). Utilizing this tactic, a corporation must acquire cost leadership advantage by providing items of a reasonable quality for a certain customer base at a cheaper cost than other companies making similar products.

According to Cravo and Piza (2019) pricing is key factor in cost leadership, that is used in enticing customers and boosting sales and influence a company's ability to continually generate revenue in order to increase profitability and liquidity over time. Given that the sole element of the marketing mix that has a direct bearing on a company's capacity to make money is price, You (2022) highlight that pricing is utilized as an indicator of profitability. Moreover, Alamri (2019) also discovered a favorable correlation between pricing and financial performance, citing that clients are more inclined to buy products and services from a company when the price is appealing and favorable.

According to Haruyama and Hashimoto (2020), an efficient pricing strategy should display a consistent pricing structure that makes it easier to fulfill company goals by guaranteeing the worth of a good or service in comparison to competitors. The researchers also point out that a successful pricing strategy should target the market for all pricing-related activities by directing both an organization's core behavior and its outlying communiqué.

Chisulo (2019) examined how cost-cutting measures impact productivity and performance using descriptive research techniques. Cost reduction strategies and the performance of the tea sector were found to be highly correlated. The study's findings demonstrate that the cost reduction strategy has an outstanding impact on the tea sector. The findings of the regression analysis proves that the tea industry's financial triumph and cost reduction methodology are strongly and certainly interconnected.

Ndugu (2020) looked on how cost strategy was impacted by business performance. Major Kenyan manufacturers were the main subject of the investigation. A structured questionnaire was used to collect the data. The data were shown using the standard deviation, mean scores, and percentages. Analysis of regression was used to evaluate the hypothesis. According to the study, cost strategy significantly affected how well Kenyan manufacturing companies performed.

According to Onyango (2017), BOC Kenya had heavily embraced competitive methods for market competition. The study's findings demonstrated that the firm's capacity to succeed in the market

was significantly impacted by cost leadership. The study also demonstrated that a company's capacity to prevail in the marketplace was largely determined by the strategies it used to outperform its competitors, such as the cost leadership approach. Furthermore, it was discovered that although cost leadership had an impact on an organization's competitiveness, a stronger competitive edge was obtained by combining cost leadership, differentiation, and focus strategies.

2.3.2 Differentiation Strategy and Performance

Product differentiation place more emphasis on creating value through originality than on finding the cheapest option. When a business differentiates its products or services through differentiation strategy, it establishes an unprecedented position in the market (Murphy, 2011). According to Barney and Hesterley (2006) and Ruto (2018), the ability of individual businesses to be innovative in coming up with fresh ways to differentiate their products determines the rarity of a differentiation strategy. Creative enterprises will already be working on fresh moves as competitors attempt to copy these firms' most recent differentiating strategy, staying one step ahead of the competition. According to Murphy (2011), differentiation happens when a company tries to make the good or service more desirable to the client than the rivals, possibly commanding a higher price. According to Malburg (2013), differentiation strategies are typically acknowledged as important components that support the effectiveness of strategies adopted by various organizations that can result in greater rates of performance in the current competitive market conditions.

Kubai, Karanja and Kihara (2021) on their study of influence of differentiation strategy on performance of insurances companies in Kenya, concentrated on a variety of aspects of insurance businesses' performance, including strategy breadth, product perception, value-based services, and market experience, with the ultimate goal of providing practical answers to the ongoing issues of differentiation in the industry and beyond. According to the research, more than 85% of insurance companies used differentiation strategies to various degrees, which allowed them to create goods and services that provided superior value and a positive customer experience, making them competitive in the market. Similarly, Rue and Byars (2018); TellisYin and Niraj (2019) agreed that a company's product quality is one of the most crucial factors influencing its capacity to survive and prosper in the cutthroat business world of today. To guarantee that their products are of the best quality, businesses extensively spend in quality efforts (Adam & Foster, 2019).

Omondi (2018) undertook a study to establish the adoption of differentiation strategy by pharmaceutical companies operating in Kenya and how these strategies influence their performance. Differentiation strategy was divided into sub strategies such as service differentiation, product value addition, distribution networks, promotional and marketing strategies. The study adopted descriptive survey design and targeted a total of 32 manufacturing firms and distributors in Nairobi. Findings revealed that service strategies were the most applied strategy by these firms and positively contributed to their revenue performance. This was attributed to their qualified employees who did direct marketing and sales to their targeted customers. The regression study's findings showed a favorable relationship between the success of pharmaceutical businesses and their strategy for differentiation.

Nolega, Oloko, Sakataka, and Oteki (2015) looked into how Accra-based seed firms' commercial success was affected by their strategy for product differentiation. Customers were chosen using simple random sampling, whereas seed company agents were chosen through purposeful selection. Descriptive analysis was then used to analyze the data that had been obtained. According to the results, developing disease-resistant products was necessary for improved performance among the enterprises. By focusing on customers, the study lost its main point since consumers are unable to discern the dynamics of competition strategies. Moreover, Youngdahl and Kellogg (2018) looked into the relationship between effort, satisfaction, quality assurance, and customer service from the standpoint of quality costs. They found that designing and implementing customer-centric service programs is made possible by the way high-quality customer service costs are classified and by how these relationships relate to both effort and satisfaction (Hendricks & Singhal, 2017). As a result, the total cost of quality will decline as quality rises.

Garvey (2017) investigated the impact of differentiation as a competitive strategy on Unilever's success in Lagos, Nigeria. The study operationalized product differentiation in terms of rapid sales growth, inventive product features, innovative product design, and distinctive product characteristics. On the other hand, customer happiness and sales growth were operationalized as measures of business performance. Regression analysis was used on linear models to examine the primary data gathered from 20 departmental managers using a closed-ended questionnaire. The results showed a substantial and statistically significant relationship between the performance of the business, distinctive characteristics, and product design. The study did not directly target the

group responsible for marketing strategy in the organization. Sampling departmental heads, especially those who don't work in marketing, is likely to skew the study's results.

Tharamba, Rotich, and Anyango (2018) specifically looked at the performance of Safaricom Limited while examining the impact of strategic location on Kenyan telecommunications companies. The data were analyzed using basic linear models and a 5-point Likert scale on a sample of 11 marketing managers that were purposefully chosen. The study found that the main reason why companies differentiated their goods and services to increase sales performance was the escalating competition. The 11 supermarkets' branch managers, technical officers, and manufacturing line personnel made up the dataset under evaluation. The study discovered that, in contrast to service differentiation, product differentiation and physical differentiation (i.e., differences in the attributes of the products) had a significant impact on activating yearly sales performance. But this study however, was not able to demonstrate if other competing strategies contributed to competitive advantage.

In Nairobi, Kenya, Gatobu and Maende (2019) investigated the relationship between differentiation strategy and business success in the telecommunications industry. The study included both exploratory and descriptive research approaches. A "Yes" or "No" prepared questionnaire was delivered to 270 participants who were selected for the study via a stratified selection process. Chi-square analysis was used to determine the impact of differentiation strategy on the performance of telecom firms. The findings showed that the differentiation strategy was thought to place a strong emphasis on product differentiation, customizing products above and beyond those of their competitors, quick and continuous new product development, innovative products, swift responses to competitors' product innovation, and a focus on reliable product development and research to create value for customers.

2.3.3 Focus Strategy and Performance

A focus strategy focuses on a certain market niche or target demographic (Ali & Anwar, 2021). The company may adjust its strategy to concentrate on a specific market niche if neither the cost leadership nor the differentiation strategies prove successful (Ali et al., 2021). This tactic can also be applied to goods or services that have an expiry date (Ali et al. 2021). By tailoring its goods to the demands of that particular segment at the expense of those of other segments, the customer

focus strategy targets only a small part of the market that is not fully covered by cost leadership or differentiation strategies (Gerry, 2011).

A firm that wants to differentiate its products and services uses either low cost for those goods and services or offers goods that meet the quality requirements of its customers (Porter, 2015). This strategy comprises identifying a particular market niche to dominate, which is accomplished by raising the quality of the products and services provided. According to Porter (1995), businesses can use a variety of techniques to acquire a competitive advantage. For instance, a company that chooses a cost-focused strategy aims to get a cost advantage, whereas a company that chooses a differentiation-focused strategy focuses on differentiating its goods and services in the defined market categories. The key components of this strategy's success are segment buyers who have specific wants or are cost-sensitive.

Yaacob (2014) carried out a study on the direct and indirect impacts of customer focus on performance in public organizations. The results of the study show that a crucial predictor of employee satisfaction, innovation, and customer satisfaction is customer focus. Additionally, it was revealed by the structural model that there is a nexus between customer happiness and customer focus. Therefore, this model showed that using a customer-centric approach might help public companies operate at a higher level.

Focus strategies, according to Neumann and Brown (2013), enable companies to outperform competing brands by providing a satisfactory response to the needs of the selected target segment. Lacum and Goedhart (2014) assert that focus strategies help businesses improve the products and services they deliver to a certain consumer class. The company targets a certain market segment with its product or service offerings under the two distinct dimensions of the focus strategy: cost focus and differentiation strategy focus. Focus strategy focuses on a specific area within the industry, as opposed to the other two strategies, which are more concerned with the industry as a whole. Cost focus establishes the company as the low cost provider in the targeted sector, whereas differentiation strategy focus aims for differentiation in the targeted segment within the industry (Porter, 2019).

2.3.4 Innovative Strategy and Performance

Product innovation is the result of coming up with a creative solution to a customer's issues about the goods or services that are offered. Essentially, it is a widespread adoption of concepts that the

relevant adopting unit perceives as novel ideas, procedures, goods, or services (Garcia & Catanlone, 2019). Companies that disregard innovation will either struggle to thrive or be marginalized, thus it is vital that they understand the critical role that innovation plays for enterprises functioning in uncertain and dynamic contexts. Wanyoike (2016) posit that product innovation is a process in which novel concepts and knowledge are transformed into new products and services. Businesses use innovation to gain a competitive advantage over rivals and to outperform competitors. Product innovation, according to Kirill (2011), is the process of developing a brand-new product, redesigning an existing one, or using cutting-edge components or materials to produce things that are currently sold.

A product goes through five stages in its existence, according to Kulkarni's (2019) idea of the product life cycle theory, and if adjustments aren't done at some point, the product becomes obsolete and irrelevant. Manufacturing firms must continuously and actively engage in market research initiatives to identify the changes in consumer needs as a product moves through its life cycle. The life cycle of a product comprises multiple stage, including the stages of invention, maturation, and decline, creating a unique cycle. The marketing strategies used during each stage impact how long a product remains in that stage.

One approach that businesses may use to combat intense industrial rivalry is innovation. In the midst of fierce corporate competition, innovation can be a differentiator and affects firm performance. In their study, Gok and Peker (2016) demonstrated the connection between innovation, market performance, and corporate financial performance. The study's findings suggested that in a highly competitive business environment, innovation can set a company apart. A company's performance can be significantly impacted by innovation. So, innovation allows a company that once had bad performance to compete with its rivals.

Innovation strategy is crucial for a company's competitive advantage and improved performance because it strengthens a company's market position. The impact of product and process innovations on business success was studied by Muafi (2020). The author discovered a positive correlation between product advancements and business expansion. According to Kittikunchotiwut (2020), large manufacturing companies with a high level of technological intensity and market dominance are more likely to innovate. When comparing the impact of product and process innovations on firms' productivity, Waheed (2017) discovered that process innovation had a greater impact.

