

**ANALYSIS OF COMPETITIVE STRATEGIES AND PERFORMANCE OF
COMMERCIAL PARASTATALS IN KENYA A CASE OF KENYA POWER
COMPANY**

BY

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DECLARATION

I declare that this research project has not been presented anywhere for any award and that all sources of information have been acknowledged by means of references

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

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DEDICATION

The research work is dedicated all to my family members who have me a reason to keep trying even when nothing seemed to work.

ACKNOWLEDGEMENT

I acknowledge my supervisor Dr. Charles Ondoro for his unweaving support throughout the entire research writing process, my entire family, persons who directly or indirectly contributed to this project above all I thank the almighty God for the gift of life, unending grace and resources through this course.

ABSTRACT

According to Economic Survey Report of 2018, by end of June 2018 Kenya Power Company (KPC) was selling electricity to over 6,761,090 million units. In the last two years, the average electric tariffs per unit sold rose to 15.65 up from 14.68 in the previous year. Despite this, electricity supply contribution to GDP has stagnated at 1.8% in the last two years. This points to stagnating performance of KPC, raising a point of concern. This may be explained by competitive strategies Kenya Power has adopted. However, studies on competitive strategies show inadequate attention on focus strategy despite the fact that knowledge on it may be useful in addressing performance issues firms such as what KPC are facing. It is established from the literature that the studies cover the competitive strategies together and details on differentiation focus (DF) strategy and cost focus (CF) strategy are lacking. It is unclear, what effect DF and CF as competitive strategies, have on performance of firms such as KPC. Therefore, this study sought to establish effect of competitive strategies on performance of commercial parastatals in Kenya. Specifically, the study sought to investigate effect of CF strategy on performance and establish the effect of DF strategy on performance of KPC. The study was guided by Resource Based View Theory. Correlation survey research design was adopted. The population was 61 managers of Kenya Power Company. Saturated sampling was used. Data was collected from secondary and primary sources. The former, from relevant documents of the parastatals and government and; the latter from respondents using structured questionnaire. Validity and reliability of questionnaire was tested on pilot data targeting 5 respondents. Validity was established through expert review. Reliability coefficients all above threshold were .723, .832 and .711 for CF, DF and performance measures respectively. Regression results were ($\beta = 0.340$, $p < 0.05$), ($\beta = 0.261$, $p < 0.05$) and R^2 of 0.468 for cost focus coefficient, differentiation focus coefficient and competitive strategies contribution respectively. These results show that cost focus and differentiation focus have each a positive significant effect on performance while competitive strategies accounts for 46.8% variation in performance of KPC. It is concluded that cost focus and differentiation focus are predictors of performance and that differentiation focus as a unit has effect on performance. The study recommends enhancement of cost focus and differentiation focus practices. The results may be used by policy makers in the parastatals and government in formulating policies. Researchers may also pursue further research from the study.

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ABBREVIATIONS AND ACRONYMS

CE:	Cost efficiency
CQ:	Conformance quality
DD:	Delivery dependability
FR:	Flexible responsiveness
ISO:	International Organization of Standards
NPD:	New product development
NPI:	New product introduction
RBV:	Resource Based View

OPERATIONAL DFEFINITION OF TERMS

Commercial Parastatal: A semi autonomous profit making State Corporation

Competitive strategies: Alternative strategies adopted by a firm to compete in its industry, often in a combination.

Strategic Response: Also Strategic Approach or Strategy, are the set of decisions and actions that result in the formalization and implementation of plans designed to achieve a firms objectives. In the study, the strategic approaches are cost reduction strategy and innovation strategy.

Competitiveness: This is the relative standing of one company against other companies. An organization is said to be competitive when it possesses skills or resources that provide superior value to customers and that are difficult to imitate.

Competitive Strategy: This refers to being different or unique in the eyes of the customer, by deliberately choosing a different set of activities to deliver a unique mix of value. In the study, competitive strategy is evaluated based on quality, cost, delivery, flexibility, and profitability of the firm.

Performance: Accomplishment of a given task measured against preset known standards of accuracy, completeness, cost and speed.

Strategy: A planned set of manoeuvres by a bank aimed at defeating competitor of the firm

CHAPTER ONE

INTRODUCTION

This chapter covers the background to the study, statement of the problem, research objectives, hypotheses, justification for the study and the conceptual framework. It also highlights the context of the study which is commercial parastatals in Kenya

1.1 Background of the Study

A competitive strategy is a strategy with which a firm is able to stake out a competitive position in the industry. It is a strategy with which the firm fights off competition (Porter, 2011). It is a manoeuvre or a set of manoeuvres that a firm uses to outwit competitors. Without a competitive strategy, a business will have a tough time attracting customers. But unfortunately, there is no one perfect strategy because every business faces different challenges within different markets. There are four major types of competitive strategies (Porter, 1985) that businesses often implement, to varying degrees of success. They include cost leadership, differentiation, cost focus and differentiation focus.

One of the strategies is cost leadership. This is a strategy with which is a business stakes out long-term commitment to selling products and services at a cheap price. On the other hand, differentiation strategy is about identifying an attribute or characteristic that makes product or service unique is the driving factor in a differentiation strategy (Goveti and Occasio, 2015). A cost focus strategy is similar to a cost leadership strategy, but the major difference is that in a cost focus strategy the business targets is a very specific segment of the market and offers that market the lowest prices available. For example, a company that sells energy drinks could target a city that has a high percentage of people that compete in extreme sports and sell those drinks at a much lower price than its competitors could. The fact that this segment of the market is much more likely to buy energy drinks is a major factor in the company deciding that lowering its prices would be advantageous. Differentiation focus strategy targets a very specific segment of a market, but rather than offering the lowest prices to the buyers in that market, a business offers something unique that competitors aren't offering (Wheelen and Hunger, 2015). For example, a boutique that sells clothes for people that are four feet tall or shorter would be pursuing a differentiation focus strategy by catering to a very narrow and unique segment of the clothing market. Instead of spending money on

making clothes for everyone, the boutique would be able to focus on designing clothes that are only suited for very short buyers.

Firm performance refers to a firm's ability to overcome and prevail (Roberts, 2004). Most of performance measures for firms are categorized as profitability, quality, productivity and growth and customer satisfaction (Perez *et al*, 2007). According to Lipton (2003), growth is something for which most companies strive, regardless of their size. Indeed, firms have to grow at least a bit every year in order to accommodate the increased expenses that develop over time. With the passage of time, salaries increase and the costs of employment benefits rise as well. Organizational growth, however, means different things to different organizations. According to Roberts (2004), business owners may use one of the following criteria for assessing their growth: sales and market share, number of employees or physical expansion (Lipton, 2003). Ultimately, success and growth was gauged by how well a firm does relative to the goals it has set for itself.

Empirical evidence is available around the subject of competitive strategies. For example, Mohammed and Gichinga (2018) examined effect of competitive strategies on organizational performance of telecommunication companies in Mogadishu, Somalia. The results revealed that all cost leadership strategy and differentiation strategy have significant and positive effects on dependent variable. Focus strategy and strategic alliances had insignificant effect on organizational performance in the mobile telecommunication companies in Mogadishu Somalia. Baraza (2017) studied effect of competitive strategies on performance of manufacturing firms in Kenya with specific reference to East African Breweries Limited. From the findings competitive strategies; cost leadership, differentiation and focus are critical because they influence decision making and organizational performance. More scholars also conducted field studies. Mohsen and Sahar (2015) explored mediating role of competitive strategies in affecting the aspects of firm competencies such as production capability, marketing and sales capability and information competency, and export performance. Results were varied. Competitive strategies mediate the effect of production capability and export performance but do not mediate the effect of marketing competency and export performance. Chen and Liu (2018) investigated the value-capturing role of competitive strategy among firms in China with results suggesting that the performance implications of green innovation are moderated by competitive strategies and these moderating effects are more prominent

when competitive intensity is high. Buul and Omundi (2017) studied the influence of competitive strategies on the performance of small and medium enterprises in Kenya with findings that Cost leadership, differentiation, market focus and strategic alliance have a positive and significant influence on SME performance. Baraza and Arasa (2017) studied the effect of competitive strategies on performance of manufacturing firms in Kenya with specific reference to East African Breweries Limited (EABL). Findings showed that competitive strategies; cost leadership, differentiation and focus are critical because they influence decision making and hence organizational performance.

Another study was conducted by Bwosi and Ombui (2018). They studied the effect of competitive strategies on achievement of competitive edge among accounting firms in Kenya. Results showed that the majority of the study top target accounting firms had adopted, differentiation and diversification strategies and these strategies were core lead strategies that made them to achieve a competitive edge. Kowo, Sabitu and Adegbite (2018) investigated adoption of cost leadership strategy assist in reducing the cost operation of small and medium enterprises and also to determine the effect of differentiation strategy on the sales turnover of SMEs. The research found out that cost leadership strategy has significant effect on cost reduction of small and medium enterprises indicating that when firms are adopt good cost leadership strategy, they tend to reduce their cost of operations. The studies indicate inadequate attention has been given to focus strategy. It is established from the literature that the studies cover the competitive strategies together and detail on focus strategy in its alternative of cost focus strategy is lacking while this is important information that would help firms make decisions regarding cost focus strategy.

