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EFFECTS OF COMPETITIVE STRATEGIES ON PERFORMANCE OF MANUFACTURING FIRMS IN KENYA

A CASE STUDY OF EAST AFRICA BREWERIES LIMITED

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Abstract

The key concern over time in strategic management has been how to improve performance and effectiveness of firms. The changes and predictability in the external business environment in which firms operate determines how they fit competitive strategies and their eventual performance. The main purpose of this study was to determine the effect of competitive strategies on performance of manufacturing firms in Kenya with specific reference to East African Breweries Limited (EABL). A descriptive and qualitative research design based on a phenomenology approach was employed in this research. The target population was employees of EABL, with target respondents drawn from the top management. Questionnaires and interviews were employed as primary methods of collecting data. Both descriptive and inferential statistics was utilized to facilitate data analysis. Regression analysis was used to determine the relationship between competitive strategies and performance. From the findings competitive strategies; cost leadership, differentiation and focus are critical because they influence decision making and hence organizational performance. This study suggests for development of strategies that are well aligned to aid firms withstand competition and perform effectively and competitively.

Keywords: Competition, competitive strategies, performance, manufacturing firms, Kenya, external environment

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INTRODUCTION

Organizations, whether for profit or non-profit, private or public, have found it necessary in recent years to engage in strategic thinking in order to achieve their corporate goals (Bryson, 1995). Firms operate within an environment that influences their operations either positively or negatively depending on the nature of their business. The environment comprises of a combination of internal and external factors that influence a company's operating situation, among them being competition.

According to Porter (1985) competitive strategy refers to how a firm intends to compete in a given business. Further, Porter (1985) contends that competitive strategy is a plan that establishes a profitable and sustainable competitive position against the five forces that drive industry competition: threat of new entrants, bargaining power of suppliers, bargaining power of buyers, rivalry among competitors and threat of new substitutes. It is concerned with how a company can gain a competitive advantage through a distinctive and different way of competing (Porter, 1980).

Thompson and Strickland (2010) posit that competitive strategy deals with management's plans for competing in a particular industry and providing superior and unmatched value to customers. Further, they argue that competitive strategy entails performing activities differently or performing activities that are different from competitors to deliver a unique combination of value. The primary role therefore for developing a competitive strategy is to cope with the competition and relate a firm to its external and internal environment. In other words, competitive strategy entails positioning an organization in its competitive environment and giving a firm a competitive edge over its rivals (Porter, 1980).

Porter (1980; 1985) identified three generic competitive strategy typologies: low cost leadership, differentiation and focus. From the differentiation and low cost perspective, Porter (1980) contends that firms can view their product-market decisions in terms of how the organization creates or add value to customers. From the focus perspective, this may depend on how firms define their scope of operations, that is, the scope of market coverage. He however, contends that a firm that pursues one of these strategies of either low-cost or differentiation should achieve above-average returns but, firms that pursue low cost and differentiation simultaneously will be stuck-in-the-middle and end up with poor performance. Porter (1980) however, argues that implementation of low cost and differentiation strategies require different investments in resources, control procedure, leadership, culture, organization structure and incentive systems.

The purposes of firms, evaluating comparative firms success and failure in fulfilling those purposes are conspicuous discourse in day to day affairs of firm's management (Machuki and

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Aosa, 2011). Performance is a recurrent theme in most branches of management including strategic management and is of interest to both academic scholars and practicing managers. Performance is at the heart of strategic management (Venkatraman and Ramanujam, 1986) and can be argued along three dimensions namely, theoretical, empirical and managerial.

East African Breweries Limited is a large East African brewing company which owns 100% of Kenya Breweries, 98.2% of Uganda Breweries, 100% of Kenya Malting and 46% of United Distillers and Vintners (Kenya) Limited, 100% of International Distillers Uganda, 100% EABL International (responsible for exporting), 100% of East African Malting, 100% EABL Foundation and 51% of Serengeti Breweries limited. Kenya Breweries was founded in 1922 by two white settlers, George and Charles Hurst. The company is owned by the Dodd family of Kenya. By 1990, most of the shareholders were Kenyan and the company was very successful.