In their 2019 study, Iraj and Nebojsa examined the relation between innovation and business success and found that, maybe as a result of more productive and useful inventions, an organization's performance is indirectly impacted by its innovations. According to Udegbe (2019), businesses are striving to establish methods and procedures for both producing new products and developing existing ones as a consequence of their competition for market supremacy and a competitive edge in the contemporary global economy.

According to that study, Wadho and Chaudhry's (2018) research revealed that product innovation can enhance a company's marketing effectiveness. Product innovation is a step a company takes to boost marketing effectiveness. The company may remain competitive as long as there is product innovation. Zemplerová (2010) asserts that a company that makes investments in R&D and the launch of innovations is more likely to hold a dominating share of the market. In their study, Autant-Bernard, Fadairo, and Massard (2013) make the case that businesses need to have unique strategies and encourage information to flow both inside and outside the business. They also emphasize the importance of the role of regional innovation.

According to Lee et al. (2016), an external force is what drives innovation. Businesses can engage in innovation activities that affect market performance based on the aforementioned external aspect. According to this study, market performance may be impacted by innovation activities including those involving organizations, products, and marketing. It is advised to innovate right away if the company is engaged in intense industrial competition to stay competitive. Quaye and Mensah (2018) discovered in a different study that marketing innovation through price and promotion can affect marketing performance. According to study findings by Quareshiet et al. (2017), promotional innovations have a favorable impact on marketing performance.

2.4 Conceptual Framework

The relationship between the independent variables and dependent variable of the study is depicted in this model (Orotho, 2004). The conceptual framework of the study is shown in Figure 2.1.

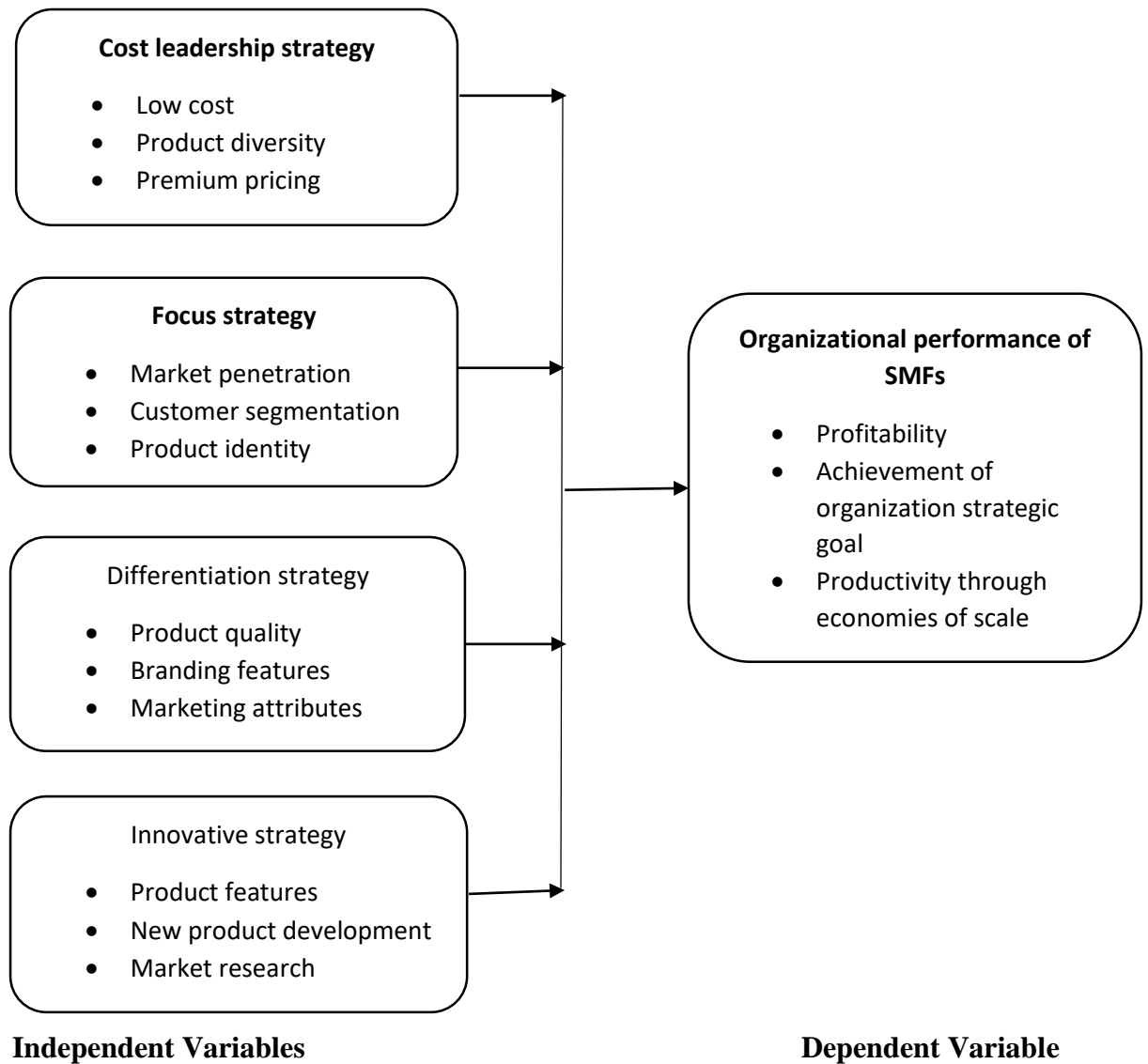


Figure 2.1: Conceptual framework

2.5 Summary of Literature Review and Research Gap

Numerous research projects have shown that there is a strong correlation between an organization's success and its competitive strategies. Githendu (2022), for example, concentrated on price,

production, quality, and distribution strategies in his research of the impact of competitive strategies on the performance of small and medium-sized manufacturing companies in Nairobi County. The study assumed a descriptive survey research design targeting 1063 executives in manufacturing firms in Nairobi County and used stratified random sampling to select the sample of 291 managers. Results from the study showed that all the four variables of the study showed affirmative association with performance of SMFs. The results further revealed that production cost, product quality, product pricing and product distribution all played a significant influence on the customer perception and buying behavior. The study recommended that SMFs should consider market conditions and costs when setting prices, put in place robust distribution strategies with different channels, improve on their product variety and adopt innovative strategies. This study however, has contextual gap in relation to the current study as it dwells only on pricing, distribution aspect, quality and production strategies which is different from what the study wants to look at.

Similar to this, Gecheo (2020) examined Porter's general strategies for small and medium-sized businesses' competitive edge in Nairobi's industrial area. The research employed a descriptive approach and made use of competence-based view theory and RBV. The 66 SMEs firms that were registered with KAM made up the target population. The results showed a positive relationship between the generic strategies and competitive advantages of these SMEs. According to the researcher's opinion based on this study, there is a contextual gap because the study only focused on establishing a connection between competitive advantage and generic methods. The focus of the current study was on company performance and competitive strategy.

Finally, a 2019 research by Manyeki Ongeti and Odiyo focused on private universities in Nairobi and examined the impact of Michael Porter's generic strategies on the performance of private chartered institutions in Kenya. The study used competence-based theory and Porter's competitive advantage theory to guide the design of the descriptive survey on 19 particular private institutions. The performance of the private institutions was shown to be strongly correlated with cost leadership and differentiation strategies. It is notable that this study focused on learning institutions which is different from the current study's focal context point of interest which is manufacturing, hence a gap.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter covered the research design, methodology, sample design, and study target population. This chapter also covered the methodologies that will be applied for data collecting and analysis.

3.2 Research Design

Research design, according to Yin (2013), is a framework or strategy that a researcher employs to examine several research components in a clear and practical manner that enables attainment of the research objectives. The research design used in this study was descriptive. Mugenda (2003) states that the goal of descriptive design is to gather data without tampering with the study. It operates with naturally occurring events when the researcher has no control over the factors, and it is non-intrusive. The descriptive technique was used in this study to its advantage since it allowed for the extraction of a substantial amount of data from the respondents. Additionally, the design enabled the researcher to ascertain the participants' opinions about certain procedures, events, and people in general (Welman & Kruger, 2001).

3.3 Target Population

A population is a collection of people, things, or objects that share a desirable trait and fit the study's objectives (Mugenda, 2003). It is a whole set of elements which have a common number of features that is explained by the criteria adopted by the researcher. Whereas a target population is the population that a researcher is interested in researching and analyzing. According to Kenya Association of Manufacturers (KAM, 2021) there are 18 registered small and medium food and beverage manufacturing firms in Nairobi county. According to Uwase (2020), SMFs are defined as businesses with 1 to 50 employees and a capital expenditure of no more than shilling five million. This study therefore involved all the 18 SMFs in the food and beverage Nairobi county as the unit of observation, whereas the management personnel were used as the unit of analysis (Githendu.2022). (*See Appendix 1*).

3.4 Sampling Frame and Sample Size

Kothari (2009) defines a sample frame as a list of a list of elements from which the sample is drawn and closely related to the population. The researcher rarely has direct access to the entire population of interest in social science research and therefore, relies upon a sampling frame to represent all the elements of the population of interest. The sample frame was registered SMFs in Nairobi county. Therefore, only registered manufacturing firms were included in the study. From each firm, the study considered management personnel because of their perceived knowledge in the management and operations of the manufacturing entities and hence can be relied on to provide the necessary information relating to competitive strategies adopted by their firms to influence organizations performance (Githendu, 2022). Mugenda (2003) defines sample size as a representative number of respondents from the target population who are deemed to take part in a study. Typically, the entire target population of study cannot be involved in the study, hence the need to have a small representative sample of the population. This is done due to time and cost constraints. Taro Yamane's (1967) formulas were used to calculate the study's sample size.

$$n = \frac{N}{1 + N (e)^2}$$

where n = sample size

N= target population

e= level or degree of precision

$$n = \frac{585}{1 + 585 (0.1)^2}$$

$$n = 85$$

$$= 85 \text{ respondents.}$$

Consequently, 85 respondents, or 14.5% of the study's target population, made up the sample size for this investigation.

Table 3.1: Sample distribution

Manufacturing firm	No. of management personnel	Percentage (%)	Sample Size
Africa Tea Brokers Ltd	23	3.9	3
Amurag Brothers	31	5.2	5
Apple Coolers	22	3.8	3
Connix Industries Ltd	34	5.8	5
Dalco Kenya Ltd	41	7.0	6
DPL Festive Ltd	48	8.2	7
Faramea Ltd	21	3.6	3
Higghland Forwarders	36	6.2	5
Kandia Fresh Produce	34	5.8	5
Kenstons Ltd	23	3.9	3
Manji Food Industries	51	8.7	7
Monte Services Ltd	27	4.6	4
Nestle Kenya Ltd	33	5.6	5
Penasar Kenya Kenya Ltd	30	5.1	4
Patco Industries	37	6.3	6
Super Manufacturers Ltd	25	4.3	4
Thermopak Ltd	23	3.9	3
Tropikal Ltd	46	7.9	7
TOTAL	585	100	85

3.5 Sampling design

The process of selecting a number of study participants from a larger group in order to ensure that the individuals are representative of the larger group is known as sampling technique, according to Mugenda (2008). Since it is occasionally impractical to survey the entire population owing to budgetary limits, time constraints, or when the study's results are urgently needed, sampling design offers a variety of options for selecting participants who are necessary to take part in the research (Kumar, 2010). To choose the study's respondents, simple random sampling was employed. This

was complimented by purposive sampling to enable the selection of those perceived to have the desired information of the study to be selected.

