EFFECT OF FIRMS STRATEGIC RESPONSES TO THE CHANGING COMPETITIVE BUSINESS ENVIRONMENT ON THE COMPANY PERFORMANCE: A CASE OF PAINT MANUFACTURING COMPANIES IN KENYA

BY

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DECLARATION AND RECOMMENDATION

Declaration

This research project is my original work, and to the best of my knowledge, has not been submitted to this or any other institution or university for examination.

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Signature…………………………………………………

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Approval

This project has been submitted for examination with our recommendation as the university supervisors.

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DEDICATION

I dedicate this project to my lovely wife, Stella and my daughter Kemunto, my sons, Ogoti, Getoto, Onsongo, and Aenda who gave me the motivation and family time off to pursue my studies. To all I say thank you.

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ABSTRACT

Strategic responses are known to realign firms to respond to the ever-changing turbulent business environment. This research sought to assess the strategic responses of paint manufacturing companies, in view of the intensity of rivalry of competition. The purpose of the study was to determine the effect of firm's strategic responses to the changing competitive business environment on performance. The specific objectives were: To analyze the effect of cost leadership strategy on company performance in the paint manufacturing firms in Kenya, to assess the effect of product differentiation strategy on company performance, and to investigate the effects of focus strategy on company performance of paint manufacturing companies in Kenya. The study used a survey design. The target population all the 44 paint companies in Kenya. However, a purposive sampling was deemed necessary to select only those companies with relatively formalized strategic planning systems. These were considered to be large companies with permanent employees of size greater than 200, thereby creating a listing of 10 companies that met the criteria. Therefore from a sampling frame of 2901, a sample size of 119 was obtained from the selected companies. Data collected was analyzed using the Statistical Package for Social Sciences (SPSS) computer program version 17.0. Descriptive statistics used were the percentages while inferential statistics involved the use of multiple regression analysis, correlation analysis and ANOVA. The regression and correlation analyses showed that all the three responses positively related with performance. However, the differences found among the strategic response effects could not be confirmed statistically. This implied that the firms did not apply pure strategies but used cost strategy as the basis on which other strategic responses are built with varying levels of emphasis. Therefore the study concluded that the companies in the paint manufacture sector studied applied mixed strategies with slight variations in the emphasis accounting for the differences in their performance. Consequently the study made recommendations that the companies need to find ways of increasing effects of niche market leadership and product differentiation as a way of improving performance, to increase research and development activities and human resource practices as these efforts are likely to improve company innovation and therefore performance. Finally the study suggests that further research be carried out regarding paint manufacturers can identify and market segments in the industry so that they can improve their differentiation and focus strategies.

Key Words: Strategy, Strategic responses, competitive environment, performance, Kenya

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LIST OF ABBREVIATIONS AND ACRONYMS

MNCs	:	Multinational Corporations
SCIP	:	Society of Competitive Intelligence Professionals
R&D	:	Research and Development

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The competitive environment for manufacturing firms has been undergoing very drastic changes. Customers are more geographically dispersed, and they now demand higher quality products at lower cost in a shorter time (Stock, Greis and Kasandra, 1999). As a result, firms have been forced to reorganize their manufacturing activities and realign their strategies. According to Kenya Business Directory (2013), paint manufacturers and paint companies have been listed at 44 but the number is fast increasing. Consequently, the paint companies in Kenya have been devising strategic responses that would provide them with competitive advantage in the market that is fast becoming concentrated.

According to Porter (1985), a business can maximize performance either by striving to be the low cost producer in an industry or by differentiating its line of products or services from those of other businesses; either of these two approaches can be accompanied by a focus of organizational efforts on a given segment of the market. Further, a business attempting to combine emphases on low costs and differentiation invariably will end up "stuck in the middle" Whereas Porter contends that the assumptions associated with low costs and differentiation are incompatible, those in the "combination strategy school" have argued that businesses successfully combining low costs and differentiation may create synergies that overcome any tradeoffs that may be associated with the combination (Parnell, Lester, Long and Köseoglu, 2012).