The partnership between EABL and SAB Miller in Tanzania went through turbulence in 2009, EABL claiming breach of contract by Tanzania Breweries (TBL) that led to low quality of EABL's drinks that were produced by TBL and restriction of some of Diageo's and EABL brands to enter the Tanzanian market. This led to EABL's acquisition of 51% of Serengeti Breweries Limited (SBL) from TBL's shareholder structure through successful IPO through the Dar es Salaam Stock Exchange. SAB Miller sold its stake in Kenya Breweries to East African Breweries. In 2003, Kenya Breweries consumed almost 6% of the Nairobi water supply. In 2005, EABL became the first company in East Africa to reach US$1 Billion in value. The competitive environment has EABL's key competitor being Keroche Breweries which is the only Kenyan owned large scale brewery in Kenya targeting more of EABL's market share. Keroche Breweries produce beer and spirits also offering premium beer to the target market. This study therefore seeks to establish the effect of competitive strategies on performance of manufacturing firms in Kenya with specific reference to East African Breweries Limited.

Statement of the Problem

The choice of competitive strategies is partly determined by firm's competitive forces in the market because firms have to match the turbulence in the environment with their aggressiveness. East African Breweries Limited is one of the major businesses of the region. With greater success in its performance, comes more reward for those with a stake in our business and a greater positive impact on the economies of East Africa (EABL, 2012). However, despite this vital role, it has been noted that East African Breweries Limited do not fully apply competitive strategies in their operations as opposed to other organizations in the brewery industry across the world. The recent performance trends of EABL could be attributed to this.

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For instance there have been low profits and reduced market share for the recent years with 15% and 7% drop in the profits and market share in the year 2016 as compared to 2015.

Many studies have been carried out on breweries industry in Kenya but have provided mixed and inconclusive results and also taking in to consideration different variables of measurement. Awino (2011) did a study on challenges facing the implementation of differentiation strategies at the Keroche limited. Marshall, (2009) studied on strategic responses of breweries companies in Kenya in the face of changing environmental conditions. None of the mentioned studies has focused on effect of competitive strategies on performance of East African Breweries Limited which are presumed by the study to be crucial in enhancing the organizations overall performance if well formulated and implemented. The study seeks to address this gap by conceptualizing a multi-dimensional joint relationship between competitive strategies and performance of manufacturing firms by answering the questions; how do competitive strategies influence the performance of manufacturing firms in Kenya? To achieve the primary purpose of this study, specifically the study set out to examine the influence of leadership, differentiation and focus strategies on the performance of East African Breweries Limited.

LITERATURE REVIEW

Theoretical review

Porter (1998) discussed the basic types of competitive strategies firms' possess (low-cost, Differentiation and focus) to achieve sustainable competitive advantage. Sustainable competitive advantage is the prolonged benefit of implementing some unique value-creating strategy not simultaneously being implemented by current or potential competitors along with the inability to duplicate the benefit of this strategy.According to Porter (1980), a business attempting to combine more than two approaches invariably ends up stuck in the middle. He argues that the competitive strategies and positioning are based on incompatible assumptions and thereby create trade-offs within the organization. In an effort to improve organizations profitability, and the overall performance, Barney (1986) notes that managers continuously make decision whether to launch new strategic initiatives as well as how to respond or counter other competitors' moves. He however points out that managers are able to make more effective decisions if they fully understand the firm's competitive environment.

Kotler (2008) noted that the quest for improved performance often leads managers to consider market entry opportunities. Such opportunities involve either pioneering a market or entering a market that is already occupied by others. High and comprehensive knowledge of the market is needed because there are many crucial factors to consider including whether a first

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move can create a competitive advantage. It is however noted by Thompson et al. (2007) that this does not create sustainable competitive advantage because second comers often perfect the product and erode the advantage earlier enjoyed by the pioneers. Specifically, sales and profits are enjoyed at an average period of 5 years, which is the reason why firm executives should develop thorough strategies that enhance performance of the firm in the competitive environment.