Bukirwa and Kisingu(2017) assessed the influence of competitive strategies on organizational performance of classified hotels in Mombasa County registered under the Kenya Association of Hotel Keepers and Caterers. From the results it was concluded that all the two competitive strategies of corporate growth and differentiation had a positive and significant influence in the organizational performance of hotels. Pulaj, Kume and Cipi (2015) examined the relationship between competitive strategies and organizational performance by testing the applicability of Porter`s generic strategies in construction firms. The study found significant positive effects of cost leadership, differentiation and focus strategies on performance. Chang, Chiao and Tsai (2017) conducted a study in Taiwan`s “global budget” insurance payment policy. It was found that strategic orientation of an action has a significantly positive influence on subjective performance. Action complexity has a significantly positive influence

on the subjective and the objective performance of a hospital. Implementation requirements of actions do not have a significantly positive impact on the subjective or the objective performance of a hospital. Sagwaand Kembu (2016) established the effect of competitive strategy on the performance of Deposit Taking Saccos in Nairobi County, Kenya. The study results supported the position that competitive strategy has a positive effect on organization performance.

Chepngetich and Kimencu (2018) sought to determine the effect of competitive strategies on performance of mobile service providers in Nairobi, Kenya. The study further found that, all the competitive strategies combined had a strong positive effect on the overall organization performance of the mobile service providers. Parnel (2018) compared competitive strategy-performance relationships in Mexico, Peru, and the USA. The link between low cost strategy orientation and performance was negative in Mexico and positive in the USA. Mexican firms were the most innovative and Peruvian the most cost-oriented. Top managers in Mexico considered their firms' strategies less innovative and more cost-oriented than did middle and lower level managers. Top managers in Peru considered their firms' strategies more cost-oriented than did middle and lower level managers. The U.S. sample showed no significant strategy differences across management levels. Uchegbulam, Akinyele and Ibidunni (2015) set out to investigate the impact of competitive strategy on performance of Small and Medium Enterprises in Nigeria. The findings revealed that there is a relationship between product features and customer base; product customization and sales growth, value added products and revenue growth. It also indicated that better product quality has an influence on returns on investment. Njiru(2015) sought to determine the influence of competitive strategies on performance of Express Company Limited in Kenya. The study established that Express Connections Limited adopted a number of competitive strategies; standard pricing was being used within the respective timings for instance peak and off peak differentiation, usage of standard colors so as to identify the fleet and the creation of a sister company to help build the bus bodies and in repair of the vehicles and segmented market on the basis of routes being covered by the fleets and zones in order to ensure effective coverage of all routes. Muia (2017) purposed to investigate the effects of competitive strategies on the performance of insurance sector in Kenya. It was also established that many differentiate their product and a majority do not offer narrower range of product than competitors. Differentiation strategy and performance had a strong positive correlation and the regression showed a positive and significant effect of differentiation strategy on performance.

Kago, Gichunge and Baimwera (2018) studied relationship between competitive strategies and organizational performance of Petroleum companies in Kenya. The study concluded that competitive strategies positively influence organization business performance. On the same, the study concluded that strategy implementation improves corporate image, business excellence and operations management, strategy formulation and implementation influence organization performance positively to a great extent resulting to increased organization profitability, business turnover and volumes of sale. Fathali (2016) empirically assessed the impact of competitive strategies on corporate innovation in the automobile industry of Iran. It was found that with strong statistical significance, three competitive strategies, cost leadership, differentiation, and focus provide an explanation for variations in corporate innovation dimensions including innovation in product, innovation in process, and administrative innovation. Sagwa, K'obonyo and Ogutu (2015) examined role of competitive strategy in the relationship between employee outcomes and firm performance. The objective of the study which was to assess the moderating effect of competitive strategy on the relationship between employee outcomes and firm performance was achieved by a confirmation of moderation. The studies indicate inadequate attention has been given to focus strategy. It is established from the literature that the studies cover the competitive strategies together and detail on focus strategy in its alternative of differentiation focus strategy is lacking while this is important information that would help firms make decisions regarding differentiating focus strategy. This knowledge may be useful in helping in the challenges firms face. Firms such as Kenya Power Company in Kenya could benefit from this knowledge.

According to Economic Survey Report of 2018, growth of gross value added of electricity supply decelerated to 6.9 per cent in 2017 from a revised growth of 9.5 per cent in 2016. Kenya Power Company owns and operates most of the electricity transmission and distribution system in the country. By end of June 2018 it was selling electricity to over 6,761,090 million units. The Company's key mandate is to plan for sufficient electricity generation and transmission capacity to meet demand; building and maintaining the power distribution and transmission network and retailing of electricity to its customers. The Government has a controlling stake at 50.1% of shareholding with private investors at 49.9%. Kenya Power is listed on the Nairobi Securities Exchange. *The mission for Kenya Power Company is "for better lives by innovatively securing business sustainability". This is undertaken by striving to provide world-class products and services that delight our*

customers and transform lives as we ensure viability of our business. Its Vision is to be “*Energy solutions provider of choice.*” According G.o.K (2018), in the last two years, the average electric tariffs per unit sold has risen to 15.65 up from 14.68 in the previous year. Further, G.o.K (2018) reports that electricity supply contribution to GDP has stagnated at 1.8% in the last two years. This points to performance of Kenya Power Company. This stagnating performance is a point of concern. This may be explained by competitive strategies Kenya Power has adopted.

1.2 Statement of the Problem

According to Economic Survey Report of 2018, by end of June 2018 Kenya Power was selling electricity to over 6,761,090 million units. According G.o.K (2018), in the last two years, the average electric tariffs per unit sold has risen to 15.65 up from 14.68 in the previous year. Despite this, G.o.K (2018) reports that electricity supply contribution to GDP has stagnated at 1.8% in the last two years. This points to performance of Kenya Power Company. This stagnating performance is a point of concern. This may be explained by competitive strategies Kenya Power has adopted. However, studies on competitive strategies show inadequate attention on focus strategy despite the fact that knowledge on it may be useful in addressing performance issues firms such as Kenya Power are facing. It is established from the literature that the studies cover the competitive strategies together and details on differentiation focus strategy and cost focus strategy are lacking. Therefore it is unknown what effect differentiation focus and cost focus as competitive strategies have on performance of firms such as Kenya Power Company.

1.3 Objectives of the Study

The main objective of the study was to analyze competitive strategies and performance among commercial parastatals in Kenya with a focus on Kenya Power Company. Specifically, the objectives were;

- i. To investigate the effect of cost focus strategy on performance in Kenya Power Company.
- ii. To establish the effect of differentiation focus strategy on performance Kenya Power Company.

1.4 Research Hypotheses

The study was guided by the following hypotheses;

H₀1 Cost focus strategy has no significant effect on performance in Kenya Power Company.

H₀2 Differentiation focus strategy has no significant effect on performance in Kenya Power Company.

1.5 Significance of the Study

The study is expected to benefit the management teams which are entrusted to take care of the interests of stakeholders among the commercial parastatals. Information on the link between competitive strategies towards achieving firm level competitiveness was useful in evaluating the strategies that can be adopted to enhance performance among the firms. Government agencies concerned with the energy sector may also find direction of policy from the findings of this study. The study could also be useful to further research.

1.6 Scope of the Study

The study is in the discipline of strategic management. The study was limited to commercial parastatals in Kenya with a focus on Kenya Power Company. Kenya Power Company has regional offices countrywide. The study covered all Kenya Power Company units. The study was limited to the investigation of effect of competitive strategies on performance. Specifically, the study focused on investigating the effect of cost focus strategy on performance of Kenya Power Company and establishing the effect of differentiation focus strategy on performance of Kenya Power Company. The study was cross sectional, whose data was limited to a point in time.