Bharadwaj, Varadarajan and Fahy (1993) suggest that a competitive advantage can be developed from particular resources and capabilities that the firm possesses that are not available to competitors. The transformation of available skills and resources into a strategic position can only take place under conditions that provide a customer benefit, and normally requires the transformation of multiple competitive methods. The ability to implant a cost leadership, differentiation, or focus strategy is dependent on a firm's ability to develop a specific set of competitive methods. This becomes the basis for the

achievement of above average industry performance.

Inkpen and Ramaswamy (2007) also notes that for the past century, global economic dominance has been predicated on the manifold benefits of the multinational corporation (MNC). The vast majority of the large MNCS have been from the US, Western Europe, and Japan. Although the basic structure of the MNC has morphed along the way, some central features have remained constant. The large MNCs have typically been orchestrated from headquarter locations in capital and knowledge rich countries. They have focused on leveraging strengths rooted in their home countries and transplanting the skills to smaller "cloned" operations across the globe. Most have succeeded either by leveraging economies of scale through centralized manufacturing at home combined with an export model or by locating significant assets in-country to manufacture and distribute products and services locally. These polar opposite approaches to global competition have become obsolete today.

Baack and Boggs (2008), on their part find that there has been an increased focus by both academics and multinational companies (MNCs) on emerging market economies. These markets represent a substantial growth opportunity for MNCs based in developed countries and will be a primary strategic focus in the foreseeable future. While a source of potential growth, these markets also present a unique set of environmental features and challenges for firms from developed countries. An important challenge for multinationals from developed economies operating in, or interested in, emerging markets is choosing and implementing a suitable competitive strategy. Examples of countries meeting this definition are China, India, Mexico, Poland, and South Africa. Sectors that have been cited as likely to have increased growth in the foreseeable future include the construction industry.

Sub-Saharan Africa as part of the developing nations has recently experienced the longest sustained period of economic growth since the onset of liberation some 50 years ago. In spite of prospects that could be either very bad or very good, little systematic attention has been paid to understanding alternative African futures as an aid to improved decision-

making and action by governments and by other key agents and stakeholders (Mbadlanyana, Sibalukhulu and Cilliers, 2011). More so, further efforts need to be applied to improve the competitive environment in these countries to make progress more sustainable.

In order to fully leverage the opportunities afforded by emerging markets, companies need both product and business-system innovations. The former is needed to serve customers at price points that they can afford and the latter to reach them in the market and to offer them additional services that have the potential to justify a price premium or at the very least will build brand loyalty. These are investments that carry risks, but there are potential payoffs as well. Companies that heed this twin focus stand the best chance of dominating the emerging markets they enter (Chakravarthy and Coughlan, 2012).

Paint Industry in Kenya

Paint companies in Kenya offer a wide range of paints, pigments, coatings and varnishes for home interior and exterior décor and beautification. In the past few years, the paints industry in the country has been thriving on an upbeat construction and growing economy. As a result of the construction boom being experienced in most parts of the country, the market for paints and coatings continues to maintain a relentless upward march (Hoovers, 2013). The major paint manufacturers commanding the largest share market include Crown Berger Kenya Ltd., Basco products Kenya Ltd., Sadolin paints (East Africa). Each firm makes strategic move to stake out a market share and normally there is a counter move on competition in order to retain market share. Other players in the paint industry include, Galaxy Paint company Ltd., Solai paints Ltd., Grand paints Ltd., Flamingo paints Ltd., Apex paints, Ideal manufacturing company and Orion chemicals Ltd. The leading paint manufacturers and painting companies manufacture their own specialized product – with some also offering professional paint services and training.

According to Hoovers (2013), demand in the industry is driven by industrial production and the housing market. The profitability of individual companies depends on

technological expertise and efficient production. However, small companies can compete successfully with large ones because of the large number of paints and coatings used for a wide variety of applications, including decoration, water resistance, and corrosion resistance.

The companies in this industry manufacture paints, varnishes, lacquers, enamels, and other coatings with major products such as plastic paint, acrylic paint, primers, emulsions, latex paints and many others in a wide spectrum of colors to choose from. Choosing the right paint for your project requires some careful considerations. In addition to offering color paints in every shade, paint companies often share advice on how to ensure good house painting project (Hoovers, 2013).