The concept of competition pointed out by Reuer (2004) is gaining popularity among firms in a bid to improve efficiency. This is through joint ventures, strategic alliances and organizational networks that enable an organization to avoid duplication of resources. However, cooperation exposes the firm to certain risks including loss of control over key operations and potential exploitive behaviours by partners. Therefore, focusing on competition with other firms avoid such risks and enables a firm to be innovative and efficiently manage resources.

Pearce et al. (2003) note that the application by organizations of concepts such as strategic fit between resources and opportunities, generic strategies low cost versus differentiation versus focus and the strategy hierarchy of planning goals, strategies, and tactics often abets the process of competitive decline. There are two contrasting models of strategy which are meant to entrench a competitive advantage over firm's rivals: one is for maintaining strategic fit while the other focuses on leveraging resources. The two are not mutually exclusive, but they represent a significant difference in emphasis that deeply affects how competitive battles get played out over time.

Porter (1998) acknowledges that both models recognize the problem of competing in a hostile environment with limited resources, but while the emphasis in the first is on trimming ambitions to match available resources, the emphasis in the second is on leveraging resources to reach seemingly unattainable goals. Both models recognize that relative competitive advantage determines relative profitability. The first emphasizes the search for advantages that are inherently sustainable; the second highlights the need to accelerate organizational learning to outpace competitors in building new advantages.

Porter (1980) suggested that there are three types of competitive advantages through strategic positioning a company can own: low cost, differentiation and focus. The domination through costs strategy is specific to organizations which produce and sell standardized products. The aimed market is vast, with numerous segments. Adopting this strategy implies intensifying the investments, which afterwards implies a productivity growth, a better organization of the production processes, rationalizing the products gamut, and so on. This strategy is generally used by organizations with a big financial power.

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Empirical Review

Many studies have been carried out on East African Breweries Limited. (Awino, et al 2008) did a study on challenges facing the implementation of differentiation strategies at the Keroche limited. Marshall, (2009) studied on strategic responses of breweries companies in Kenya in the face of changing environmental conditions.

Cheah et al., (2007), study showed that competitive performance is repeatedly measured by the business volume that consists of sales and profit. A study by Cheng et al, (2010) and Saari, (2011) indicated that performance in business was measured by sales growth, sales, gross profit and net profit as an indicator with success over time. Kalayci (2005) and Alpkan (2003) found that the same financial measures preferred by the researchers who conducted their studies in manufacturing industries in Turkey. It was noted that the main indicator used for business performance was profitability.

Studies have been carried out on competitive strategies across different sectors in Kenya. Mutunga and Minja (2014) did a study on competitive strategies that firms adopt in the Kenya's beverage industries. 56 per cent of the firms accepted paired strategies of cost leadership and differentiation simultaneously and 24.9 per cent were on cost leadership while 18.8 per cent were exclusively using differentiation.

There have been a number of studies carried out both globally and locally on competitive strategies and have yielded mixed and inconclusive results which creates a gap to be filled. For instance Okumus (2001) studied the role of competitive strategies in organizational development and strategy implementation framework involving hypotheses testing to examine the strength of relationship between the variables being Investigated.. The data-collection method was a self- administered, close-ended questionnaire. The study only focused on strategy formulation and its links with organizational outcomes with little attention to the both generic and Ansoff competitive strategies which are considered in this study.

Mwema (2008) studied a strategic model of Kenyan Public Corporation Self-sustainability. The study focused on Kenyan local authorities in Eastern province adopting an exploratory design. A semi-structured survey questionnaire was used to collect data which was analyzed using descriptive and inferential statistics. He found that 78% of the Kenyan public corporations were unable to self-sustain their operations due to internal inefficiencies that required pragmatic restructuring. He specifically affiliated anomalies to poor work ethics, rigidity in management, misallocation of resources, and structural inefficiencies but failed to take in to account the competitive strategies applied and also focused in Kenyan state corporations which the current study diverts to manufacturing firms to fill the gap that may be existing in the industry. The current study therefore seeks to conceptualize the competitive strategies as