3.6 Research Instrument

Mugenda and Mugenda (2003) define a research instrument as a tool that the researcher uses to collect data from the respondents. These tools can be a questionnaire, interview schedule or observation. For this study, structured questionnaires were employed to gather the primary data. The inclusion of five-scale Likert-type questions helps eliminate prejudice and subjectivity by narrowing replies to a predetermined range. Respondents to this kind of question had to assign a rating to their opinions using the specified standard scale. In this instance, the questionnaire was chosen because it makes it possible to gather more data more rapidly and with less time spent distributing it. In comparison to other methods of data collecting, questionnaires also lessen bias and are more objective (Kothari, 2004). 85 questionnaires were handed out to the respondents overall by the researcher.

3.7 Pilot Study

Before the final research project, a pilot study was conducted to assess the validity and reliability of the research instrument. According to Thabane et al. (2010), a pilot study is a small-scale preliminary inquiry carried out to ascertain the validity and reliability in order to enhance the study design and construct the data collection instruments. Piloting is required to pre-test the research methodology, evaluate the questionnaire's usefulness and accuracy in addressing the study's objectives, and identify the most effective study-related methods and resources. Therefore, piloting was done to raise the study's caliber. This sought to ensure that the research findings created the expected kind of data, which is true and trustworthy. The criteria used in the piloting was validity and reliability tests. The pilot study involved 9 respondents which represented 10% of the sample population (Mugenda & Mugenda, 2003). Therefore, 9 respondents were selected from other SMFs outside the study area.

3.7.1 Reliability Test

Kothari (2014) states that the internal consistency of a quantitative questionnaire is tested for reliability using Cronbach's alpha. It is the degree to which reliable and consistent findings are produced by the instrument variables. Reliability refers to the consistency of measurement and is frequently assessed using the test re-test reliability method. To ensure reliability, the study adopted

the test re-test technique. The degree to which a research instrument yields consistent results after several trials is known as reliability. This refers to how closely each test item measures the same concept (Cohen, Manion, & Morrison, 2007). The primary instrument for testing internal consistency that was found to be appropriate was Cronbach's Coefficient Alpha. A value of alpha of 0.00 denotes complete unreliability, while a value of 1.00 denotes absolute dependability. Reliability is deemed undesirable when Cronbach's alpha is less than 0.5, but acceptable when it is greater than 0.5. Excellent alpha values are defined as 0.9 and higher, whereas good alpha values are defined as 0.7 (Cohen, Manion & Morrison, 2007). The study's threshold was established at 0.6 levels. An acceptable alpha value was one that had a 0.7 lower bound and a 0.9 upper bound.

3.7.2 Test for sampling adequacy

To test for sampling adequacy, the study adopted KMO and Bartlett's test of sphericity. The KMO test measures how strongly the variables' partial correlation or how the factors explain one another is between them. KMO levels are regarded as excellent when they are closer to 1.0, and as undesirable when they are less than 0.5. Most scholars contend that factor analysis can begin with a KMO of at least 0.80. The correlation matrix's identity matrix null hypothesis is tested using the Bartlett's test of sphericity. The variables are unrelated and not suitable for factor analysis if you have an identity correlation matrix. The null hypothesis is rejected when a substantial statistical test, typically with a significance level of less than 0.05, demonstrates that the correlation matrix is not an identity matrix.

3.7.3 Validity test

Validity, according to Fraenkel and Wallen (2000), is the appropriateness, significance, and applicability of any inferences that a researcher makes in light of data gathered using an instrument. High questionnaire reliability is important but insufficient to determine whether an instrument is adequate; it must also be valid. The information chosen and included in the questionnaire must be pertinent to the need or gap establishment for the data collection tool to be regarded valid. The accuracy and importance of conclusions made from study results are what constitute validity. Alternatively, validity refers to how well data analysis findings capture the phenomena under study. The extent to which a test measures what is known as validity.

3.8 Data Collection Procedure

To move further with the phase of field data collection, the researcher received formal authorization from the university. Using this letter of approval, the researcher applied to NACOSTI

for a research permit, which allowed them to conduct the study in the targeted manufacturing firms. The researcher then went up to the companies, briefed them on the study, and asked for their permission to participate.

Subsequently, the researcher employed the drop-and-pick approach to give the questionnaires to the respondents, allowing them one week to finish them prior to collection.

3.9 Data Analysis and Presentation

To ensure that the primary data collected from the field was precise, comprehensive, and devoid of any errors or omissions, it was thoroughly examined. The numeric data were analyzed using quantitative analysis, and the qualitative data were analyzed using content analysis. To examine the data, both inferential and descriptive statistics were applied. Using the descriptive statistics, the quantitative data was evaluated using the Statistical Package for Social Sciences (SPSS) version 28. Inferential analysis also made use of regression models. Multiple regression models were used to assess how the independent variables affect the dependent variable. Using this model, the degree of correlation between each independent variable and the dependent variable was determined and quantified. In the qualitative analysis of the data, content analysis was used to quantify and look at the occurrence, definitions, and connections of specific terms, topics, or concepts that were extracted from the data. Following analysis, the data was displayed using tables, charts, and graphs.

3.10 Multiple Linear regression

Multiple linear regressions were used to look into how competitive strategies impacted SMF performance. The following linear regression model was employed in the study;

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \alpha + \epsilon$$

Where;

Y = Performance of SMFs

$\beta_0, \beta_1, \beta_2, \beta_3$ = Coefficient of variables

X1 = Cost Leadership strategy; X2 = Focus strategy; X3 = Differentiation strategy; X4 = Innovative strategy; α = Is the constant or intercept; ϵ = residual (error)

3.10.1 Test for Multicollinearity

According to William *et al.* (2013), multi-collinearity refers to the presence of correlations between the predictor variables. In severe cases of perfect correlations between predictor variables, multicollinearity can imply that a unique least-squares solution to a regression analysis cannot be computed (Field, 2009). Multicollinearity inflates the standard errors and confidence intervals leading to unstable estimates of the coefficients for individual predictors. Multicollinearity will be assessed in this study using the variance inflation factors (VIF). According to Field (2009), VIF values above 10 are an indication of the presence of Multicollinearity. This study had the assumption that observations were independent and linearly distributed.

3.10.2 Test for Autocorrelation

This study had the assumption that Autocorrelation, also known as serial correlation, is a situation where the error term in the regression model is independent. Autocorrelation tests are conducted to verify the relationship that exists between the variables under investigation. The pair-wise correlation method was used in the study to assess the autocorrelation, which was tested using the Durbin-Watson test.

3.10.3 Test for Heteroscedasticity

This is where the variability of the dependent variable varies across the data sets. A heteroscedasticity test was run to test whether the error terms are correlated across observations in the panel data. The error process may be Homoscedastic within cross-sectional units, but its variance may differ across units: a condition known as group-wise Heteroscedasticity. The hottest command calculates Breach Pagan for group-wise Heteroscedasticity in the residuals. The null hypothesis will be rejected if the p-value will be less than 0.05. This study had the assumption that the observations had equal variance.

3.11 Measurement of study variables

Table 3.2: Operationalization of study variables

Objective	Variable	Type	Operationalization	Operational Definition	Measurement
To determine the influence of cost leadership strategy on the performance of small and medium manufacturing firms in Nairobi County	Cost leadership strategy	Independent variable	<ul style="list-style-type: none"> • Cost • Product diversity • Premium pricing 	An integrated set of actions used to create goods or services with attributes that are desirable to customers at the lowest cost possible (Ireland et al.,2011)	Ordinal Quantitative
To determine the effect of differentiation strategy on the performance of small and medium manufacturing firms in Nairobi County	Differentiation Strategy	Independent variable	<ul style="list-style-type: none"> • Product quality • Branding features • Advertising characteristics 	Capacity of a single firm to invent new and innovative methods to distinguish their products (Ruto, 2018).	Ordinal Quantitative

To examine the effect of focus strategy on the performance of small and medium manufacturing firms in Nairobi County.	Focus strategy	Independent variable	<ul style="list-style-type: none"> • Market infiltration • Consumer segmentation • Product distinctiveness 	Involves identifying specific group of consumers market segment which it intends to control (Porter, 2015).	Ordinal
To establish the impact of innovative strategy on the performance of small and medium manufacturing firms in Nairobi County.	Innovative strategy	Independent Variable	<ul style="list-style-type: none"> • Product features • New product development • Marketing research 	A process whereby new product ideas are transformed into new products and services (Wanyoike, 2016).	Ordinal Quantitative
To determine the influence of competitive strategies on the performance of small and medium size manufacturing firms in Nairobi county.	Performance	Dependent variable	<ul style="list-style-type: none"> • Customer satisfaction • Customer base • Returns/productivity 	Long term strategies that an organization uses to achieve an above average position to generate superior returns (Heil & Helsen, 2019)	Ordinal Quantitative

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This study on the impact of competitive strategies on the performance of small and medium-sized manufacturing firms in Nairobi County is presented in this chapter. The study was carried out utilizing information gathered from the respondents. The study's objectives guided the analysis of the data. The chapter goes on to detail the inferential analysis and discussion.

4.2 Response Rate

Eighty-five (85) questionnaires in total were given to the respondents by the researcher, who had been randomly selected from small and medium food and beverage manufacturing firms' in Nairobi county. The researcher was able to gather 72 fully completed surveys out of this total. This indicated an 84.7% response rate. This was deemed sufficient to enable additional examination. According to Sekaran and Bougie (2016), for analysis, a response rate of 50% or above is considered satisfactory, 60% or higher is considered good, and 70% or higher is exceptional. As a result, the 84.7% response rate was excellent and offered a strong basis for the study. Figure 4.1 provides a visual representation of the response rate.