1.7 Conceptual Framework

The following conceptual framework represents the relationship between competitive strategies and performance. Competitive strategies enable a company to attain performance and profitability. Strategies are often oriented towards performance priorities which are cost, quality and growth. The conceptual framework links the two dimensions of competitive strategies cost focus strategy and differentiation focus strategy to performance in quality, cost and growth

Independent Variable:

Dependent Variables:

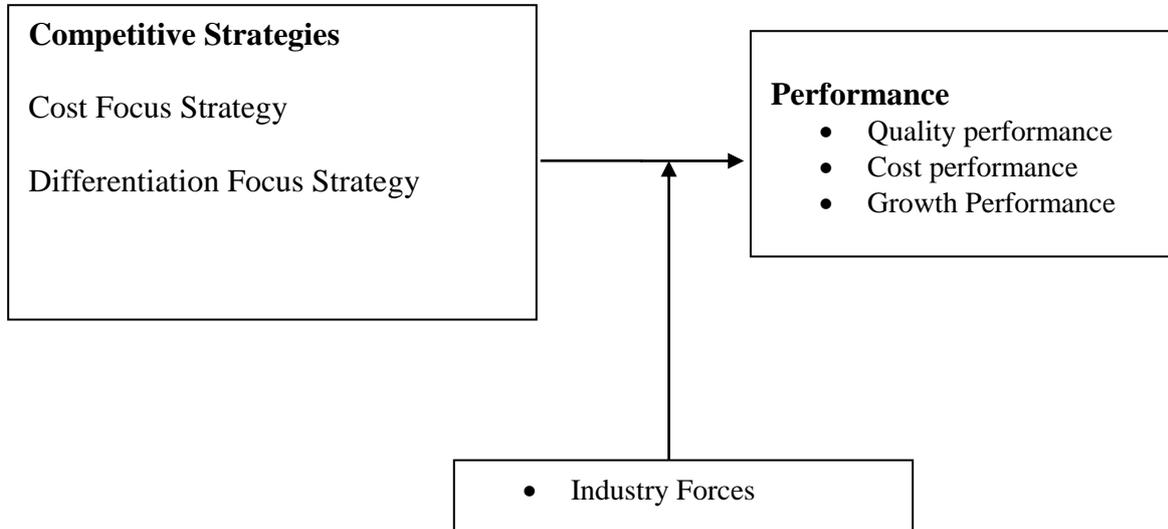


Figure 1.1: Relationship between competitive strategies and performance

Source: Adapted from Miles and Snow (1970) and Hammer and Steven(2004)

CHAPTER TWO

LITERATURE REVIEW

This chapter covers the theoretical foundations on which the study is anchored. It presents reviewed literature in theoretical concepts and studies. The gap for the study is finally explained after analysis of the literature.

2.1.Theoretical Review

2.1.1. Theory of Study

The study is anchored on Resource Based View as propounded by Prahalad and Hamel (1990). The theory explains the link between the internal resources of a firm and its performance, specifically if those resources are valuable, rare, inimitable, and non-substitutable. Resource-based view of the firm addresses the fundamental question of why firms are different and how firms achieve and sustain performance by deploying their resources. In theory, the central proposition of RBV is that firms are heterogeneous in terms of the strategic resources they own and control. This heterogeneity is caused by resource-market imperfections, resource immobility, and the inability of firms to alter their accumulated stock of resources over time. Though this understanding, every firm can be viewed as a unique bundle of tangible and intangible resources and capabilities. Resources can be assets that are tied semi-permanently to the firm such as financial, physical, human, commercial, technological, and organizational assets used by firms to develop, manufacture, and deliver products and services to its customers. These resources can either be tangible such as financial and physical resources or intangible such as employee's knowledge, experiences and skills, firm's reputation, brand name, organizational procedures .

On the other hand, capabilities refer to a firm's capacity to deploy and coordinate different resources, usually in combination, using organizational processes, to affect a desired end. They are information-based, intrinsically intangible processes that are firm specific and are developed over time through complex interactions among the firm's resources. Capabilities can also be intermediate goods generated by the firm to provide enhanced productivity of its resources, as well as strategic flexibility and protection for its final product or service (Prahalad& Hamel, 1990). With regard to sustainable performance, the resource-based view provides a rationale for how a firm's competitive strategies(strategic flexibility) can be utilized to provide a potential source of sustainable performance.

2.1.2 The Concept of Competitive Strategies

A competitive strategy establishes a position that is profitable and sustainable to encounter forces that decide industry competition (Porter, 1980). Various researchers had studied the effects of competitive strategies on performance of an organization. A competitive strategy that emphasizes product innovation and the search for new market opportunities requires creativity and organizational flexibility.

Without a competitive strategy, a business will have a tough time attracting customers (Wheelen & Hunger, 2015). But unfortunately, there's no one-size-fits-all strategy that a business can implement, because every business faces different challenges within different markets. Porter(1985) identified four major types of competitive strategies that businesses often implement, to varying degrees of success. Although a business may not use every element of these strategies, understanding their core principles can help in evaluating the effectiveness of the existing competitive strategy. They include cost leadership, differentiation, cost focus and differentiation focus.

Cost leadership is a tough strategy to implement, because it requires a long-term commitment to selling products and services at a cheap price (Barney and William, 2010). The challenge, however, is that a business has to produce these products and services at a low cost otherwise, it loses its profit margin. Businesses that can make their products cheaply and sell them at a discount while still generating a profit, can drive competitors out of the market by consistently offering the lowest prices.

Identifying an attribute or characteristic that makes a product or service unique is the driving factor in a differentiation strategy (Gavetti, & Ocasio, 2015). For example, a company that produces dental drills that make no sound could market itself to dentists as a silent drill that helps reduce the fear that patients have when they hear that drill sound. If the business is able to differentiate its products or services in the minds of buyers, it can reap the rewards of higher sales volume based on the perceived value, which the business offers, but its competitors do not.

A cost focus strategy is similar to a cost leadership strategy, but the major difference is that in a cost focus strategy the business targets a very specific segment of the market and offers that market the lowest prices available (Phadtare, 2011). For example, a company that sells

energy drinks could target a city that has a high percentage of people that compete in extreme sports and sell those drinks at a much lower price than its competitors could. The fact that this segment of the market is much more likely to buy energy drinks is a major factor in the company deciding that lowering its prices would be advantageous.

Like the cost focus strategy, the differentiation focus strategy targets a very specific segment of a market, but rather than offering the lowest prices to the buyers in that market, a business offers something unique that competitors aren't offering (Porter, 2011). For example, a boutique that sells clothes for people that are four feet tall or shorter would be pursuing a differentiation focus strategy by catering to a very narrow and unique segment of the clothing market. Instead of spending money on making clothes for everyone, the boutique would be able to focus on designing clothes that are only suited for very short buyers.

2.1.3 The Concept of Firm Performance

Firm performance is the degree of achievement of the mission of the firm (Cascio, 2006). Organizational performance is reflected in the accomplish it's objectives more efficiently and effectively through use of limited resource inputs (Daft, 2000). Nowadays, most organizations are focusing on non-financial performance measurements such as; customer's link, services quality and performance rather than assets which are financial in nature (Kaplan & Norton, 2001). Firm performance refers to a firm's level of effectiveness and efficiency. It is defined as the ability of the firm to overcome and prevail (Roberts, 2004). Most of performance measures for firms are categorized as profitability, quality, productivity and growth and customer satisfaction (Perez *et al*, 2007).

Growth as an area of performance (Lipton, 2003), is something for which most companies strive, regardless of their size. Small firms want to get big, big firms want to get bigger. Indeed, firms have to grow at least a bit every year in order to accommodate the increased expenses that develop over time. With the passage of time, salaries increase and the costs of employment benefits rise as well. Organizational growth, however, means different things to different organizations. There are many parameters a firm may use to measure its growth (Roberts, 2004). Business owners may use one of the following criteria for assessing their growth: sales and market share, number of employees or physical expansion (Lipton, 2003). Ultimately, success and growth was gauged by how well a firm does relative to the goals it has set for itself.

Cullen, (2013) contends other measures include growth, quality and cost. Performance measures of firms are gauged by; profit margins, sales volume, market share, customer retention, customer loyalty and company image (Auka, Bosire & Matern, 2013).

2.2 Empirical Literature

2.2.1 Cost Focus Strategy and Performance

There is empirical evidence around the subject of competitive strategies. Specifically robust evidence is available around differentiation, cost leadership and focus strategies; and their relationship with different outcomes within an organization. For example Nyaga (2015) sought to determine the influence of competitive strategies on performance of Express Company Limited in Kenya. The study was guided by the following objectives; to determine the competitive strategies adopted and the effects of competitive strategies on performance of express connections Kenya Limited. The research used a case study approach to give an in-depth understanding of the competitive strategies on performance of Express Connections Limited. The study used both primary and secondary data where primary data was collected using an interview guide and secondary data was collected from audited financial reports and other publications at Express Connections Limited. Content analysis was used to analyze this data collected from the interviewees. The study established that Express Connections Limited adopted a number of competitive strategies; standard pricing was being used within the respective timings for instance peak and off peak differentiation, usage of standard colors so as to identify the fleet and the creation of a sister company to help build the bus bodies and in repair of the vehicles and segmented market on the basis of routes being covered by the fleets and zones in order to ensure effective coverage of all routes. The study concluded that service quality and customer relationship are the most effective competitive strategy used by Express Connections Limited as well as differentiation of services to suit their clients.