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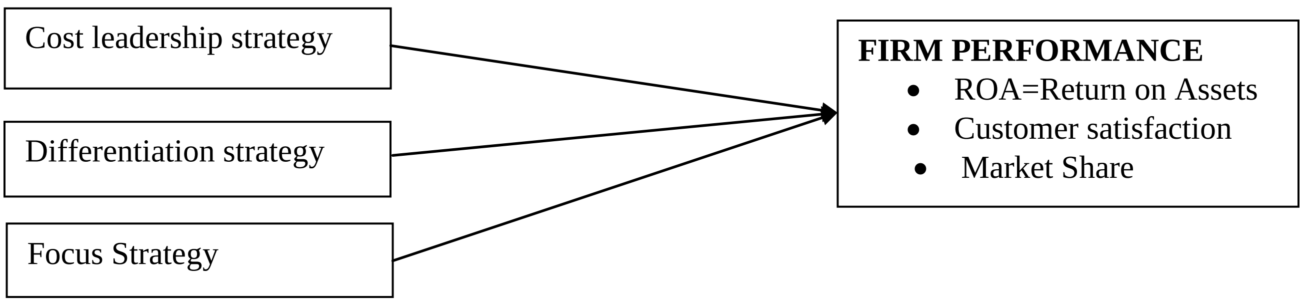
applied in the manufacturing industry and measure with respect to performance in order to come up with a working model that may assist the management and policy making process on the influence of competitive strategies on performance of manufacturing firms.

Conceptual Framework

Independent variables include cost leadership strategy, differentiation strategy and focus strategy. The dependent variable is the firm performance of manufacturing firms.

Figure 1: Conceptualized Framework



RESEARCH METHODOLOGY

Research Design

A descriptive and qualitative research design based on a phenomenology approach was used in this research. The descriptive and quantitative study was used to examine the effect of competitive strategies on organizational performance focusing on East African Breweries limited. This is because a descriptive study helps in answering the “what” question in terms of the effect of competitive strategies on EABL.

Target population

In this study the population comprised employees of EABL especially those working in higher positions within the organization. These employees would be found in various departments of EABL headquarter’s in Nairobi. In total East African Breweries has 1,853employees spread across the East African region according to information on its website and most of these employees are based at their Kenyan subsidiary, in Ruaraka Nairobi which has 1,553 employees. More specifically employees were stratified sampled from all departments including those working in Human resource, finance, marketing and production departments.

Sampling technique and sample size

The researcher used the systematic random sampling method where every K^{th} variable was selected till the entire population is exhausted. The sampling technique to be applied in this study was systematic random sampling. In order to calculate the sample size, the estimated population size of 103 employees and the margin of error or confidence interval of +/-10% were assumed. Confidence levels of 90% (Z score1.645) and a standard deviation of 0.5- this standard deviation number ensured that the sample size is large enough. The following formula helped to establish the sample size.

Necessary Sample Size = $(Z\text{-score})^2 * \text{StdDev}*(1-\text{StdDev}) / (\text{margin of error})^2((1.645)^2 \times .5(.5)) / (0.1)^2$ which returns a sample size of 103.

Data collection

Primary and secondary methods of collecting data were employed to collect the necessary data for the study. Questionnaires and interviews were employed as primary methods of collecting data. Secondary data was gleaned from already published sources on financial performance including financial statements from company websites, magazines and any relevant reliable sources of data. In this study questionnaires were used to collect the necessary data from respondents in the survey. The questionnaire contained five sections to correspond with specific research objective to enable collection of relevant data. Secondary data refers to data collected for other studies to be sourced from journals, publications on competitive strategies especially in Kenya, other relevant research on the subject of competitive strategies.