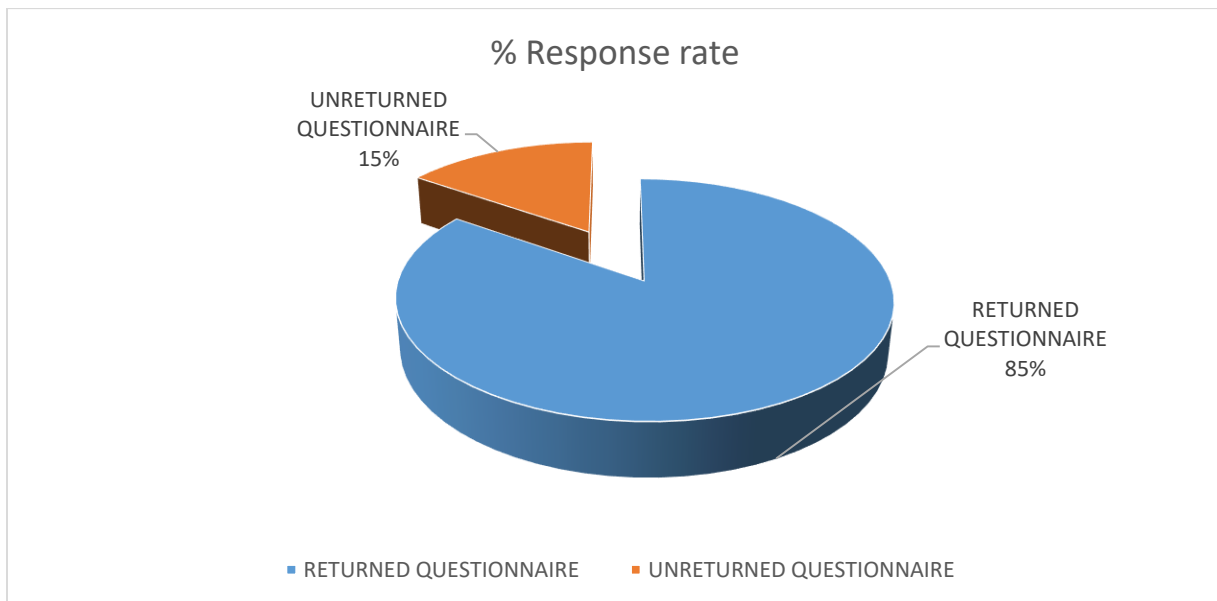


Figure 4.1 Response rate

Source: Research data (2023)

4.3 Reliability test results

The purpose of the pilot study was to assess the validity and reliability of the data collection tool before moving on with the main study. This was done to help the researcher clarify the questions, eliminate any ambiguity, and enhance internal consistency. Using the Cronbach's alpha reliability coefficient (α), as shown below, the reliability of the questionnaire was evaluated;

Table 4.1: Reliability results

Construct	Cronbach's Alpha	Interpretation
Cost leadership	.625	Reliable
Differentiation	.738	Reliable
Focus strategy	.676	Reliable
Innovative strategy	.788	Reliable
Organizational performance	.682	Reliable

Cronbach's alpha coefficient analysis results for the four independent variables (cost leadership, differentiation strategy, focus strategy, and innovation) and the dependent variable (organizational performance) are shown in Table 4.1. Every construct had a Cronbach alpha coefficient between 0.625 and 0.788, according to the results, indicating that all the items were suitable for use in the data collection phase of the final study.

4.4 Test for sampling adequacy

The degree of partial correlation, or the degree to which the factors explain one another, between each variable was assessed using the Kaiser-Meyer-Olkin (KMO) test. KMO values less than 0.5 are deemed undesirable, while values closer to 1.0 are regarded as optimal. Additionally, academics assert that KMO values of 0.8 or higher are sufficient to initiate factor analysis. The sample adequacy for this study was assessed using the Kaiser-Meyer-Olkin (KMO) test. The suggested threshold is that in order to move further with a successful factor analysis, the sampling adequacy must be more than 0.5. Orodho (2008) suggests that scores above 0.9 are excellent, values between 0.7 and 0.8 acceptable, and 0.5 as a minimum (barely accepted). The sample was deemed acceptable based on the KMO values of 0.604, 0.634, 0.650, 0.691, and 0.720, as shown

in Table 4.2 below. The lowest score, 0.604, was deemed satisfactory because it was higher than the cutoff point of 0.5.

Table 4.2: KMO and Bartlett's Test of Sample adequacy results

			.650
Cost leadership strategy	Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		
		Approx. Chi-Square	37.096
	Bartlett's Test of Sphericity	Df	15
		Sig.	.001
Differentiation strategy	Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.720
	Bartlett's Test of Sphericity	Approx. Chi-Square	58.491
		Df	10
		Sig.	.000
Focus strategy	Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.691
		Approx. Chi-Square	61.277
	Bartlett's Test of Sphericity	Df	15
		Sig.	.000
Innovative strategy	Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.634
		Approx. Chi-Square	59.497
	Bartlett's Test of Sphericity	Df	15
		Sig.	.001
Sustainable	Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.604
		Approx. Chi-Square	73.372
	Bartlett's Test of Sphericity	Df	15
		Sig.	.000

The Bartlett's test of sphericity and the overall Kaiser-Meyer-Olkin measures of sample adequacy (KMO) were employed to determine if the research variables were correlated. The Kaiser-Meyer-Olkin tests of sample adequacy, as given above in Table 4.2 above, indicate that the test statistic has values larger than 0.5 and a p-value of 0.05. Bartlett's sphericity test yielded a chi-square result

between 37.096 and 73.372, with a p-value of 0.001. Given that the p value was less than 0.05, which opens the door to more statistical analysis, it is presumed that the research variables are related.

4.5 Demographic Information of the Respondents

Regarding the participants' sex, age, educational background, and duration of employment at various SMEs, the researcher sought to collect demographic data. Below is a display of the findings.

4.5.1 Age of the respondents

The data presented in Figure 4.2 below indicates that, in this study, women made up the majority of respondents (51%), while men made up 49%. This implies that women constitute a significant percentage in majority of the SMEs in Nairobi County.

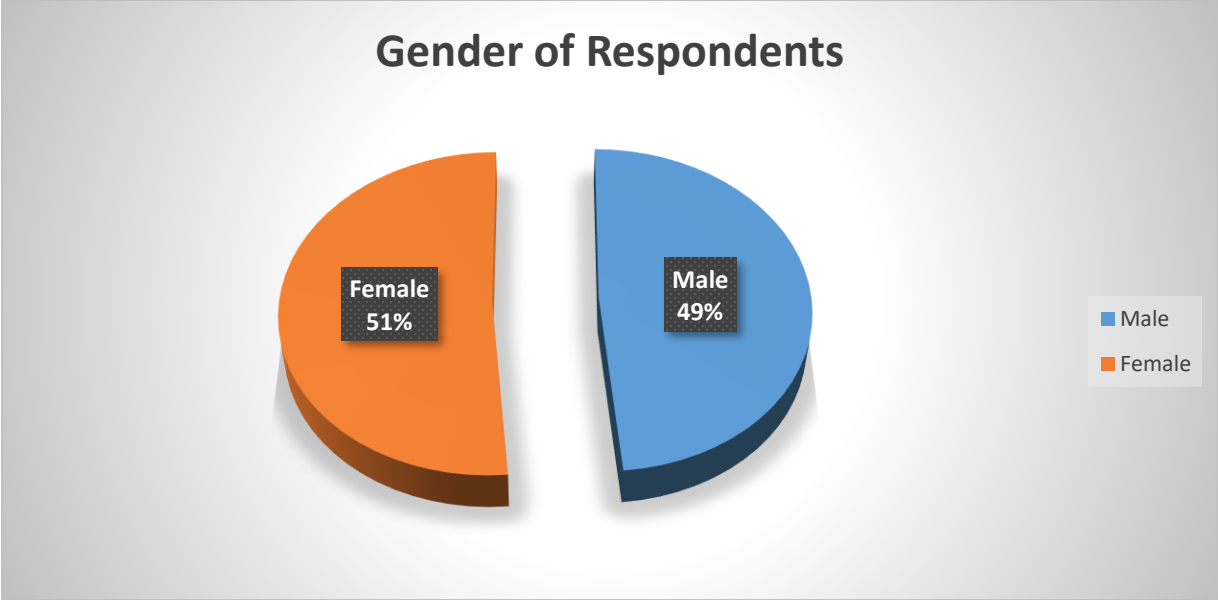


Figure 4.2: Gender of respondents

Source: Research data (2023)

The findings revealed adequate gender representation. This is important because the views and opinions received were not discriminatory and fairly relayed the contribution of gender parity in the food and beverage firms.

4.5.2 Age of Respondents

The age distribution of the respondents was determined by the researcher, and the results are displayed in Table 4.3 below;

Table 4.3: Age of respondents

Category	Frequency	Percent	Valid Percent	Cumulative Percent
18 - 30	10	13.9	13.9	13.9
31 - 40	21	29.2	29.2	43.1
Valid 41 - 55	25	34.7	34.7	77.8
Above 55	16	22.2	22.2	100.0
Total	72	100.0	100.0	

According to Table 4.3 above, the majority of study participants were between the ages of 41 and 55 (34.7%), followed by those between the ages of 31 and 40 (29.5%), those above 55 (22.2%), and those between the ages of 18 and 30 (13.9%). These results suggest that SMEs in Nairobi county have young, energetic and vibrant workforce that can spearhead them to realize performance objectives.

4.5.3 Education level of the respondents

As shown in Figure 4.3, the researcher's goal was to determine the respondents' educational backgrounds.

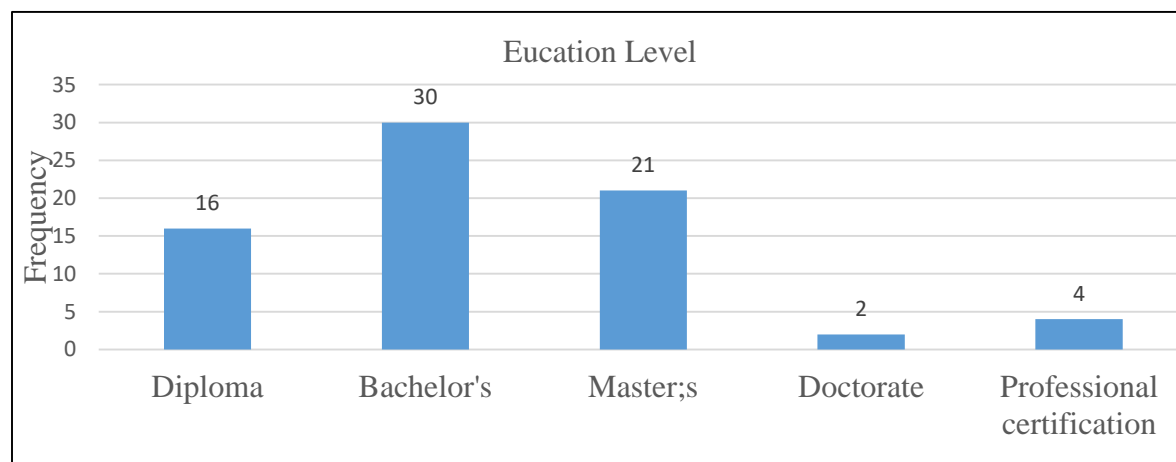


Figure 4.3: Education Level of Respondents

It is evident from the study's results, which are displayed in Figure 4.3 above, that the majority of SMEs' senior management personnel have high level qualifications. For instance, the majority of the employees at 41.7% (30), have undergraduate degree, followed by 29.2% (21) who holds Master's degree, and 20.8% (16) who holds Diploma certificate. Moreover, the study also observed that two employees (2.8%) had doctorate degrees while the remaining four employees had professional certifications. The researcher therefore concluded that the respondents involved in the study were knowledgeable enough and therefore could be relied on to give relevant information relating to the researcher's objective. This conforms with the findings of Nguyen and Mohamed (2021) who observed that having a higher level of education was associated with better performance in management roles, including higher job satisfaction and better decision-making skills.

4.5.4 Duration worked in the SMEs

The study inquired of the respondents about the duration they had worked for SMEs firms. The outcomes are shown in Figure 4.4 below.