Hlavaka, Bacharova, Rusnakova and Wagner, (2001) examined the use of Porter's generic strategies and their effect on performance in the context of the Slovak hospital industry. Using mail survey the study first identified the natural taxonomy of four strategic types of Slovak hospitals, based on their use of Porter's generic strategies in pure form and in combination. Next the study examined whether different strategic types were associated with different levels of organisational performance, while controlling for such variables as size and location, which have been argued to influence the hospital

performance. The findings indicated that hospitals which follow a “stuck- in- the- middle” strategy, in general, have superior performance on all used performance measures, while hospitals that place only low emphasis on cost leadership, differentiation and focus, labelled “wait and see” in this study, perform the poorest.

Mohsen and Sahar(2015) studied the mediating role of competitive strategies in affecting the aspects of firm competencies such as production capability, marketing and sales capability and information competency, and export performance. A questionnaire was used for data collection which was randomly distributed among 200 of managers and export experts of top export companies in Iran. The results of the data analysis showed that competitive strategies mediate the effect of production capability and export performance. However competitive strategies do not mediate the effect of marketing competency and export performance. The results of structural equation modeling showed that the research model had a proper goodness-of-fit.

Chen and Liu (2018) argued that despite the importance of green innovation, empirical evidence on its relationship with firm performance was mixed. They endeavoured to address this inconsistency in the evidence by investigating the value-capturing role of competitive strategy. Their study argued that firms tend to choose appropriate a competitive strategy to maximize performance of green innovation, especially in highly competitive contexts. Data was collected from 195 firms in China. Results suggested that the performance implications of green innovation (including green product innovation and green process innovation) are moderated by competitive strategies (including differentiation strategy and cost-leadership strategy), and these moderating effects are more prominent when competitive intensity is high.

Buil and Omundi (2017) studied the influence of competitive strategies on the performance of small and medium enterprises in Kenya. The study employed a descriptive correlation design using primary data collected using questionnaires. The study targeted 4,560 SMEs in Nairobi CBD. The collected data was coded and entered into SPSS (V.20) to create a data sheet that was used for analysis. Data was analyzed using quantitative techniques. Descriptive statistics were used to describe the characteristics of collected data. Pearson’s Correlation, Analysis of variance (ANOVA) and Multiple Regression Analysis were used to establish the relationships among the study variables. Findings were that Cost leadership, differentiation,

market focus and strategic alliance were all found to have a positive and significant influence on SME performance.

Baraza and Arasa (2017) studied 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.

Bwosi and Ombui (2018) studied the effect of competitive strategies on achievement of competitive edge among accounting firms in Kenya. The study specific objectives were; to establish the effect of differentiation strategy on achievement of competitive edge among the accounting firms and to determining the effect of diversification strategy on achievement of competitive edge among accounting firms in Kenya. The study adopted a descriptive survey study design. The study target population comprised of a total of 200 persons who were employees and in supervisory positions drawn from 20 top accounting firms in Kenya; Purposive Stratified random sampling technique was used which enabled the researcher to draw a sample size for the study. The sample size of the study constituted 20% of each of the twenty study targeted top accounting firms 'stratum; thus making it a total of 40 respondents of which the study collected data from by use of questionnaire respectively. Data was analyzed and presented by use of descriptive statistics. The results of the study showed that the majority of the study top target accounting firms had adopted differentiation and diversification strategies and these strategies were core lead strategies that made them to achieve a competitive edge.

Kowo, Sabitu and Adegbite (2018) set on an objective to identify whether adoption of cost leadership strategy assist in reducing the cost operation of small and medium enterprises and also to determine the effect of differentiation strategy on the sales turnover of SMEs, Series of questions were asked using the questionnaire adopted by the researcher. Two hypotheses were proposed and tested in the study. Samples of 125 were drawn. The data were analyzed

using simple frequency tables and regression analysis. However, for the purpose of this study the Statistical Package for Social Sciences (SPSS) was employed. To ensure the accuracy of the study this research used the Yamane formula in determining sample size. The coefficient alpha was used to test the reliability of the measurement scale. The study critically examined the influence Competitive Strategies on Corporate Performance of Small and Medium Enterprises. The research found out that cost leadership strategy has significant effect on cost reduction of small and medium enterprises indicating that when firms are adopt good cost leadership strategy, they tend to reduce their cost of operations

Bukirwa and Kisingu(2017) assessed the influence of competitive strategies on organizational performance of classified hotels in Mombasa County registered under the Kenya Association of Hotel Keepers and Caterers. The study captured the theoretical background on competitive strategies in an attempt to provide basis for appropriate conceptual and theoretical framework for the current study. Descriptive survey research design was adopted in this study and the target population was 24 classified hotels in Mombasa County registered under the Kenya Association of Hotel Keepers and Caterers and the respondents were top level management staff who were 144. The sampling technique used was stratified random sampling. Secondary and primary data was collected using a self-administered questionnaire. The questionnaire was piloted in order to check for validity and reliability. Questionnaires were administered through drop and pick method. From the results it was concluded that all the two competitive strategies of corporate growth and differentiation had a positive and significant influence in the organizational performance of hotels.

Pulaj, Kume and Cipi (2015) examined the relationship between competitive strategies and organizational performance by testing the applicability of Porter`s generic strategies in construction firms. Simple random sampling technique was used to select a sample of 110 companies. The data was collected using questionnaires and analyzed using ANOVA statistical model. The study found significant positive effects of cost leadership, differentiation and focus strategies on performance.

Chang, Chiao and Tsai (2017) conducted a study is based on competitive dynamics theory, and discussed competitive actions including; their implementation requirements, strategic orientation, and action complexity, that influence hospitals` performance, while also meeting the requirements of Taiwan`s “global budget” insurance payment policy. In order to investigate the possible actions of hospitals, the study was conducted in two stages. The first

stage investigated the actions of hospitals from March 1 to May 31, 2009. Semi-structured questionnaires were used, which included in-depth interviews with senior supervisors of 10 medium- and large-scale hospitals in central Taiwan. This stage collected data related to the types of actions adopted by the hospitals in previous years. The second stage was based on the data collected from the first stage and on developed questionnaires, which were distributed from June 29 to November 1, 2009. It was found that first, the strategic orientation of an action has a significantly positive influence on subjective performance. Second, action complexity has a significantly positive influence on the subjective and the objective performance of a hospital. Third, the implementation requirements of actions do not have a significantly positive impact on the subjective or the objective performance of a hospital. It was concluded that managers facing a competitive healthcare environment should adopt competitive strategies to improve the performance of the hospital

In a study by Yasar (2010) the effect of competitive strategies on firm performance was empirically tested by considering value chain activities in Gaziantep carpeting industrial cluster. The findings of the research revealed that there is no significant relationship between competitive strategies and firm performance in Gaziantep carpeting industry. The results of research suggest that in order to improve firm performance and to get sustainable performance in global markets, competitive strategies should be used resolutely and cost and differentiation strategies implemented simultaneously by decision makers.

Sagwa and Kemu (2016) established the effect of competitive strategy on the performance of Deposit Taking Saccos in Nairobi County, Kenya. The study was anchored on the Resource Based View (RBV) of the firm. The study hypothesized that there is a relationship between competitive strategy and organization performance. Descriptive research design was applied. The population of the study – a census, comprised of all 42 DTSs in Nairobi County, Kenya. The study involved obtaining data from every member of the population through a questionnaire. The study results supported the position that competitive strategy has a positive effect on organization performance.

Tavitiyaman, Zhang and Qu (2012) investigated the influence of competitive strategies and organizational structure on hotel performance and to explore whether organizational structure has a moderating effect on the relationship between competitive strategies and hotel performance. The study employed a causal and descriptive research design to determine the cause-and-effect relationships among competitive strategies, organizational structure, and

hotel performance based on previous studies. A 28-question self-administered questionnaire comprising three sections was employed. The target population for this study was US hotel owners and general and executive managers whose e-mail addresses were listed on a publicly available database. A census survey was carried out and e-mails were sent to all of the hoteliers listed in the database. The results showed that competitive human resources (HR) strategy has a direct impact on a hotel's behavioral performance, and a competitive IT strategy has a direct impact on a hotel's financial performance. Organizational structure was found to have a moderating effect on the relationship between both of these strategies and behavioral performance.

Atikiya (2015) studied effect of competitive strategies on the performance of manufacturing firms in Kenya. The study aimed at providing insights on competitive strategies used by manufacturing firms in Kenya to achieve competitiveness and increase their performance. Specifically, the study sought to determine the effect of cost leadership strategy on performance of manufacturing firms, to assess the effect of differentiation strategy on performance of manufacturing firms, to find out the effect of focus strategy on performance of manufacturing firms and to establish the moderating effect of competitive intensity on the relationship between competitive strategies and performance of manufacturing firms in Kenya. The study was anchored on Porter's competitive business strategy typology. Survey research design was used covering a stratified sample of 189 firms drawn from the 454 manufacturing firms distributed across the 12 key industrial subsectors. The researcher used multi-stage sampling technique. Correlation and regression analysis were used as a test of study hypotheses. The results indicated that manufacturing firms in Kenya have largely adopted competitive strategies in order to compete in the market place. The findings of the study revealed that cost leadership, differentiation and focus strategies have positive significant relationship with manufacturing firm performance in Kenya. However, differentiation strategy had a higher coefficient of determination meaning that, it had the greatest effect on firm performance. It was further established that competitive intensity had insignificant moderating effect in the relationship between competitive strategies and firm performance. Negative relationship was also reported between the moderating variable competitive intensity and firm performance.