Data Analysis

The data collected was first scrutinized to ensure completeness and accuracy before entering it into the Statistical Package for Social Scientists (SPSS) version 21. Using this package the researcher was able to derive measures of central tendency, frequency distributions, measures of association and measures of dispersion. The researcher then used descriptive quantitative analysis to describe the effects of competitive strategies on firm performance. In the case where the data is quantitative, tables and figures were used in data presentation. In addition advanced statistical techniques (inferential statistics) were used. Regression analysis was used to determine the relationship between the independent variables and dependent variable. The researcher used content analysis to analyze qualitative data. A multivariate regression model was applied to determine the relative importance of each of the variables with respect to competitive strategies on firm performance.

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The regression model to be used was as follows:

$y = \beta0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + ẹ$

Where:

Y = Firm performance

$\beta0$ = Constant Term

β_1= Beta coefficients

X_1= Cost leadership strategy

X_2= Differentiation strategy

X_3= Focus strategy

ẹ= error term (residual term that includes the net effect of other factors not in the model and measurement errors in the dependent and independent variables).

ANALYSIS AND RESULTS

Response Rate

Out of the total 103 questionnaires distributed 98 were filled and returned which is a response rate of 95.15%. The response rate is considered satisfactory for the study.

Descriptive Statistics

The study performed descriptive analysis of the data gathered on competitive strategies and organizational performance. The competitive strategies comprised cost leadership, differentiation and focus. The study sought to establish the influence of the three competitive strategies on performance of EABL. The findings are discussed in the sections below.

Cost Leadership Strategy

This study sought to establish the extent to which cost leadership strategy had an influence on the performance of manufacturing firms in Kenya. The descriptive statistics of this study on the influence of cost leadership strategy on organizational performance are presented in Table 1.

The respondents were asked to rate factors considered during the organizations costing on a Likert scale of 1(strongly disagree) to 5 (strongly agree) in the last five years. The results in Table 1 indicate that in general the respondents moderately agreed that cost leadership strategy influences the performance of Manufacturing firms(mean= 3.385). The low coefficients of variation ranging from 18% to 26% imply that the influence of cost leadership factors on the performance of manufacturing firms was less varied across the organizations. In addition, most influential cost leadership strategy on the performance of manufacturing firms was the respondents' organization emphasizing on efficiency as depicted by the mean score of 4.194, standard deviation of .7507 and CV of 18%. It was followed by the respondent's organization emphasizing time management as portrayed by the mean score of 4.187, standard deviation of .859 and C.V of 21%. On the other hand the most varied cost strategy that influence the performance of Manufacturing firms, according to the respondents, were organization's optimum level of personnel, continuously training staff on effective resource utilization and organization's maximization on profitability through cost reduction strategies (C.V of 26%).

Table 1: Descriptive Statistics results on Measures of Cost Leadership Strategy

Attributes	N	Mean	Std. D	Coefficient of Variation (%)
Our organization has optimum level of personnel	134	3.5224	.89876	26
Our organization continuously trains staff on effective resource utilization	134	3.6343	.94623	26
Our organization maximizes on profitability through cost reduction strategies	133	3.6466	.93091	26
Our organization improves on production/service delivery process to cut on waste and duplication	133	3.7895	.74927	20
Our organization minimizes cost through innovation	133	3.8120	.86296	23
Our organization emphasizes on time management	134	4.1866	.85986	21
Our organization emphasizes on efficiency	134	4.1940	.75072	18
Overall Mean Score		**3.385**	**.8486**	**23**

Differentiation Strategy

A differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competitor. The value added by the uniqueness of the product may allow the firm to charge a premium price for it. In this study these differentiation factors were captured on the extent to which they influence performance.

The respondents were to indicate to on a scale of 1(strongly disagree) to 5 (strongly agree) in the last five years. The results shown in Table 2 indicate on overall respondents agreed that differentiation influences performance of EABL mean score of 3.795. The most influential differentiation factors on the performance of the corporations were; the organization always keeps their customers always aware of their product/service attributes and the organization always strives to lead in product/service delivery in their sector with (Mean score=4.143, standard deviation=0.818,C.V=20%),(Mean score=3.925, standard deviation=0.703, C.V=18%) respectively. All other statements had mean scores above 3.0, that

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is to say the organization offers products/services with unique characteristics (mean=3.6439, standard deviation of .83009 and variation of 23%), the organization creates and maintains products/services with appealing features (mean=3.6617, standard deviation of .81545 and variation of 23%), the organization does research to match products/services with customer needs (mean=3.6466, standard deviation of .91449 and variation of 25%) and the organization offer products/services at affordable prices (mean=3.7519, standard deviation of .84751 and variation of 23%). On further analysis the C.V depict that the influence of differentiation strategy on the performance was less varied across the organizations.