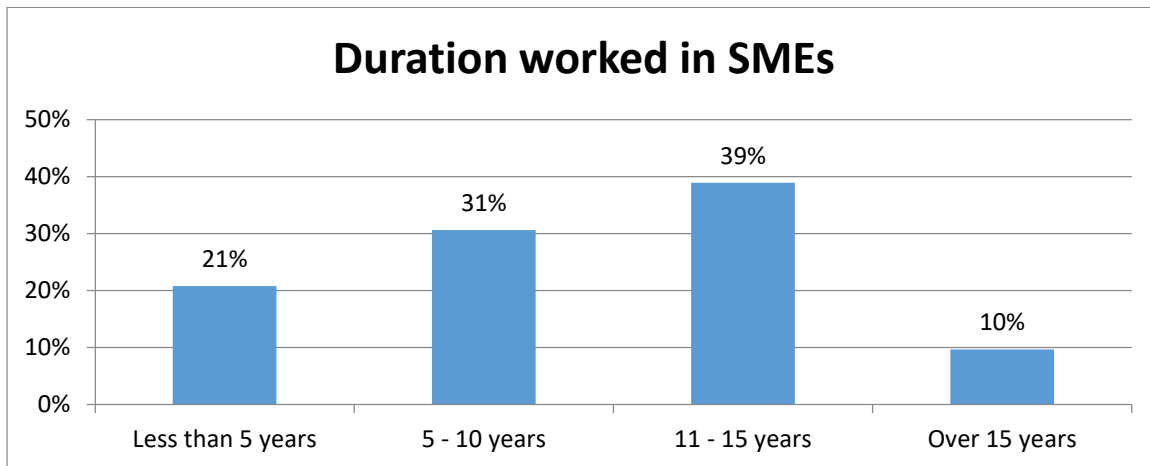


Figure 4.4: Duration worked in SMEs by the respondents

The majority of the respondents have worked with SMEs for 5 to 15 years, according to the findings in Figure 4.4. As an illustration, 39% of respondents have worked for 11 to 15 years, closely followed by 31% who have worked for 5 to 10 years, 21% who have worked for less than 5 years, and roughly 10% of respondents who have worked for more than 15 years. This suggests that most of the study's participants have sufficient job experience and can, thus, offer insightful information about how competing strategies affect their SMEs' performance.

4.6 Descriptive analysis

This section presented the findings on the questions that relate to the research objectives. In order to assess how competitive strategies, impact the performance of small and medium-sized food and beverage manufacturing businesses in Nairobi County, respondents were asked to rank their agreement with a number of claims. A 5-point Likert scale was employed, with 1 - strongly disagree, 2 - disagree, 3 - neutral, 4 - agree, and 5 - strongly agree. The means and standard deviations were also utilized in the analysis to interpret the data, with a mean value of 1-1.4 indicating strong disagreement, 1.5-2.4 indicating disagreement, 2.5-3.4 neutral, 3.5-4.4 agreement, and 4.5-5 strongly in agreement. A standard deviation of more than 2 was regarded high, indicating that responses were widely dispersed and not firmly concentrated around the mean.

4.6.1 Cost leadership strategy and performance of food and beverage SMEs

This study set out to investigate the performance of SMEs in the food and beverage manufacturing industry with respect to cost leadership. To achieve this objective, respondents were asked to indicate whether their SMEs had a cost leadership strategy and how this was formulated. The findings are presented below in Figure 4.5;



Figure 4.5: Presence of cost leadership strategy in SMEs

Based on the findings shown in Figure 4.5 above, the majority represented by 64% agreed that their SMEs have adopted a cost leadership strategy to drive their performance objective, whereas

36% opined that their SMEs did have such in place. The respondents cited that cost leadership strategy was formulated by their management and was based on market performance results. They further noted that cost leadership strategy was informed by the need to improve on their market share due to high competition that was evident in the sector. Many SMFs were also trying to cut an edge by offering fair pricing strategy for their products, to attract many customers. These findings also conform with those of Adegbite (2018) that investigated how competitive strategies affected the corporate performance of Nigeria's small and medium-sized firms and found that small and medium-sized firms' ability to control costs is greatly influenced by their use of cost leadership strategies, which suggests that when businesses use effective cost leadership strategies, their operating costs are typically reduced.

The study also looked into how cost leadership affected SMEs' performance. In order to accomplish this goal, the participants had to express how much they agreed with the assertions made about how cost leadership affected the performance of SMEs in the food and beverage industry. Table 4.4 below presents the summarized results;

Table 4.4: Descriptive Statistics for cost leadership

Statement	N	Mean	Std. Deviation
Our firm offers different products that meet customer demands	72	3.6944	.76248
We offer relatively fair prices for products	72	4.2222	.45105
Our firm offers premium discounts	72	4.1389	.81024
Our firm offers efficient customer service	72	3.9583	.79501
We offer competitive products deals	72	4.0278	.69144
We offer customer appeal services	72	4.0556	.74850
Valid N (listwise)	72		

The data shown in Table 4.5 above indicates that most respondents thought their SMEs had distinctive products that meet customer needs. This is demonstrated by the mean score of 3.6944, which is close to the mean, and the standard deviation of 0.76248. The majority of respondents' perception that their companies offered fair pricing for their products was further supported by a mean score of 4.2222 and a standard deviation of 0.45105, both of which point in the direction of

the mean. This is consistent with the findings of Cravo and Piza (2019), who contend that price is a crucial component of cost leadership. Price is used to attract customers, raise sales, and impact a company's capacity to continuously create income in order to gradually increase profitability and liquidity.

The majority of respondents said their organizations offered premium discounts to emphasize their items and increase customer accessibility, according to the results. The standard deviation of 0.81024 and the mean of 4.1389, which indicate a closeness to the mean, validated this. The respondents also concurred that providing effective customer service was a means for their companies to enhance performance, as evidenced by the mean of 3.9583 and the standard deviation of 0.79501.

The majority of food and beverage SMEs, according to the study, have competitive product arrangements, which enable their pricing to be reasonably affordable. A mean of 4.0278 and a standard deviation of 0.69144, which indicate a proximity to the mean, confirm this. Finally, the study discovered that, as shown by a mean of 4.0556 with a standard deviation of 0.74850, the majority of SMEs provided consumer appeal services that increased their competitiveness. These results are consistent with those of Onyango (2017), who discovered that a company's capacity to effectively compete in the market was largely determined by the strategies it used to outperform its competitors, such as the strategy of cost leadership in all aspects.

The study ultimately enquired to know whether various SMEs have achieved their strategic purposes of cost leadership in their market segment. The results are presented in Figure 4.6 below;

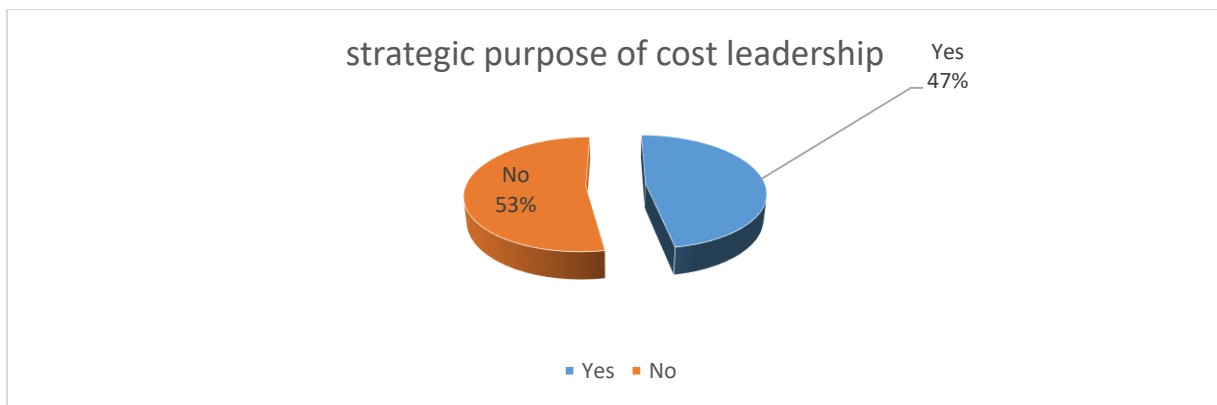


Figure 4.6: Achievement of strategic purpose of cost leadership

According to the findings in Figure 4.6 above, the majority of respondents stated that they had successfully attained their strategic goal of becoming the industry leader in terms of cost, which has increased their competitiveness.

4.6.2 Differentiation strategy and performance of food and beverage SMEs

The purpose of this study was to determine how Nairobi County's small and medium-sized food and beverage manufacturing companies performed in relation to their differentiation strategies. In order to do this, the study asked the respondents if they thought the strategy had an impact on customers' choices of the company's products. The summarized results are presented below in Figure 4.7;



Figure 4.7: Respondents view on whether differentiation strategy influence customer decisions on company products.

The majority of respondents (56%) felt that the differentiation approach used by their food and beverage SMEs influenced customer decisions when it came to making purchases, based on the above data shown in Figure 4.7. Whereas 44% gave a contrary opinion. Therefore, it is imperative to say that differentiation strategy influences customer choices on various company products, hence this might affect their revenue performance. Moreover, Murphy (2011) also asserted that when a company uses a differentiation strategy to differentiate its goods or services, it achieves an unheard-of position within the industry.

Consequently, the research asked the participants to rate their level of agreement with the statements stated regarding the differentiation strategy. On a Likert scale of 1 to 5, they had to rate their opinions. The findings as shown in Table 4.5 were as follows:

Table 4.5: Descriptive Statistics for differentiation strategy

Statement	N	Mean	Std. Deviation
Our firm offers value for money for its product range that meets customer needs	72	4.3194	.46953
customer based pricing offers flexibility to offer our products relatively affordable	72	4.264	.6499
We have good marketing team with flexible work schedules to deliver customer value	72	4.1250	.67003
Our marketing strategy is customer focused to deliver orders in time	72	4.0556	.70987
Our product variety ensures customer gets what they need	72	4.2500	.43605
Valid N (listwise)	72		

Based on the findings, the study concluded that most respondents thought their SMEs companies offered value for money for their product range that meets customer needs. This was indicated by a mean of 4.3194 and a standard deviation of 0.46953, which shows a proximity to the mean. This is in line with the opinions of Tellis, Yin, and Niraj (2019), who agreed that in the cutthroat business world of today, a company's ability to survive and thrive depends critically on the quality of its products. As such, any organization looking to make an impact on the market needs to prioritize this.

Moreover, the respondents further agreed that their customer-based pricing offer flexibility to offer their products at relatively affordable cost to their esteemed customers as indicated by a mean of 4.264 with a standard deviation of 0.6499 implying a closeness to the mean. Additionally, the respondents agreed that their SMEs have good marketing teams with flexible work schedules to deliver customer value as shown by represented by a mean of 4.1250 and a standard deviation of 0.67003. This implied that the responses were spread closer and concentrated around the mean.

Furthermore, the study indicated that SMEs in Nairobi used customer-centric marketing strategies that prioritized on-time order delivery. This was supported by the data, which showed a mean of 4.0556 and a standard deviation of 0.70987, both of which were near to the mean. Finally, as indicated by a mean of 4.2500 and a standard deviation of 0.43605, the respondents also concurred that their SMEs provided a variety of items to meet client requests as soon as they became available on the market. The results are consistent with those of Seifzadeh and Rowe (2013), who found that in terms of financial performance, business units of Iranian businesses that use product differentiation strategies do better than those that use operational excellence methods.

4.6.3 Focus strategy and performance and performance of food and beverage SMEs

The study's objective was to ascertain how much Nairobi's SMEs' performance was impacted by their focus strategy. In order to achieve this objective, the researcher gave the respondents a rating scale depending on the given question. Table 4.6 following presents the compilation of the results.

Table 4.6: Descriptive Statistics on the extent of revenue performance

	N	Mean	Std. Deviation
To what extent has focus strategy affected revenue performance of your company?	72	3.3750	.87914
Valid N (listwise)	72		

The findings showed that focus strategy moderately affected the revenue performance of many SMEs that embrace it in Nairobi county as reflected by a mean of 3.3750 and a standard deviation of 0.87914, an indicator of closeness to the mean.