Chepngetich and Kimencu (2018) sought to determine the effect of competitive strategies on performance of mobile service providers in Nairobi, Kenya. Specifically, the study sought to determine the effect of cost leadership, differentiation, and focus strategies on performance of

mobile service providing companies and to determine the moderating effect of organization practices, policies and culture on the relationship between competitive strategies and performance of mobile service providers in Nairobi, Kenya. Descriptive research design was used by the study. The population of the study was all the four-mobile service providing firms in Kenya as at December 2017. A sample size of 91 managers was studied which included managers in the marketing departments, human resource and finance. Primary data was collected from the respondents using structured questionnaire with both open and close-ended questions. The study used purely primary data that was collected through the questionnaires. Quantitative data was edited, and coded and analysis undertaken using the SPSS. Multiple linear regression analysis and correlation was used to determine the relationship between the study variables. The study found out there are three main competitive strategies that have been adopted by the mobile service providers, namely; cost leadership, focus and differentiation strategies. The study further found that, all the competitive strategies combined had a strong positive effect on the overall organization performance of the mobile service providers.

Parnel (2018) compared competitive strategy-performance relationships in Mexico, Peru, and the USA. 334 managers in the USA, 398 in Mexico, and 314 in Peru completed surveys. Innovative strategy orientation was positively associated with performance satisfaction in all three nations. The link between low cost strategy orientation and performance was negative in Mexico and positive in the USA. Mexican firms were the most innovative and Peruvian the most cost-oriented. Top managers in Mexico considered their firms' strategies less innovative and more cost-oriented than did middle and lower level managers. Top managers in Peru considered their firms' strategies more cost-oriented than did middle and lower level managers. The U.S. sample showed no significant strategy differences across management levels.

Uchegbulam, Akinyele and Ibidunni (2015) set out to investigate the impact of competitive strategy on performance of Small and Medium Enterprises in Nigeria. Gaining insight from existing literature and theoretical models from the study developed and tested hypotheses using regression analysis. Copies of well structured questionnaire were administered to 150 randomly selected SMEs in Ikeja and Surulere local government areas of Lagos State. The findings revealed that there is a relationship between product features and customer base; product customization and sales growth, value added products and revenue growth. It also indicated that better product quality has an influence on returns on investment.

Studies above indicate varied areas of focus by the scholars. While Nyaga (2015) sought to determine the influence of competitive strategies on performance of Express Company Limited in Kenya, Hlavacka, Bacharova, Rusnakova and Wagner, (2001) examined the use of Porter's generic strategies and their effect on performance in the context of the Slovak hospital industry. On the other hand, Mohsen and Sahar(2015) studied the mediating role of competitive strategies in affecting the aspects of firm competencies such as production capability, marketing and sales capability and information competency, and export performance with Chen and Liu (2018) investigating the value-capturing role of competitive strategy among firms in China. As Buul and Omundi (2017) studied the influence of competitive strategies on the performance of small and medium enterprises in Kenya, in the same year, Arasa (2017) studied the effect of competitive strategies on performance of manufacturing firms in Kenya with specific reference to East African Breweries Limited (EABL). Separately, Bwosi and Ombui (2018) studied the effect of competitive strategies on achievement of competitive edge among accounting firms in Kenya.

Kowo, Sabitu and Adegbite (2018) also investigated whether adoption of cost leadership strategy assist in reducing the cost operation of small and medium enterprises and also to determine the effect of differentiation strategy on the sales turnover of SMEs. Whereas Bukirwa and Kisingu(2017) assessed the influence of competitive strategies on organizational performance of classified hotels in Mombasa County registered under the Kenya Association of Hotel Keepers and Caterers, Pulaj, Kume and Cipi (2015) examined the relationship between competitive strategies and organizational performance by testing the applicability of Porter's generic strategies in construction firms. While Chang, Chiao and Tsai (2017) conducted a study is based on competitive dynamics theory, and discussed competitive actions including; their implementation requirements, strategic orientation, and action complexity, that influence hospitals' performance, while also meeting the requirements of Taiwan's "global budget" insurance payment policy, in a study by Yasar (2010). The effect of competitive strategies on firm performance was empirically tested by considering value chain activities in Gaziantep carpeting industrial cluster.

Sagwa and Kemu (2016) established the effect of competitive strategy on the performance of Deposit Taking Saccos in Nairobi County, Kenya as Tavitiyaman, Zhang and Qu (2012) investigated the influence of competitive strategies and organizational structure on hotel performance and to explore whether organizational structure has a moderating effect on the relationship between competitive strategies and hotel performance. Atikiya (2015) on the

other hand studied effect of competitive strategies on the performance of manufacturing firms in Kenya. Chepngetich and Kimencu (2018) sought to determine the effect of competitive strategies on performance of mobile service providers in Nairobi, Kenya. Differently, Parnel (2018) compared competitive strategy-performance relationships in Mexico, Peru, and the USA as Uchegbulam, Akinyele and Ibidunni (2015) also investigated the impact of competitive strategy on performance of Small and Medium Enterprises in Nigeria.

The studies indicate inadequate attention has been given to focus strategy. It is established from the literature that the studies cover the competitive strategies together while detail on focus strategy in its alternative of cost focus strategy is lacking while this is important information that would help firms make decisions regarding cost focus strategy

2.2.2 Differentiation Focus Strategy and Performance

More empirical evidence is available on the subject of competitive strategies which focus strategies are part of. Justinian (2015) analyzed the effect of application of Porter's generic competitive business strategies on firm performance in Zanzibar hotel industry with specific reference to 3 to 5 star hotels in Unguja. The sampling approach adopted in this study was convenience or accidental method and the sample size focused on General Managers of nine (9) hotels and customers in these hotels. The data was collected by the use of questionnaires which was then computed and analyzed by using Pearson Chi-square tests and linear regression model in SPSS to investigate the relationship between Porter's generic competitive business strategies and firm performance. The study established the effect of cost leadership on firm performance, determined how differentiation strategy affect firm performance and evaluated the effects of focus strategies. The study also confirmed that there is no significant relationship between the Porter strategies and firm performance taking customer satisfaction as an indicator.

Mohammed and Gichinga (2018) examined effect of competitive strategies on organizational performance of telecommunication companies in Mogadishu, Somalia. More specifically the study investigated the effects of cost leadership, differentiation, market focus strategies and strategic alliances on organizational performance of telecommunication companies in Mogadishu, Somalia. The researcher used theories of competitive strategies like porter's generic strategies and employed a descriptive research design to undertake the study. The population of the study was the top, middle and first line managers of Hormuud telecom Somalia. Data was collected from a sample of 184 respondents using stratified sampling

method. A structured questionnaire was used as a research instrument. Both descriptive and inferential statistics were used to analyze data with the help of software called Statistical Package for Social Sciences (SPSS) version 20.0. Standard multiple regression analysis was conducted for hypotheses testing while stepwise multiple regression analysis was conducted in order to establish the best combination of independent (predictor) variables would be to predict the dependent (predicted) variable and to establish the best model of the study. The results revealed that all cost leadership strategy and differentiation strategy have significant and positive effects on dependent variable. Focus strategy and strategic alliances had insignificant effect on organizational performance in the mobile telecommunication companies in Mogadishu Somalia.

Baraza (2017) studied effect of competitive strategies on performance of manufacturing firms in Kenya with specific reference to East African Breweries Limited. This study was guided by Resource-Based View Theory, Structural contingency theory, game theory and strategic conflict model. A descriptive and qualitative research design based on a phenomenology approach was used in this research. The target population comprised employees of EABL especially those working in higher positions within the organization. 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. Both descriptive and inferential statistics was employed in data analysis. Regression analysis was used to determine the relationship between the independent variables and dependent variable. From the findings competitive strategies; cost leadership, differentiation and focus are critical because they influence decision making and organizational performance

Sifuna (2014) studied effect of competitive strategies on the performance of public universities in Kenya. This research problem was studied using a descriptive survey design. The target population was 162 respondents from which 54 were chosen as the sample size. Stratified disproportionate sampling technique was used to select the sample. A structured questionnaire was used to collect primary data. Multiple regression analysis was conducted to establish the relationship between the competitive strategies and market sustainability. The findings were that economies of scale to a very great extent affect performance of universities. It was further established that capacity utilization of resources, reducing

operations time and costs, efficiency and cost control, mass production and mass distribution as aspects of cost leadership affected performance in the university to great extent, differentiation based on product/service, differentiation based on promotion/ advertising campaign and differentiation based on personnel affected performance of the university and market focus affected performance of the university. The study concluded that cost leadership affects performance of universities in Kenya through achieving economies of scale, capacity utilization of resources, reducing operations time and costs, efficiency and cost control, mass production, forming linkages with service providers, suppliers and other supplementary institutions and mass distribution and that differentiation affect performance of the university through product/service, promotion/ advertising campaign, personnel differentiation.