Table 2: Means and Standard Deviation for Differentiation

Attributes	**N**	**Mean**	**Std. Deviation**	**Coefficient of Variation (%)**
Our organization offers products/services with unique characteristics	132	3.6439	.83009	23
Our organization does research to match products/services with customer needs	133	3.6466	.91449	25
Our organization creates and maintains products/services with appealing features	133	3.6617	.81545	23
Our organization offer products/services at affordable prices	133	3.7519	.84751	23
Our organization always strives to lead in product/service delivery in our sector	133	3.9248	.70307	18
Our organization always keeps our customers always aware of our product/service attributes	133	4.1429	.81782	20
Overall Mean Score		3.795	.8214	22

Focus Strategy

This study sought to evaluate the extent to which focus was important in organizational performance. Various statements depicting the different manifestations of focus were posed and respondents were required to indicate the extent of agreement to which these statements applied to their organization.

The results in Table 3 shows high agreement with respect to the influence of focus strategy on organizational performance of Manufacturing firms generally (Mean scores 4.058, SD=0.767). The C.V of 19% indicates that there was minimal variation of the views on focus strategy amongst the corporations. The most influential and least varied focus strategy on

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performance according to the respondents was that the organization understands its focus and mandate (Mean=4.3158, SD=.79170 and CV=18%) with the least influential focus strategy on performance was pointed out as that the organization always reviews changes in the niche market (Mean=3.8923, SD=.73922 and CV=19%). The findings imply that focus as a competitive strategy is practiced by the Manufacturing firms to high extent in order to enhance the competitive advantage. Firms that succeed in a focus strategy are able to tailor a broad range of product development strengths to a relatively narrow market segment that they know very well. Furthermore, it may be fairly easy for a broad-market cost leader to adapt its product in order to compete directly and more importantly other focusers may be able to carve out sub-segments that they can serve even better.

Table 3: Descriptive Statistics for Measures of Focus strategy

Attributes	**N**	**Mean**	**Std. Deviation**	**Coefficient of Variation (%)**
Our organization always reviews changes in the niche market	130	3.8923	.73922	19
Our organization always updates its mandate in line with changes in the market	133	4.0150	.74858	19
Our organization always strives to remain in its market	130	4.0231	.78222	19
Our organization specializes on its target market	131	4.0458	.77323	19
Our organization understands its focus and mandate	133	4.3158	.79170	18
Overall Mean Score		**4.058**	.7670	19

Multicollinearity

Multicollinearity exists when there are more than one variable measuring the same value (Haire et al., 2006). Multicollinearity is concerned with high correlation between independent variables that are supposed to predict a certain dependent variable. Existence of multicollinearity may lead to significant impact on the regression and statistical results. Multicollenearity can be detected using the value of correlations. According to Pallant (2005), a value of 0.8 or 0.9 shows that there is a relation of multicollinearity between two variables. In this research, the correlation coefficients of the variables are cost leadership strategy (0.23), differentiation strategy (0.22), focus strategy (0.19). These values are all less than 0.8 and therefore, implies that there is no correlation between the study variables hence no further test of multicollinearity was deemed necessary.

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Inferential statistics results

The influence of competitive strategies (cost leadership, differentiation and focus) on the performance of manufacturing firms was established through the hypothesis: *Competitive strategies have significant influence on the performance of manufacturing firms*.

This hypothesis was tested using a multiple linear regression model where the values of performance were regressed on the values of each of the three competitive strategies. The results are presented in Table 4 below.