The study further asked the participants to rate how much they agreed with the following statements on focus strategy. Table 4.7 below displays the responses that were submitted;

Table 4.7: Descriptive Statistics for focus strategy

Statement	N	Mean	Std. Deviation
Our firm has identified small market segments where it sells its differentiated products	72	3.3611	.95395
the market segments have led to improved sales revenue performance	72	3.7083	.98492
our firm has segmented customers based on value and preferences	72	4.1667	.80491
We stand out as a low cost leader for our customers in the segment	73	4.5479	.55380
our firm offers distinct product quality that outwits than our competitors	73	4.5616	.49962
Valid N (listwise)	72		

The majority of respondents had a divergent and neutral opinion, according to the results shown in Table 4.7 above, regarding the statement that their SMEs have identified small market segments where they sell their differentiated products. This is indicated by the mean of 3.3611 and the standard deviation of 0.95395, which indicates that the data is close to the mean. Based on the respondents' differing points of view, it is clear that SMEs lack defined policies on market segmentation. In contrast, Malburg (2013) opined that differentiation strategies are typically acknowledged as important components that support the effectiveness of strategies adopted by various organizations improve their performance in the current competitive market conditions with emphasis on identifiable market niches.

The majority of respondents, according to the study, agreed that the market segments had increased sales revenue performance. This was indicated by the mean of 3.7083 and the standard deviation of 0.98492, which suggested that the mean was being closely followed. The data suggests that SMEs have categorized their consumer base according to their preferences and value, as evidenced by the 0.80491 standard deviation and 4.1667 mean. Focus strategies, according to Neumann and Brown (2013), enable companies to outperform competing brands by providing a satisfactory

response to the needs of the selected target segment. Lacum and Goedhart (2014) assert that focus strategies help businesses improve the products and services they deliver to a certain consumer class.

The study also found that most respondents strongly agreed that their SME firms stand out as a low cost leader to their customers in the segments, as evidenced by a mean of 4.5479 and a standard deviation of 0.55380, which shows a proximity to the mean. Finally, based on a mean of 4.5616 and a standard deviation of 0.49962, which denotes proximity to the mean, the study concluded that the majority of SMEs provide unique product quality that surpasses that of their rivals in the market. In conclusion, the study found that in order for SMEs in the food and beverage production sector to attract and retain customers, quality is a crucial issue. The findings concurred with Garvey (2017) results that revealed that product inventive features and distinct product features/quality were essential in drawing customer appeal with a subsequent effect on performance.

4.6.4 Product innovation and Performance of food and beverage SMEs

The aim of this study was to determine how innovative strategies affected the performance of SMEs in Nairobi County that manufactured food and beverages. In order to accomplish this goal, the participants had to express how much they agreed with the assertions made about how product innovation strategy affected the performance of SMEs in the food and beverage industry. The first question sought the respondents view on whether product innovation has enhanced performance of their organizations in the available market? Based on the study's findings, the majority of participants—66% of whom agreed with the findings, compared to 34% of whom disagreed—felt that product innovation was crucial to enhancing the SMEs' overall performance (Figure 4.8).



Figure 4.8: Respondents view on whether innovative strategy enhance organizational performance in the available market.

In the second question, participants were asked to rate their agreement with the comments made about how innovative strategy affects SMEs' performance. The results were displayed in table 4.9 below;

Table 4.8: Descriptive Statistics on innovative strategy

Statement	N	Mean	Std. Deviation
Our firm designs and produces new products based on customer demands and preferences	72	3.5556	1.23207
We conduct market research to improve our product features and quality	72	4.0278	1.03423
product innovation enhances overall firm performance	72	3.7083	.72067
product innovation improves brand image and recognition in the market	72	3.8333	.83918
PI improves productivity due to increased demand for our products	72	3.8750	1.19786
our product innovation is influenced by prevailing market conditions and customer needs	72	4.4028	.54797

Based on consumer wants and preferences, the majority of respondents agreed, according to the study's findings, which were supported by a mean value of 3.5556 and a standard deviation of 1.23207, both of which indicate that the data is close to the mean. Additionally, the study found that most businesses carried out market research to enhance the attributes and quality of their products. A mean of 4.0278 and a standard deviation of 1.03423 were used to illustrate this. Further study revealed that product innovation improves overall company performance, as seen by responses that were more closely distributed and centered around the mean (mean of 3.7083 and standard deviation of 0.72067). As noted by Kulkarni (2019), firms that endeavor to remain economically vibrant in the market must continuously and actively engage in market research initiatives to identify the changes in consumer needs to improve on the product to meet changing customer preferences and tastes.

Furthermore, the study indicates that product innovation enhances brand image and awareness in the marketplace, as demonstrated by a 3.8333 mean deviation and 0.83918 standard deviation. Companies that ignore innovation, as highlighted by Garcia and Catanlone (2019), will either find it difficult to prosper or risk marginalization; for this reason, it is imperative that they recognize the crucial role that innovation plays for businesses operating in unpredictable and dynamic environments.

Increased demand for the company's products leads to improved productivity through product innovation, as illustrated by the mean of 3,8750 and standard deviation of 1.19786, which suggests that the responses were skewed toward the mean. Lastly, a mean of 4.4028 with a standard deviation of 0.54797 indicated that the research revealed that customer wants, and current market conditions had an impact on product innovation. The study therefore concluded that productivity of the manufacturing SMEs was influenced by innovative demands that come from ever-changing customer needs and preferences. This is also supported with the views of Gok and Peker (2016) that businesses may use innovation to combat intense industrial rivalry. In other words, in the midst of fierce corporate competition, innovation can be a differentiator and affects firm performance. This is also confirmed by a study by Wadho and Chaudhry's (2018) research that revealed that

product innovation can enhance a company's marketing effectiveness, hence the need for the companies to embrace innovation as major step to boost their marketing effectiveness.

4.6.5 Organizational Performance of food and beverage SMEs

This study's main objective was to ascertain how competing strategies impacted Nairobi County's small- and medium-sized food and beverage manufacturing companies' organizational performance. In order to accomplish this goal, the respondents were questioned about how much they agreed with the comments made about the organizational performance of SMEs in Nairobi County. The summarized results are shown in Table 4.9 below;

Table 4.9: Descriptive Statistics for organizational performance of SMEs

Statement	N	Mean	Std. Deviation
our market share has increased	72	4.0972	.63156
our customer base has improved tremendously	72	3.9722	1.02052
Our firm has managed to attract new more customers	72	4.2778	.53661
Our customers are satisfied with our product and services	72	3.6806	.96161
some of our rival companies have shifted to other markets	72	3.9861	1.10687
we have a motivated and committed workforce	72	3.9028	.90631
Valid N (listwise)	72		

According to the study, the majority of SMEs in the food and beverage production industry have seen a rise in market share, which has significantly enhanced their performance, as evidenced by their mean score of 4.09972 and standard deviation of 0.63156. A mean of 3.9722 with a standard deviation of 1.02052, demonstrating proximity to the mean, indicates that the company's customer base has significantly improved as a result.

Most of the SMEs have managed to attract new customers, which suggests that the firms have achieved a tremendous growth in their performance. This is reflected by the mean 4.2778 achieved with a standard deviation of 0.53661, which demonstrates a closer relationship to the mean. The

majority of respondents agreed, as evidenced by a mean of 3.6806 and a standard deviation of 0.96161, that their consumers were completely satisfied with their variety of products and services.

Further, the study noted that some rival companies continue to shift to other markets due intense competition as evidenced by a mean of 3,9861 and a standard deviation of 1.10687, indicating closeness of responses to the mean. Finally, the researcher found that most SMEs have motivated and committed workforce that was driving their performance goals as shown by a mean of 3.9028 and a standard deviation of 0.9063, indication of a clones to the mean.

The results of this study show that the respondents were in agreement that competitive strategies influence performance of SMEs are consistent with the views of other scholars. For instance, Githendu (2022) observed that production cost, product quality, product pricing and product distribution all played a significant influence on the customer perception and buying behavior. Furthermore, Yuliansyah et al. (2017) proposed that systems for measuring performance should be developed in unison with company strategies in order to enhance performance. Furthermore, it has been found that the most effective way for Indonesian financial institutions to obtain a competitive edge and perform better is to employ a differentiation approach as opposed to a low-cost strategy.

4.7 Tests for regression assumptions

The study performed the following regression assumptions before the regression analysis was carried out to ascertain the level of relevance.

4.7.1 Multicollinearity

Multicollinearity test was conducted in this study using the variance inflation factors (VIF). According to Field (2009), VIF values above 10 are an indication of the presence of Multicollinearity. The test results yielded the following data as shown in Table 4.10;

Table 4.10: Collinearity Coefficients^a

Model	Collinearity Statistics		
	Tolerance	VIF	
1	CLS	.887	1.127
	DIFF	.917	1.091
	FS	.904	1.106
	PI	.802	1.247

a. Dependent Variable: OP

Findings presented in the above table 4.10 indicate that all the variables under the study had variance inflation factors (VIF) that were less than 5. For instance, cost leadership strategy had a VIF of 1.127; differentiation strategy had a VIF value of 1.091; focus strategy had a VIF value of 1.106 and product innovation strategy had a VIF value of 1.247. The result shows that the predictor variables had VIFs of less than 5, an indication that multicollinearity would not be a problem in the regression model.

4.7.2 Durbin Watson test of autocorrelation

The study conducted the Durbin Watson test of autocorrelation to check for autocorrelation of the residuals in the regression analysis. The residuals show the difference between the observed value and the mean value that a particular model predicts for that observation. Durbin-Watson (DW) values range between 0 to 4. DW values above 2 shows that there is negative autocorrelation, a value of 2 indicates that there is no autocorrelation and values less than 2, indicate positive autocorrelation in the residuals. The results of autocorrelation indicate that the test had a DW value of 1.517, implying that the residuals had a positive autocorrelation as shown below in table 4.11.

Table 4.11: Model Summary^b

Model	Durbin-Watson
1	1.517 ^a

a. Predictors: (Constant), PI, DIFF, FS, CLS

b. Dependent Variable: OP

4.7.3 Heteroscedasticity

The error process may be Homoscedastic within cross-sectional units, but its variance may differ across units: a condition known as group-wise Heteroscedasticity. The hottest command calculates Breach Pagan for group-wise Heteroscedasticity in the residuals. Ordinary least squares (OLS) regression presupposes that all residuals are obtained from a population with a constant variance (homoscedasticity), which makes heteroscedasticity problematic. The residuals must have a constant variance in order to meet the regression assumptions and yield reliable findings. A heteroscedasticity test was run to test whether the error terms are correlated across observations in the panel data. The null hypothesis will be rejected if the p-value will be less than 0.05.

From the scatter plot output below in Figure 4.9, it appears that the spots are diffused and do not form a clear and specific pattern. So the study can conclude that the regression model does not occur heteroscedastic problem.