Njiru(2015) sought to determine the influence of competitive strategies on performance of Express Company Limited in Kenya. The study was guided by the following objectives; to determine the competitive strategies adopted and the effects of competitive strategies on performance of express connections Kenya Limited. The research used a case study approach to give an in-depth understanding of the competitive strategies on performance of Express Connections Limited. The study used both primary and secondary data where primary data was collected using an interview guide and secondary data was collected from audited financial reports and other publications at Express Connections Limited. Content analysis was used to analyze this data collected from the interviewees. The study established that Express Connections Limited adopted a number of competitive strategies; standard pricing was being used within the respective timings for instance peak and off peak differentiation, usage of standard colors so as to identify the fleet and the creation of a sister company to help build the bus bodies and in repair of the vehicles and segmented market on the basis of routes being covered by the fleets and zones in order to ensure effective coverage of all routes. The study concluded that service quality and customer relationship are the most effective competitive strategy used by Express Connections Limited as well as differentiation of services to suit their clients.

Muia (2017) purposed to investigate the effects of competitive strategies on the performance of insurance sector in Kenya. To achieve this, the study was guided by the following research questions; what is the effect of differentiation strategy on performance of insurance companies in Kenya? What is the effect of cost leadership strategy on performance of insurance companies in Kenya? What is the effect of focus strategy on performance of insurance companies in Kenya? The study employed a descriptive research design and this

was appropriate for this research to ascertain the prevailing conditions of facts in a sample. The target population consisted of all strategic planning department in the 47 insurance companies in Kenya listed under the membership of Association of Kenya insurance (AKI). A purposive sampling technique was used to select a sample of three employees from strategic planning department in each insurance company resulting in 141 respondents. Only 135 questionnaires were filled and returned representing 95.7%, this was sufficient for the study. To analyse the data, descriptive statistics such as mean, standard deviation, frequency and percentage were used. For inferential analysis correlation was used to measure the strength of the relationship between differentiation, focus, cost leadership and firm performance. Moreover, regression analysis was used to show the nature of the relationship between dependent and independent variables. Based on the first research question majority of the firms offer a broad range of products and economize on cost of materials. It was also established that many differentiate their product and a majority do not offer narrower range of product than competitors. A correlation analysis between differentiation strategy and performance was a strong positive one and the regression coefficients showed a positive and significant relationship between differentiation strategy and insurance performance. Based on the second research question, the findings revealed that most of the firms charge lower prices than the competitors and heavily invest in sales promotion. It was also revealed that many constantly reduce labour input through automation. A correlation analysis between cost leadership strategy and performance was strongly positive and the regression coefficients showed a positive and significant relationship between cost leadership strategy and insurance performance. The last research question established that majority of insurance firms serve specific geographical market and emphasize on marketing specialty product. The findings also established that many deal with broad product serving wider market while majority constantly target a specific market. A correlation analysis between focus strategy and performance was strong and positive and the regression coefficients showed a positive and significant effect of focus strategy and insurance performance.

Yusuf, Buuni, Kiiru and Karemu (2015) examined effect of Porter's generic competitive strategies and its effects on the performance of Somaliland Beverage Industry (SBI) in Somaliland. The study found out that the cost leadership, differentiation, and focus strategies have a positive relationship with performance. The researcher based on the research findings concluded that there is a positive effect of porter's generic competitive strategies on performance of SBI.

Kago, Gichunge and Baimwera (2018) studied relationship between competitive strategies and organizational performance of Petroleum companies in Kenya. The specific objectives of the study were to determine the effect of differentiation, focus and cost leadership strategies on business competitive strategies of Petroleum companies in Kenya and to determine business competitiveness challenges affecting facing Petroleum companies in Kenya. The study adopted a descriptive research design because of the nature of the data to be collected. This study was a survey of fifty-nine petroleum companies in Kenya. The target population consisted of all the 59 petroleum companies in Kenya. Structured questionnaire with open ended questions was used to collect primary data. The data was analyzed using content analysis and descriptive statistics. The findings indicate that competitive strategies of differentiation, focus strategy and cost leadership enhance business competitiveness. The study sampled 52 respondents who constituted top level, middle level and junior management at the Petroleum companies in Kenya. 46 questionnaires were fully filled and returned to the researcher and gave a response rate of 88%. Variables had a significant effect on cost leadership on relationship between competitive strategies and organizational performance of petroleum companies in Kenya. The independent variables that were studied explain a substantial 89.8% of competitive strategies for performance of as represented by adjusted R² (0.898). Therefore, the independent variables contribute 84.3% of the business performance. The study concluded that competitive strategies positively influence organization business performance. On the same, the study concluded that strategy implementation improves corporate image, business excellence and operations management, strategy formulation and implementation influence organization performance positively to a great extent resulting to increased organization profitability, business turnover and volumes of sale. The study further concluded that organizations should focus on evolutionary strategic changes, reconstruction strategic changes, adaptation reconstruction changes and revolutionary strategic changes as they enhance growth to a great extent.

Fathali (2016) empirically assessed the impact of competitive strategies on corporate innovation in the automobile industry of Iran. The study involved a questionnaire-based survey of managers from two major automobile manufacturers (SAIPA and Iran Khodro) in Iran. A total of 286 useable questionnaires were received from managers from the two manufacturers. These were subjected to a series of correlational and regression analyses. The measures of the independent (competitive strategies) and dependent (corporate innovation)

variables are based on literature. The results reveal that competitive strategies of Porter had a positive and significant influence on corporate innovation. It was found that with strong statistical significance, three competitive strategies, cost leadership, differentiation, and focus provide an explanation for variations in corporate innovation dimensions including innovation in product, innovation in process, and administrative innovation

Wekesa (2014) studied the influence of competitive strategies on the organization performance, focusing on Sugar companies in Kenya. The conceptual framework had the three competitive strategies; cost leadership, differentiation and focus as independent variables and organization performance as the dependent variable. The model chosen for the study was Porter's generic model. Porter's generic strategies describe how a company pursues performance across its chosen market scope. There are three generic strategies, either lower cost, differentiated, or focus. The study adopted a descriptive survey research design. The target population for the study comprised of 108 respondents drawn from 9 sugar companies operating in Kenya. The study used census sampling to select its respondents from the target therefore it had a sample population of 108 respondents. Questionnaires were used as the main data collection tool. Data collected was classified into categories for ease of statistical analysis. The coded data was analyzed using descriptive statistics and regression analysis that accepted or rejected null hypotheses. This was done with the aid of statistical package for social scientist (SPSS) version 16.0. These findings therefore indicated that the major way that the organization uses cost leadership is by pricing its products lower than those of their rivals in the market. The findings also indicated that the organization uses company branding as the major way of differentiating the organization and the product from their competitors for the sake of improving firm's performance. The study concluded that organizations should closely monitor cost leadership as a tool and apply it to the advantage of their organization. It also concluded that organizations that apply differentiation strategy are able to create a niche for themselves in the market and even create customer loyalty

Sagwa, K'obonyo and Ogutu (2015) examined role of competitive strategy in the relationship between employee outcomes and firm performance.. This study was motivated by the desire to fill this gap in knowledge. The objective of the study was to assess the moderating effect of competitive strategy on the relationship between employee outcomes and firm performance. The research design was cross sectional descriptive survey. Data was collected using a self-administered questionnaire, from a population of 60(100%) Nairobi Securities Exchange listed firms. The response rate was 36(60%). The study established established that

competitive strategy moderated the relationship between employee outcomes and firm performance.

Studies above vary in context, methodologies and in some cases, the concepts examined. Whereas Justinian (2015) analyzed the effect of application of Porter's generic competitive business strategies on firm performance in Zanzibar hotel industry with specific reference to 3 to 5 star hotels in Unguja, Mohammed and Gichinga (2018) examined effect of competitive strategies on organizational performance of telecommunication companies in Mogadishu, Somalia. Baraza (2017) studied effect of competitive strategies on performance of manufacturing firms in Kenya with specific reference to East African Breweries Limited. This is close to what Sifuna (2014) studied. He explored effect of competitive strategies on the performance of public universities in Kenya just as Njiru(2015) who sought to determine the influence of competitive strategies on performance of Express Company Limited in Kenya. While Muia (2017) investigated the effects of competitive strategies on the performance of insurance sector in Kenya, Yusuf, Buuni, Kiiru and Karemu (2015) examined effect of Porter's generic competitive strategies and its effects on the performance of Somaliland Beverage Industry (SBI) in Somaliland. Similarly, Kago, Gichunge and Baimwera (2018) studied relationship between competitive strategies and organizational performance of Petroleum companies in Kenya. In a different direction, Fathali (2016) empirically assessed the impact of competitive strategies on corporate innovation in the automobile industry of Iran while Wekesa (2014) studied the influence of competitive strategies on the organization performance, focusing on Sugar companies in Kenya. On the other hand Sagwa, K'obonyo and Ogutu (2015) examined role of competitive strategy in the relationship between employee outcomes and firm performance.