Table 4: Regression Results for Effect of Competitive Strategies on Performance

a) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.494[a]	.244	.198	.52833

a. Predictors: (Constant), Cost leadership, Differentiation, Focus

b) ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4.414	3	1.471	5.271	.003[b]
	Residual	13.677	49	.279		
	Total	18.091	52			

a. Dependent Variable: Organizational performance

b. Predictors: (Constant), Cost leadership, Differentiation, Focus

c) Individual coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	220.527	15.144		14.562	.000
	Cost leadership	.090	.516	.019	.175	.861
	Differentiation	-1.080	.684	-.174	-1.579	.117
	Focus	1.531	.712	.219	2.151	.033

a. Dependent Variable: Organizational performance

d) Combined coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.951	.763		1.247	.218
	Competitive strategies	.787	.243	.416	3.236	.002

a. Dependent Variable: Organizational performance

<0.05

As shown in Table 5, coefficient of correlation R=0.494 is an indication of relatively moderate or average relationship between competitive strategies and performance. The coefficient of determination R^2 =.244 thus competitive strategies explained 24.4% of organizational performance. The other variables in the organizations explained the remaining 75.6%.

The analysis from the model had the F value of 5.271 with p-value of 0.003 which is less than 0.05.The results, thus, were sufficient to support the idea of the influence of competitive strategies, implying that competitive strategies had statistically significant effects on organizational performance thus the hypothesis was accepted. The results of the combined effects of competitive strategies showed that a unit increase in competitive strategies will cause a .787 increase in organizational performance. Further, on individual effects of the competitive strategies manifestations, a unit increase in cost leadership results in 0.090 units increase in performance while holding differentiation and focus constant. A unit increase in differentiation results in 1.080 units decrease in performance while holding cost leadership and focus constant. Similarly, a unit increase in focus results in 1.531 units increase in performance while holding cost leadership and differentiation constant. Based on p-values of individual predictors; cost leadership (t value = 0.175, p-value = 0.861), differentiation (t-value = -1.579, p-value = 0.117) and focus (t-value = 2.151, p-value = 0.033); then only focus was a significant predictor since it's corresponding p-value< 0.05 whereas cost leadership and differentiation were not significant predictors since their corresponding p-values> 0.05.

The findings are supported by differences in the mean scores and coefficient of variation for the three competitive strategies namely: focus, cost leadership and differentiation. Focus leads with an overall mean of 4.058 and coefficient of variation of 19%. It is followed by differentiation with a mean of 3.795 and coefficient of variation of 22% and lastly cost leadership with a mean of 3.385 and coefficient of variation of 23%. Clearly, focus strategy has the highest mean and lowest variability, which appear to have contributed to the beta level of coefficient observed in the regression output. However, the influence of focus strategy appears to have declined in the presence of the two other strategies.

Based on regression coefficients results in Table 4 the regression equation can be written as: $Y = 220.527 + 0.090X_1 - 1.080X_2 + 1.531\ X_3$

Where, Y = Performance of Manufacturing firms, X_1= Cost Leadership, X_2 = Differentiation, X_3 = Focus. The results from the individual coefficients under model summary therefore shows that focus has a higher magnitude on performance as depicted by a coefficient of 1.531. This was followed by cost leadership with a positive coefficient of 0.09 and finally differentiation with a negative coefficient of -1.08 implying that manufacturing firms applies successfully focus strategy with a bit of cost leadership but differentiation has not yielded the intended objectives.

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CONCLUSION AND RECOMMENDATIONS

The competitive strategies comprised cost leadership, differentiation and focus. The study sought to test the influence of the three competitive strategies on performance of manufacturing firms; a case study of EABL. According to Porter (1985) competitive strategy refers to how a firm intends to compete in a given business. It is concerned with how a company can gain a competitive advantage through a distinctive and different way of competing. The organization emphasized efficiency had the highest mean score followed by emphasis on time management. This means that the two factors were the most practiced by the firm.