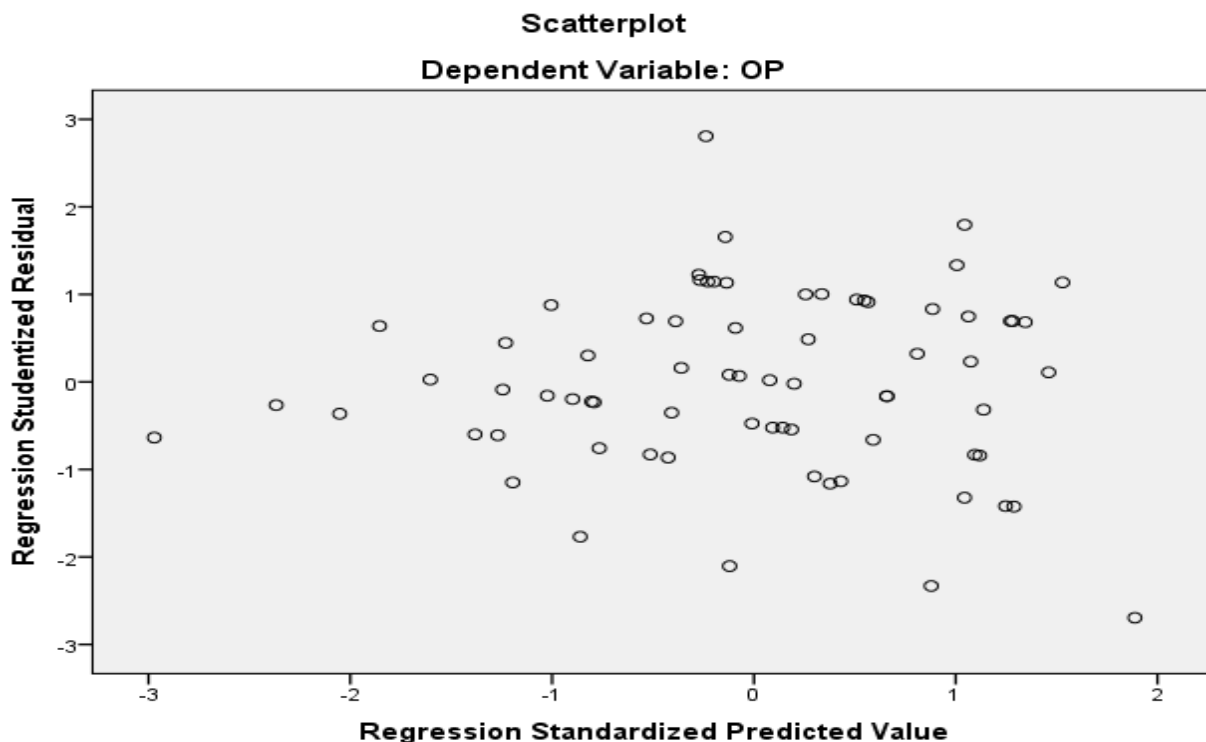


Figure 4.9: Scatter plot

4.8 Inferential Analysis

To determine how the independent factors affected the dependent variable, the study used inferential analysis. In order to do this, the study employed a multiple regressions model to determine the link between the data gathered on the study's dependent variable and independent variables. The strength and nature of relationship between the study's variables can only be understood by using the regression model. Regression analysis is used to determine the relative impact of each variable to the dependent variable. It's applied in figuring out how much impact independent factors have on the dependent variable.

The purpose of this study was to investigate the influence of competitive strategies on the performance of small and medium size food and beverage manufacturing firms in Nairobi County. The study looked into how small and medium-sized food and beverage manufacturing firms in Nairobi County, Kenya performed in relation to cost leadership, differentiation, focus, and innovative strategies (dependent variable). The results were organized into three tables: model summary, ANOVA, and beta coefficients.

4.8.1 Model Summary

The variance in performance of small and medium-sized food and beverage manufacturing firms in Nairobi County, Kenya, was examined using the model summary to see how much changes in cost leadership, differentiation, low cost leadership, and innovative strategies account for. The findings are shown on the following page in Table 4.12;

Table 4.12: Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.702 ^a	.691	.637	.32688

a. Predictors: (Constant), PI, DS, FS, CL

b. Dependent Variable: OP

Table 4.13 data indicates that the R square value is 0.691. This suggests that cost leadership, focus, differentiation, and innovative strategies account for 69.1% of the variance in the performance of small and medium-sized food and beverage manufacturing companies in Nairobi County, Kenya. The remaining 30.9% indicates that there may be additional variables that affect the performance

of small and medium-sized food and beverage manufacturing companies in Nairobi County, Kenya, but were not taken into account for this study.

4.8.2 Analysis of variance

To determine the model's significance, the analysis of variance (ANOVA) is applied. With a p-value of less than 0.05 signifying statistical significance, the model's significance was assessed in this study at a 95% confidence level.

Table 4.13: ANOVA^a

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4.716	4	3.179	8.675	.000 ^b
	Residual	13.159	67	.107		
	Total	17.875	71			

a. Dependent Variable: OP

b. Predictors: (Constant), PI, DS, FS, CL

The regression model is significant, as shown by the ANOVA findings in Table 4.13 (F= 8.675 $p < 0.05$). This implies that the combined independent variables of cost leadership, differentiation, focus, and innovative strategies account for significant portion of the variance in the performance of small and medium food and beverage manufacturing firms in Nairobi County, Kenya. The significant F-value indicates that the variation in performance is not due to chance but rather is influenced by the independent variables included in the model. The statistical significance of the data is proven by the p-value of .000, which is less than the significance level of 0.05.

These results are consistent with a study by Ahmed (2019) which discovered that Malaysian manufacturing SMEs used a variety of business strategies to increase their competitiveness and overall performance. These strategies included low cost, differentiation, harvest, niche, growth, vertical integration, and concentration. Beal (2018) investigated the business strategies of small manufacturing companies in Italy and discovered that these companies used five primary competitive strategies to improve their performance: cost leadership, marketing differentiation, innovation differentiation, quality differentiation, and service differentiation.

4.8.3 Beta coefficients

Table 4.14: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	3.850	.781		4.931	.000		
1 CL	.524	.140	.198	1.598	.005	.887	1.127
DS	.535	.115	.248	2.041	.045	.917	1.091
FS	.431	.097	.040	1.324	.002	.904	1.106
PI	.423	.107	.028	1.212	.003	.802	1.247

a. Dependent Variable: OP

b. Independent Variables: PI, DS, FS, CL

A variance inflation factor (VIF) value of 1 typically denotes a lack of correlation between the predictor variables. If the VIF number is larger than 5.0, it suggests possibly severe correlation and incorrect coefficient estimates and p-values in the regression output. A VIF value between 1.01 and 5.0 implies moderate correlation. Table 4.14 results further demonstrate that, according to the VIF, none of the study's predictor variables had VIF values more than 5, indicating that multicollinearity was not an issue for the regression model and, as a result, the regression results were reliable.

The regression model was fitted as follows based on the observations;

$$Y = 3.850 + 0.524X_1 + 0.535X_2 + 0.431X_3 + 0.423X_4$$

The expected value of the dependent variable (performance), as determined by holding constant cost leadership, differentiation, focus, and innovative strategies, is =3.850. The results of the regression analysis demonstrate that the performance of small and medium-sized food and beverage manufacturing firms in Nairobi County, Kenya, is significantly positively correlated with each of the competitive strategies—cost leadership, differentiation, focus, and innovative strategies.

The results show that cost leadership strategy has a positive significant influence on performance of small and medium food and beverage manufacturing firms in Nairobi County, Kenya ($\beta=0.524$, p-value = 0.005). This aligns with previous which cites that cost strategy significantly affect how well Kenyan manufacturing companies performed (Ndugu, 2020). Similarly, Onyango (2017)

asserts that a company's ability to compete successfully in the market depends heavily on the methods it employs to beat its rivals, such as the cost leadership strategy.

In Nairobi County, Kenya, small and medium-sized food and beverage manufacturing firms' performance was also found to be positively and significantly impacted by differentiation strategy ($\beta = 0.535$, $p\text{-value} = 0.045$). This result is consistent with the literature on differentiation strategy and firm performance which suggests that differentiation strategy contributed to high performance levels of over 85% of insurance firms that adopted differentiation strategy at different levels. By using differentiation strategy, they were able to create goods and services that provided superior value and a positive customer experience, which increased their competitiveness in the market (Kubai, Karanja & Kihara, 2021).

The results additionally demonstrated that focus strategy significantly improves the performance of small and medium-sized food and beverage manufacturing firms in Nairobi County, Kenya ($\beta = 0.431$, $p\text{-value} = 0.002$). The findings are consistent with those of Neumann and Brown (2013), who found that focus strategies help companies outperform competitors and achieve targeted performance outcomes by effectively catering to the needs of the selected target segment. With the ultimate goal of improving overall organizational performance, Yaacob (2014) suggested that a customer-focused approach is a critical predictor of employee satisfaction, organizational creativity, and customer satisfaction.

Additionally, it was discovered that using an innovative strategy significantly and favorably improved the performance of small and medium-sized food and beverage manufacturing firms in Nairobi County, Kenya ($\beta = 0.423$, $p\text{-value} = 0.003$). This implied that innovative strategy affect performance, and this corresponds with the position of Iraj and Nebojsa (2019) who looked into the relationship between innovation and business performance and discovered that organizations' innovative activities have an indirect impact on their performance, through creating beneficial innovative products and enhanced productivity.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

A summary of the findings, conclusion, recommendations for additional study, and guidance on policy writing are all included in this chapter. The aim of this research project was to examine how competing strategies affected the performance of Nairobi County, Kenya-based small and medium-sized food and beverage manufacturing firms.

5.2 Summary of findings

The specific objectives of the research served as the foundation for the overview of findings that is provided in this section. The following specific objectives served as the research's guidance: to investigate the impact of differentiation strategy, focus strategy, and innovative strategy on the performance of small and medium food and beverage manufacturing firms in Nairobi County; to assess the impact of cost of leadership strategy on the performance of small and medium food and beverage manufacturing firms in Nairobi County; and to investigate the impact of differentiation strategy on the performance of small and medium food and beverage manufacturing firms in Nairobi County.

5.2.1 Cost leadership strategy

The study's first objective was to find the influence of cost leadership on performance of small and medium food and beverage manufacturing firms in Nairobi County. From the findings of this study showed that majority of the respondents agreed that cost leadership influence performance of SMEs in Nairobi county. Specifically, the study established that majority of the respondents agreed that their SMEs offered different products that meet customer demands with fair pricing. The results also revealed that the majority of responders agreed that SMEs offered premium discounts to draw customer attention to their products, making their products to more affordable together with efficient customer services as one way of improving their performance. Moreover, the study found out that majority of the food and beverage SMEs firms offer competitive products deals, which makes their prices affordable, with good customer appeal services that make them become more competitive.

5.2.2 Differentiation strategy

The objective was to determine how differentiation strategy affected the performance of small and medium food and beverage manufacturing firms in Nairobi County. The majority of respondents, according to the findings, agreed that their SMEs firms offered value for money for its product range that meets customer needs. Moreover, the respondents further agreed that their customer based pricing offered flexibility on cost to their esteemed customers, hence influencing their buying behavior. Consequently, the study found that SMEs have good marketing teams with flexible work schedules to deliver customer value and that these SMEs employed marketing strategies that were customer centric and focused to delivering orders in time. Finally, the study found that SMEs offered product varieties to suit customer demands as when they need the products in the marketplace as a means of outperforming those that employ operational excellence strategies in financial performance.