The studies indicate inadequate attention has been given to focus strategy. It is established from the literature that the studies cover the competitive strategies together while detail on focus strategy in its alternative of differentiation focus strategy is lacking while this is important information that would help firms make decisions regarding differentiation focus strategy

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter presents the methodology that the researcher intends to use to conduct the study. It outlines the research design, study area, target population, sample size, sampling technique, data type and source, data collection method, instrument validation and reliability test, data analysis and presentation.

3.1. Research Design

The study used a correlation design. Correlation designs are used when researchers are interested in establishing relationships between two or more variables. Gall, Gall and Borg (2003) indicated that correlation designs involve discovering both the direction and degree of the associations among variables without manipulating the variables. Although correlation design does not establish the cause and effect as an experimental design, the approach can ascertain potential causal factors for relationships among variables. According to Creswell (2002) a correlation design is well suited for identifying the type of association, explaining complex relationships of multiple factors that explain an outcome and predicting an outcome from one or two predictors.

3.2. Study Area

The study was conducted in Kenya Power Company. It was conducted in its head office located in Nairobi and in its regional offices in Kenya. Currently, Kenya Power is organized into 10 regions across the country.

3.3. Population of Study

The population of this study comprised of all the senior managers of Kenya Power Company in all its establishments in Kenya totalling to 61. The senior managers are distributed into regional functions, line functions and support functions. This population was found suitable for the study since senior managers often have adequate knowledge on strategic issues about a firm.

3.4. Sampling

The study adopted saturated sampling involving use of the entire population. It was a census study. This was because the population is small.

3.5.Data Collection

3.5.1 Data Type and Source

Primary and Secondary data was used. Secondary data was obtained from publications on strategy and Kenya Power Company available in appropriate libraries. These included financial performance reports from the company's, journals, books and other resource materials. Primary data was obtained from the targeted respondents. Secondary data was obtained from review of related studies to compare relevant information as regards the same.

3.5.2 Data Collection Instrument

Secondary data was collected using document review guide while primary data was collected using self administered questionnaire. The questionnaire was administered to the respondents who were the senior managers. It was a 5-point Likert-type scale questionnaire divided into three sections. The first section sought general information, the second section sought information on competitive strategies and the third section sought information on performance of firm.

3.5.3 Validity and Reliability of Instruments

Validity is defined as the degree to which a test measures what it purports to measure. An instrument is validated by proving that its items are representatives of the skills and characteristics to be measured(Kothari, 2005). Validity was ascertained by making sure that the questionnaire items sufficiently cover the research objectives. The questionnaire was also subjected to experts, scholars and practitioners in the field of research (Kothari, 2005).

The term reliability refers to the extent to which results are consistent over time and accurately represent the total population under study. If the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable. In this study,Cronbach's Alpha Reliability Coefficient was used to test reliability of the questionnaire. Nunnaly (1978) indicated 0.7 to be an acceptable reliability coefficient. Cronbach's Alpha values above 0.7 will ascertain whether the data collection instrument is satisfactory and reliable for data collection. Pilot data from 5 respondents who did not form part of the main study was used for the validity and reliability exercise. The results for reliability test showed that all the three scales were reliable as in table 3.2 .

Table 3.2: Cronbach's Alpha Reliability Test Results for Data Instrument

Construct	Number of Items	Cronbach's Alpha Reliability Coefficient
Cost Focus	6	0.723
Differentiation Focus	6	0.832
Performance	9	0.811

Source: Pilot Survey Data (2019)

3.6.Data Analysis

The data collected was summarized and screened for purposes of analysis. Quantitative data was coded and analyzed using descriptive statistics and inferential statistics. Regression analysis was used to determine effect of competitive strategies on performance.

Multiple regression model was used to analyze the two objectives

$$Y_i = \beta_0 + \beta_1 CF + \beta_2 DF + \varepsilon$$

Where:

Y_i = Firm Performance (Quality, Cost, Expansion)

CF=Cost Focus

DF=Differentiation Focus

ε = Error term

β_0 = Constant term. Intercept of Regression Equation

β_1 = Effect of Cost focus strategy on performance of firm.

β_2 , = Effect of Differentiation Focus on performance of firm

CHAPTER FOUR

RESULTS AND DISCUSSIONS

This chapter presents analysis of findings and discussions. There is interpretation of findings and comparison of these results with previous study findings.

4.1 Response Rate

The response rate was 80%. There were 61 potential respondents but given that pilot testing was conducted on 5, a total of 56 questionnaires were administered with 45 of them returned successfully. Those covered in pilot test were omitted in the main study.

Table 4.1: Response Rate

Status	Frequency	Percentage
Response	45	80
Non-response	11	20
Total	56	100

Source: Research Data (2019)

Results in table 4.1 show that, the response rate was 80%. Out of the 56 questionnaires distributed to respondents, 45 responses were received. This rate was found adequate according to previous studies.

4.2 General Information

Information was sought on two areas considered general to study focus. These were age of organization and the area of focus of organization or purpose. The results are as follows;

4.2.1 Types of Customers

Table 4.2: Types of Customers Served

Customer type	Percentage %
Commercial	20
Household	55
Government	25
Total	100

Source: Research Data (2019)

From the results in table 4.2, it is observed that majority of customers (55%) served by Kenya Power Company were households. Others are commercial non government entities at 20% and government agencies and departments at 25%.

4.2.2 Area of Operations

Table 4.3: Area of Operations

Area of Operations	Percentage%
i) Urban	65
ii) Rural	35
Total	100

Source: Research Data (2019)

From table 4.3, it is observed that most customers served (65%) were in urban areas while 35% of them were rural customers.

4.3 Cost Focus Strategy

Table 4.4: Cost Focus (N=45)

Activities of Cost Focus	N	Min	Max	M	SD
a) Selecting specific segment of market to serve	45	2	5	4.66	.626
b) Offering a specific segment of market the lowest prices available	45	2	5	4.59	.629
c) Engaging in activities that save on costs while serving market	45	1	5	4.46	.725
d) Placing priority on system efficiency goals when designing service delivery process.	45	1	5	4.33	.711
e) Service delivery activities are performed where it is most convenient for the customer.	45	2	5	4.55	.626
f) Seeking cost efficiencies in supplies to be used to serve market	45	1	5	4.58	.701
Overall	45			4.52	0.702

Source: Research Data (2019)

According to the results in table 4.4, overall mean was (M= 4.52) and standard deviation was (SD=.702). From a scale of 1 to 5 where 1 is very low and 5 is very high as was in the data instrument and as was applied in data analysis, these results are a pointer to the fact that activities of cost focus, that constitute the competitive strategies are very high at KPC. . The small SD implies the experience is consistent across the respondents.

4.4 Differentiation Focus Strategy

Table 4.5: Differentiation Focus (N=45)

Activities of Differentiation Focus	N	Min	Max	M	SD
a) Selecting specific segment of market to serve	45	2	5	4.59	.8134
b) Offering of something unique that competitors aren't offering	45	2	5	4.62	.755
c) Designing products for specific markets	45	2	5	4.61	.737
d) Placing priority on uniqueness of service delivery process.	45	2	5	4.63	.705
e) Service delivery activities are performed in high end places where customers are.	45	2	5	4.64	.708
f) Seeking uniqueness and quality attributes in supplies to be used to serve market	45	2	5	4.66	.801
Overall	45			4.62	.803

Source: Study Data (2019)

According to the results in table 4.5, overall mean was (M= 4.62) and standard deviation was (SD=.803). From a scale of 1 to 5 where 1 is very low and 5 is very high as was in the data instrument and as was applied in data analysis, these results are pointing to the fact that differentiation focus activities in KPC are high. The small SD implies the responses are not far away from the mean.

4.5 Organization Performance

Table 4.6: Performance of the organizations (N=45)

Organizational performance	N	Min	Max	M	SD
a) New and better procedures for service delivery	45	2	5	4.49	.685
b) Improvement of services	45	1	5	4.60	.699
c) Enhancement of quality processes	45	2	5	4.55	.733
d) Expansion in service outlets and stations	45	1	5	4.45	.734
e) Expansion in service lines and connections	45	2	5	4.50	.743
f) Increase in service delivery employees	45	2	5	4.65	.753
g) Lowering of charges to customers	45	1	5	4.51	.762
h) Reduction in cost of supplies	45	2	5	4.52	.744
i) Efficiency in use of materials and equipment	45	1	5	4.52	.723
Overall	45			4.53	.702

Source: Research Data (2019)

As indicated in the results in table 4.6, overall mean was (M= 4.53) and standard deviation was (SD=.702). From a scale of 1 to 5 where 1 is very low and 5 is very high as was in the data instrument and as was applied in data analysis, these results attest to the fact performance of KPC is very high. The small SD means the experience is consistent across the responses.