In this study these differentiation measures were captured in terms of the extent to which they influence performance. The measures of the extent of application of differentiation strategy had average mean score of 3.795 implying that differentiation influences performance. The current study sought to determine the extent to which focus was important in organizational performance. Various statements depicting the different manifestations of focus were posed and respondents were required to indicate the extent of agreement to which these statements applied to their organization. The results show high agreement with respect to different manifestations on focus in manufacturing firms.

The highest score was on statements that the organization understands its focus and mandate with the lowest score being on the statement that the organization always reviews changes in the niche market implying that focus as a competitive strategy is practiced by the manufacturing firms to high extent in order to enhance the competitive advantage. Firms that succeed in a focus strategy are able to tailor a broad range of product development strengths to a relatively narrow market segment that they know very well. Furthermore, it may be fairly easy for a broad-market cost leader to adapt its product in order to compete directly and more importantly other focusers may be able to carve out sub-segments that they can serve even better.

The study determined the influence of competitive strategies on performance. It was established that on overall competitive strategies significantly influence performance though with varied individual influence of each of the competitive strategies measures (cost leadership, differentiation and focus strategies). The study therefore recommends that the manufacturing firms in Kenya and more so EABL should define and adopt the required competitive strategies and their application to ensure that they have the required combination to create a proper fit between their organizations and the environment hence making them competitive internationally. This will also improve their performance further. Further the management should formulate internal organizational processes that will guide the development of strategies of the organization. The issue of comprehensiveness of the process is critical as management is able to evaluate available alternatives in adopting strategies.

The study results showed less influence of cost leadership on performance which was insignificant implying less application of cost leadership strategies within the firm. The management should therefore engage more on cost reduction strategies. Low costs will permit a firm to sell relatively standardized products that offer features acceptable to many customers at the lowest competitive price and such low prices will gain competitive advantage and increase market share. Decision makers therefore should be compelled further to closely scrutinize the cost efficiency of the processes of the firm. Maintaining the low cost base will become the primary determinant of the cost leadership strategy.

The study found differentiation to be having negative influence of performance which implies very low application in the firm. The study thus recommends that management should develop and maintain innovativeness, creativeness, and organizational learning within a firm to enhance successful differentiation based on a study of buyers' needs and behaviour in order to learn what they consider important and valuable. The desired features are then incorporated into the product to encourage buyer preference for the product. This will enhance differentiation strategy which will then translate to performance.

The influence of focus showed positive and significant influence on performance. This therefore calls for the management to continue embracing its applicability for continued performance realization and also use it in line with other strategies like cost reduction and differentiation to boost performance further. The study recommends further that the firm should focus on key areas of manufacturing products that have higher returns and the wide market base as opposed to those products with low market base and return margin. This is likely to boost performance.

This study concentrated on establishing the influence of each of the competitive strategies on the performance of manufacturing firms and confined to one firm. This implies that the results from this study cannot be generalized to represent the sector. It would be interesting if the study is expanded to cover the liquor sector in Kenya to qualify generalization of the study results.

SCOPE FOR FURTHER STUDIES

Arising from the findings in this study, future researchers could consider the following areas and issues for further study. This study concentrated on establishing the influence of each of the competitive strategies on the performance of manufacturing firms. It would be interesting if the individual competitive strategies dimensions were tested against performance indicators. The findings may be different from the ones obtained in this study. The context of the study was manufacturing firms in Kenya. Future research could be undertaken to replicate this study but instead compare the performance of manufacturing firms with that of other sectors of the economy to check whether the findings will be the same. Further, the same study could be replicated but in a different context. For example a researcher could carry out a study for commercial banks in Kenya using the same variables.

This study used only three variables. Given the fact that there are many other factors that may affect performance, other researchers may seek to unravel the influence of such other factors like corporate governance, resource allocation and so forth on the performance in EABL. It would be interesting to find out whether the results would be similar when different variables are used. Given the critical role that competitive strategies play in charting out the strategic direction of organizations, it would also be interesting for future research to study the influence of competitive strategies as an independent variable and competitive advantage as a dependent variable. Further future research could also establish the influence of competitive strategies on the individual performance dimensions.

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