5.2.3 Focus Strategy

This objective aimed to ascertain the influence of focus strategy on performance of small and medium food and beverage manufacturing firms in Nairobi County. The majority of respondents, according to the findings, believed that focus strategies affect the success of small and medium-sized food and beverage manufacturing firms. Specifically, the results showed that SMEs do not have clear policies on market segmentation as evident from divergent views of the respondents. Additionally, the study found that most respondents felt that increased sales revenue was a result of market segmentation. The findings further revealed that majority of the respondents strongly agreed that their SME firms stand out as a low cost leader to their customers in the segments and that most SMEs offer distinct product quality that outwits their competitors in the market. Finally, the study observed that quality is a critical component for SMEs in food and beverage manufacturing sector to factor in order to draw customer attention and loyalty.

5.2.4 Innovative strategy

This objective was to determine how innovative strategies affected the performance of Nairobi County's small and medium-sized food and beverage manufacturing firms. The majority of respondents, according to the findings, agreed that small and medium-sized food and beverage manufacturing firms' performance is impacted by product innovation. The study's conclusions illustrated that the majority of the respondents agreed that their firms create and develop new items

in response to consumer preferences and needs. Moreover, the researcher also observed that majority of the firms conducted market research to improve their product features and quality to enhance overall firm performance. The study further found that innovative strategy improves brand image and recognition in the market, and productivity as a consequence of increased demand for the company products. Finally, the research found that innovative strategy was influenced by prevailing market conditions and customer needs and made a conclusion that productivity of the manufacturing SMEs was influenced by innovative demands that come from ever-changing customer needs and preferences.

5.2.5 Organizational performance

This study observed that most of the SMEs in the food and beverage manufacturing sector have experienced an increase in their market share which has greatly led to their improved performance, with an increase in the customer base. Most of the SMEs have managed to attract new customers, which suggests that the firms have achieved a tremendous growth in their performance as noted by majority agreement that their clients were fully satisfied with their product and services range. Further, the study found that some rival companies continue to shift to other markets due to intense competition. Finally, it was observed that most SMEs have motivated and committed workforce that was driving their performance goals.

5.2 Conclusion

Competitive strategies play an important part in the performance of SMEs as found from the findings of this study. This was shown by the positive correlation that was found between cost leadership, differentiation, focus and innovative strategies on the performance of small and medium food and beverage manufacturing firms in Nairobi County. Therefore, it is imperative to note that majority of SMEs in the manufacturing sector in Nairobi County, have made significant efforts to improve on their market dominance in the face of the intriguing competition from other rivals.

The study further notes that SMEs that embrace competitive strategies deliver on their performance goals as shown by the findings of this study. The results display a great significance of differentiation strategy and cost leadership strategy as the most important competitive strategies in enhancing overall organizational performance of SMEs in Nairobi County, as shown by their strong positive and significant influence on performance. Hence, organizations that need to have

a better performance can incorporate both strategies and shun away competitive forces from their rivals.

5.3 Recommendations

Cost leadership is vital for SMEs but a lot of emphasis should be towards on cost cutting measures to ensure the cost effect do not affect the revenue streams. Implementing a cost leadership strategy for SMEs can be an effective way to enhance performance and competitiveness. The study suggests that this can be achieved through conducting cost analysis to identify areas where cost reduction is possible. The study further recommends that SMEs can adopt lean manufacturing to eliminate waste in production process, encourage continuous improvement and foster cost leadership culture within organizational policies.

On differentiation strategy, the study recommends for robust improvements in product features, product quality, branding, and customer appeals to take care of ever-changing customer needs and preferences can be key focus areas that SMEs in manufacturing sector can concentrate on to achieve high performance levels. The study further recommends that the SMEs need to focus on customer centricity to make their products attractable to customers and win customer loyalty with their differentiated products and services. This can be achieved through integrating market research to learn on consumer changing trends on available brands offered.

On focus strategy, the study recommends that SMEs should focus on market segments or niche markets that offer less or no competition and tailor their products to suit the demands and needs of the customers in such segments. This will counter the limitation of competitiveness on a wider market focus area. A focus strategy can be a successful approach for SMEs, as it allows them to compete effectively with larger competitors by offering specialized and tailored solutions to a specific customer segment. By following these recommendations and continually assessing and adapting focus strategy, SMEs can enhance their performance and build a strong, loyal customer base within their chosen niche.

On innovative strategy, the study recommends that SMEs should invest in research and development to promote innovativeness that will enable them to develop new products and services that take into consideration the needs of the market and those of customers at large. The SMEs should focus on creating a culture that promotes innovation and creativity among

employees. Also, it is recommended for SMEs to collaborate with other organizations and industry experts to gain new knowledge and ideas for innovation.

5.4 Suggestions for further studies

The current study was limited to the adoption of competitive strategies and their impact on performance; therefore, the study suggests that future research address policy implications on the adoption of competitive strategies in Kenyan manufacturing SMEs. The study further notes that more studies should be conducted on the impact of competitive strategies in other sectors, as there exists a deficiency in literature particularly on studies done in Kenya.

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APPENDICES

Appendix 1: Introduction Letter

P.O BOX 24814 - 00502

NAIROBI.

TO:

The Executive Director.

Dear Sir/ Madam

REF: REQUEST TO CARRY OUT RESEARCH IN YOUR COMPANY

I am a student at Co-operative University of Kenya pursuing master's degree in business administration. Currently am undertaking a research on influence of competitive strategies on the performance of small and medium manufacturing firms in Nairobi county. The purpose of this letter is to seek for your permission to allow me gather data from employees of your organization.

The information collected will be treated with utmost confidentiality and will be purely for research purpose only.

Thank you

FANNY

- b) What is your level of agreement with the following statements relating to cost leadership strategy?

Statement	1	2	3	4	5
Our firm offers product different products that meets customer demands and preference					
We offer relatively fair prices for products compared to our competitors					
Our firm offers premium price discounts that favor our clients					
Our firm offers efficient customer service and delivery systems that favor customers' desires at no extra fees					
We offer competitive product deals that draws great customer attention					
We offer customer appeal services with customized needs at competitive rates					

- c) Do you think your organization has achieved its strategic purpose of cost leadership?
 Yes [] No []
 If yes elaborate

2. Differentiation strategy

- a) Do you think differentiation strategy has influenced customer decisions on the company products? Yes [] No []
- b) What is your level of agreement with the following statements relating to differentiation strategy?

Statement	1	2	3	4	5
Our firm offers value for money for its product range that meets customer' needs					
Customer-based pricing offers flexibility to offer our products are relatively affordable prices for our customer range					
We have a good marketing team with flexible work schedules to deliver customer value					

Our marketing strategy is customer focused to deliver their orders on time and at their residence					
Our product variety ensures customers get what they need					

3. FOCUS STRATEGY

a) In what ways has focus strategy affected revenue performance of your company?

b) What is your level of agreement with the following statements relating to focus strategy?

Statement	1	2	3	4	5
Our firm has identified small market segment where it sells differentiated products					
Small market segment has greatly led to improved sales revenue performance					
Our firm has segmented customers based on value and preferences					
We stand out in the identified segment as low cost leader for our customers					
Our firm offers distinct product quality for the identified segment that outwits our rivals					

c) Can you mention other ways in which focus strategy has affected your company performance?

5. Product Innovation Strategy

a) In your own view do you think product innovation has enhanced your organizational performance in the available market? If yes explain.....

Yes [] No []

b) What is your level of agreement with the following statements product innovation strategy?

Statement	1	2	3	4	5
Our firm designs and produces new products based on customers' new demands and preferences					
Our firm conducts market research to improve on our product features and quality					
Product innovation enhances overall firm performance					
Product innovation improves brand image and recognition in the market					
Product innovation improves our productivity due to increased demand for our products					
Our product innovation is influenced by prevailing market condition and customer needs					

6. ORGANIZATIONAL PERFORMANCE

What is your level of agreement on the following statements relating to influence of competitive strategies on organizational performance of SMFs?

Statement	1	2	3	4	5
Our firm market share has increased					
Our customer base has improved tremendously					
Our firm has managed to attract more new customers					
Our customers are satisfied with our products and services					
Some of our rival companies have shifted to other markets					
We have a motivated and committed workforce					

THANK YOU

Appendix 3: Project Schedule

ACTIVITY/MONTH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBERR
Concept Development & Presentation							
Proposal Development							
Proposal Presentation							
Corrections on Proposal & Presentation							
Pilot Study Data Collection, Analysis & Presentation							
Data Collection & Analysis for Final Thesis							
Final Defense for Thesis Presentation							

Appendix 4: Proposed Budget

ITEM	UNIT (S)	UNIT COST @ Shs.	TOTAL (SHs)
Internet Cost	10 TB	1,000	10,000
Printing Proposal	5 Copies, 50 Pgs Each	10	2,500
Fare & Lunch During Pilot Study	5 Days	2,000	10,000
Printing Final Thesis	5 Copies, 100 Pgs Each	10	5,000
Spiral & Hard Cover Binding	10	1,500	15,000
Publication Fee	1	25,000	25,000
Other Miscellaneous Expenses			15,000
GRAND TOTAL			82,500

Appendix 5: List of registered small and medium manufacturing firms in Nairobi county

S/No.	NAME OF COMPANY	REGISTRATION STATUS
1.	Africa Tea Brokers Ltd	
2.	Amurag Brothers	
3.	Apple Coolers	
4.	Connix Industries Ltd	
5.	Dalco Kenya Ltd	
6.	DPL Festive Ltd	
7.	Faramea Ltd	
8.	Highland Forwarders Ltd	
9.	Kandia Fresh Produce Suppliers	
10.	Kentons Ltd	
11.	Manji Food Industries	
12.	Monte Services Ltd	
13.	Nestle Kenya Ltd	
14.	Panesar Kenya Ltd	
15.	Patco Industries Ltd	
16.	Super Manufacturers Ltd	
17.	Thermopak Ltd	
18.	Tropikal Ltd	

Kenya Association of Manufacturers (2021)

Appendix 6: University approval letter



THE CO-OPERATIVE UNIVERSITY OF KENYA

P. O. Box 24814-00502 Karen, Kenya

Telephone: (020)-2430127/2679456/8891401 Fax (020)-8891410

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BOARD OF POSTGRADUATE STUDIES

15th August, 2023

The Director,
National Commission for Science, Technology & Innovation,
Utalii House,
Nairobi.

Dear Sir,

REF: FANNY WAWIRA GITARI, REG NO: MBAC01/6502/2021

This is to introduce the above named Master of Business Administration student in the School of Business and Economics (SBE) at The Co-operative University of Kenya.

She has successfully completed her course work and is proceeding to the field to collect data from registered small and medium food and beverage manufacturing firms in Nairobi County. The title of her research project is ***“Competitive Strategies and Performance of Registered Small and Medium Food and Beverage Manufacturing Firms in Nairobi County, Kenya”***

Kindly accord her the necessary assistance.

Yours Sincerely,

D. K. Muthoni,
Director, Board of Postgraduate Studies.

Cc: Dean, SBE.



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REPUBLIC OF KENYA

Ref No: 469570



NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Date of Issue: 25/August/2023

RESEARCH LICENSE



This is to Certify that Miss.. FANNY WAWIRA GITARI of The Cooperative University of Kenya, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: COMPETITIVE STRATEGIES AND PEFORMANCE OF REGISTERED SMALL AND MEDIUM FOOD AND BEVARAGE MANUFACTURING FIRMS IN NAIROBI COUNTY KENYA for the period ending : 25/August/2024.

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Applicant Identification Number

Walthero

Director General

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