The profits earned by the firms in an industry are determined by three factors namely; the value of the products to customers, the intensity of competition and the bargaining power of producers relative to their suppliers and buyers, (Grant, 2010). New entrants, according to Porter (1980), take away a certain market share from the already existing firms hence each firm lays strategies to stake out a market share from competition while sustaining on the same. At the same time each player tries to out maneuver each other hence there is a move and counter moves of firms in order to reach equilibrium, and some firms are forced out of the market.

1.2 Statement of the Problem

Today's business environment is very dynamic and volatile. With penetration of information and technology, the market has become a global village and the paint industry is no exception. The customer is knowledgeable and informed because of the individual dynamism of the needs and preferences. The paint industry in Kenya has grown with growth of the construction industry and key players in the industry are keen on positioning themselves to grow their market share. The market leaders in the paint industry have continuously employed strategic responses to these challenges but the informal and small firms continue to control a big chunk of the market share. Historically, strategic responses have been used by organizations to improve

performance. However, the effect of strategic responses on performance in Kenyan paint industry has received little research attention. This study therefore seeks to establish the effect of strategic responses to the changing competitive environment on performance of paint firms in Kenya.

1.3 Objectives of the Study

1.3.1 Overall Objective

The general objective of this study was to establish the effect of strategic responses on the performance of paint firms in Kenya.

1.3.2 Specific Objectives

1. To analyze the effect of cost leadership strategy on company performance in the paint manufacturing firms in Kenya
2. The assess the effect of product differentiation strategy on company performance among paint manufacturing firms in Kenya
3. To investigate the effects of niche market leadership strategy on company performance of paint manufacturing companies in Kenya.

1.4 Research Hypotheses

The study was guided with the following research questions:

1. Cost leadership strategy has no effect on company performance among the paint manufacturing firms in Kenya.
2. Product differentiation strategy has no effect on company performance among paint manufacturing firms in Kenya.
3. Focus strategy has no effect on company performance among paint manufacturing companies in Kenya?

1.5 Significance of the Study

The findings obtained from this study may be useful for proper planning and decision-making for the paint manufacturers to achieve competitive advantage in a dynamic changing business environment and most importantly in achieving Vision 2030. The

findings and recommendations of the study may also be useful to the managers and administrators of paint companies. Knowing the strategic responses and their effectiveness may enable the company managers to know the areas requiring improvement and by extension enable the Ministry of industrialization to plan further on this practice for the achievement of the Vision 2030.

Findings of this study may add to knowledge and understanding of the subject of strategic responses and its application on competition. Furthermore, this study will be significant because it may allow for identification of the concept and framework of strategic responses that takes into account the nature of work and environment of the paint companies. The study findings may also generate awareness in private organizations on the importance of having proper and practical strategic responses framework as a vehicle to organizational effectiveness. In addition, the study may provide knowledge on factors that might have impact and contribute to the successful adoption of strategic responses and implementation of strategies in private organizations.

The study findings may also help improve the company's' internal efficiency and help them re-invent their competitiveness. Furthermore, the study may form a basis for further research on how to enhance the competitiveness of not only Paint Company's but other organizations too. This may lead to the generation of new ideas and efficient management of organizations.

1.6 Scope of the Study

There are many paint companies in Kenya but this study was limited to ten paint manufacturers namely Basco products (K) Ltd., Crown Berger (E.A) Ltd., Sadolin Paints (E.A) Ltd., Galaxy paint company Ltd., Solai paints Ltd., Grand paints Ltd., Flamingo paints Ltd., Apex paints Ltd., Ideal manufacturing company Ltd. and Orion chemicals products Ltd. The study also aimed to establish the employee's perceptions on the role of strategic responses on the performance.

With regard to organizational performance, the study was confined to measurable

indicators of strategic response such as cost leadership strategy, product differentiation strategy, and focus strategy. Similarly the study also assessed an indicator of organizational performance comprising profitability, customer satisfaction, market share growth and return on investments dimensions.