4.5 Competitive Strategies and Performance

Competitive strategies were constructed as cost focus and differentiation focus. These are aspects of cost leadership strategy

4.5.1 Effect of Cost Focus Strategy on Performance

Hypothesis H₀1 for objective one was that there is no significant effect of cost focus strategy on performance of KPC. Performance was therefore regressed on cost focus dimensions. Multiple regression results (Table 4.7a) indicated that coefficient of cost focus was ($\beta = 0.340$, $p < 0.05$), implying that for a unit standard deviation in cost focus, there are 0.340 standard deviations in performance. This means that cost focus was a positive and significant predictor of performance. Therefore the null hypothesis was rejected.

Table 4.7a) Regression Coefficients: Effect of Cost Focus on Performance

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	2.709	.228		11.822	.000		
Cost Focus	.214	.064	.340	3.412	.001	.427	2.345
Different Focus	.169	.058	.261	2.853	.005	.511	1.956

a. Dependent Variable: Performance

Source: Research Data (2019)

It is observed that these findings agree with results of the works of Baraza and Arasa (2017), Bwosi and Ombui (2018), Kowo, Sabitu and Adegbite (2018), Bukirwa and Kisingu (2017) and those of Pulaj, Kume and Cipi (2015). Equally, the results are similar to those of Nyaga (2015), Uchegbulam, Akinyele and Ibidunni (2015), Chepngetich and Kimencu (2018) and Sagwa and Kembu (2016). The results are partly consistent with those of Chang, Chiao and Tsai (2017). However, these results do not agree with the results of Parnel (2018), Atikiya (2015) and Yasar (2010). They are partially inconsistent with those of Chang, Chiao and Tsai (2017).

4.5.2 Effect of Differentiation Focus on Performance

Hypothesis H₀₂ postulated that there is no significant effect of differentiation focus on performance of KPC. Performance was therefore regressed on differentiation focus dimensions. Multiple regression results (Table 4.7b) indicated that differentiation focus coefficient was ($\beta = 0.261$, $p < 0.05$), implying that for a unit standard deviation in differentiation focus, there are 0.2601 standard deviations in performance. This means that differentiation focus was a positive and significant predictor of performance. Therefore the null hypothesis was rejected.

Table 4.7b) Regression Coefficients: Effect of Differentiation Focus on Performance

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	2.709	.228		11.822	.000		
Cost Focus	.214	.064	.340	3.412	.001	.427	2.345
Differentiation Focus	.169	.058	.261	2.853	.005	.511	1.956

a. Dependent Variable: Performance

Source: Research Data (2019)

These results agree with results of the works of Wekesa (2014), Fathali (2016), Kago, Gichunge and Baimwera (2018), Yusuf, Buuni, Kiiru and Karemu (2015), Muia (2017), Njiru(2015), Sifuna (2014) and Baraza (2017). The results however differ with the findings of Mohammed and Gichinga (2018) and Justinian (2015)

Regression summary results are indicated in table 4.8. The model summary presented in Table 4.8 indicates R^2 of 0.468 which is significant. Likewise, the adjusted R^2 of 0.451 is also significant. The change is (0.468-0.451), which equals to 0.017. This is below the level of 0.5, suggested by Field (2005). Therefore, it implies that the model is valid and stable for

prediction. Thus, it predicts variance in performance at 46.8%. This reveals that organization structure explains up to 46.8% of the variance in performance of KPC..

Table 4.8: Model Summary: Performance on Competitive Strategies

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.684 ^a	.468	.451	.34324	1.525

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

b. Dependent Variable: Performance **Source:** Research Data (2019)

These findings support results of the works of Nyaga (2015), Uchegbulam, Akinyele and Ibidunni (2015), Chepngetich and Kimencu (2018) and Sagwa and Kembu (2016). The results however contradict findings of Mohammed and Gichinga (2018) and Justinian (2015). They also fail to agree with those of Parnel (2018), Atikiya (2015) and Yasar (2010).

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents summary of study findings, conclusions and recommendations based on the major findings. It also proposes areas for further research.

5.1 Summary of Findings

From the results of objective one, the summary is that cost focus as an element of competitive strategies, has significant positive effect on performance. As a result, the null hypothesis **H₀₁** which states that there is no significant effect of cost focus on performance of KPC is rejected.

From the findings of objective two, the summary is that differentiation focus as an element of competitive strategies, has a significant positive effect on performance. Consequently, the study rejects the null hypothesis **H₀₂** which states that there is no significant effect of differentiation focus on performance of KPC.

5.2 Conclusions of the Study

From the findings of objective one, it is concluded that when KPC involves more in cost focus practices, its performance increases significantly. From the findings of objective two, it can be concluded that as KPC practices differentiation focus its performance increases significantly.

5.3 Recommendations of the Study

Based on conclusion of objective one, it is recommended that KPC should lay more emphasis on cost focus practices as this enhances their performance. The more they practice cost focus, the more they will perform.

From the conclusion of objective two, it is recommended KPC should also increase efforts on differentiation focus practices. This has significant effect on its performance. The more the organization does this, the higher it will perform.

5.4 Suggestions for Further Research

It is suggested that future researches may focus on other organizations other than KPC. They may also cover different geographical. The future investigators may also study the same phenomenon but use more advanced methodologies.

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APPENDICES
APPENDIX I: LETTER OF INTRODUCTION

RODAH KAMEMBA

(MBA/BE/ 00044/2017)

C/O DEPARTMENT OF BUSINESS ADMINISTRATION
SCHOOL OF BUSINESS AND ECONOMICS
MASENO UNIVERSITY

Date:

TO WHOM IT MA Y CONCERN

Dear Sir/Madam

RE: ACADEMIC RESEARCH

I am a student at Maseno University pursuing Master of Business Administration Degree Course. As part of the requirements, I am carrying out this research entitled, ANALYSIS OF EFFECT OF COMPETITIVE STRATEGIES ON PERFORMANCE OF COMMERCIAL PARASTATALS IN KENYA: A CASE STUDY OF KENYA POWER COMPANY. Please assist to answer the questions provided in a questionnaire. Your Identity is not required and the information you provide was treated in strict confidence.

I remain grateful.

Yours Sincerely

Rodah Kamemba (MBA/BE/00044/2017)

RESEARCH SUPERVISOR

Dr Charles Ondoro

Maseno University

APPENDIX II QUESTIONNAIRE

PART A: GENERAL INFORMATION

1. Type of customers most served

Customer type	Tick
Commercial	
Household	
Government	

2. Area of highest operations

Area of highest operation	Tick
Urban	
Rural	

PART B: COMPETITIVE STRATEGIES

B1: Cost Focus Strategy

Indicate to the emphasis the organization lays on the following cost focus activities

Cost Focus Activities	Very low 1	Low 2	Average 3	High 4	Very High 5
a. Selecting specific segment of market to serve					
b. Offering a specific segment of market the lowest prices available					
c. Engaging in activities that save on costs while serving market					
d. Placing priority on system efficiency goals when designing service delivery process.					
e. Service delivery activities are performed where it is most convenient for the customer.					

f. Seeking cost efficiencies in supplies to be used to serve market					
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B2 Differentiation Focus Strategy

Differentiation Focus Activities	Very low 1	Low 2	Average 3	High 4	Very High 5
g) Selecting specific segment of market to serve					
h) Offering of something unique that competitors aren't offering					
i) Designing products for specific markets					
j) Placing priority on uniqueness of service delivery process.					
k) Service delivery activities are performed in high end places where customers are.					
l) Seeking uniqueness and quality attributes in supplies to be used to serve market					

PART C: ORGANIZATION PERFORMANCE

To what extent has the firm experienced change of performance in terms of the following in current year

		Very low 1	Low 2	Average 3	High 4	Very High 5
Quality	j) New and better procedures for service delivery					
	k) Improvement of services					
	l) Enhancement of quality processes					
Growth	m) Expansion in service outlets and stations					
	n) Expansion in service lines and connections					
	o) Increase in service delivery employees					
Cost	p) Lowering of charges to customers					
	q) Reduction in cost of supplies					
	r) Efficiency in use of materials and equipment					

THANK YOU

APPENDIX III: WORK SCHEDULE

Activity	Period 2019				
	Month 1	Month 2	Month 3	Month 4	Month 5
Problem identification					
Review of literature					
Proposal writing and presentations					
Proposal presentation					
Data collection and data entry					
Data analysis					
Presentation of draft					
Final draft					
Submission of project for examination					

APPENDIX IV: BUDGET

<u>ITEM</u>	<u>KSHS</u>
Stationery	6,000
Literature Review and proposal development	10,000
Data collection	15,000
Data analysis	10,000
Secretarial costs	10,000
<u>TOTAL COSTS</u>	<u>51000</u>