1.7 Assumptions and Limitations of the Study

Only paint manufacturing firms based in Kenya were used in the study sample and the findings may not be extrapolated readily into other industries. Future studies could include comparative studies using other industries to complement the findings in this study. Furthermore this study was based in Kenya where organizational structure, culture, and human resource practices will likely be different those found in other national contexts. A cross-cultural comparison based on the same model could explore the effect of strategic responses on company performance in different cultural environments.

1.8 Operational Definition of Terms

Competitive environment refers to the presence companies producing similar products or services and are depending on the consumers to use their products or services.

Cost leadership strategy involves the firm winning market share by appealing to cost-conscious or price-sensitive customers.

Differentiation strategy refers to an approach under which a firm aims to develop and market unique products for different customer segments

Focus strategy refers to when a firm chooses to compete in a focused, defined market segment with a narrow scope

Performance the ability of an organization to fulfill its mission through sound management, strong strategic responses to achieve the desired results relating to customer satisfaction, organization learning and growth, financial management, and internal business process

Strategic Response are the actions that an organization takes to align itself with the environment

Strategy direction and scope of the organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter examines literature to develop a framework for this study. It is organized under the following subheadings: Empirical literature providing exposition of study variables, theoretical framework of the study, the study conceptual framework and the research gap.

2.2 Empirical Literature

Strategies often fail because the market conditions they were intended to exploit change before the strategy takes hold (Sterling, 2003). Product life cycles are shorter, disruptive technologies emerge with greater frequency, and financial markets can be fickle. And, many markets are experiencing rapid, discontinuous change. As an example, technology challenges the old rules and assumptions and creates daunting external obstacles to execution. As an example of unanticipated market change upsetting a strategy can be found in the failure of several telecommunications start-ups in the 1990s. Many of those telecomm start-ups failed because they were pursuing a fundamentally wrong business assumption; namely, that there would be enormous, pent-up demand for fiber optic capacity driven by the growth of the Internet.

Fundamentally, strategy is about out-performing the competition – but a strategy can be foiled by a highly effective response by a key competitor. According to Narayanan and Fahey (2013) finding, critical strategic decisions require attention to global macro-environmental forces, which some firms conveniently ignore at their own peril. In their study of the TV manufacturing industry, observe that the now defunct Admiral company turned a blind eye to the actions of emerging competitors at a time when rivalry was heating up due to the maturing of the product life cycle.

To effectively anticipate competitors' reactions to a strategy, a company needs a solid competitive intelligence capability. This does not require one to conduct corporate espionage to access competitive secrets. Rather, it requires that companies understand

competitors' market positions, their relative competitive advantages and disadvantages, their historical behavior vis-à-vis competitive strategy, and the general disposition of their respective management teams. The Society of Competitive Intelligence Professionals (SCIP) provides a wide range of training and publications specifically designed to improve companies' capabilities vis-à-vis competitive intelligence (Sterling, 2003).

Many contextual variables may shape strategic decision processes. According to Akhter and Barcellos (2013) several market-related and economic factors have pushed forward the growing involvement of multinational firms in emerging economies like Kenya. Reduced tariff barriers, high growth rates, favorable trade and investment policies, and increasing purchasing power of consumers have transformed emerging economies into attractive destinations for products and services from developed as well as emerging economies. The growing attractiveness of domestic markets has attracted not only resource seeking but also market seeking multinationals. The entry of multinationals of different size and origin has bolstered the integration of emerging economies into the global economy and changed the competitive environment internally. Although effects of globalization are still not completely clear, the issue of how the local competitive environment changes due to the entry of foreign firms has moved to the forefront because of its role in understanding internal market developments in emerging economies. Linked to this issue are also other concerns that relate to the impact these changes have on local firms' strategies and marketing and financial performance. As such there is a need to understand how Kenyan firms reconfigured their competencies to respond to competitive developments.

Customer needs, customer expectations and customer behaviour are constantly changing, thereby driving companies to give special attention to their markets and the business environment, which they should monitor continuously. Silva, Moutinho, Coelho and Marques (2009) find in a study developed to identify the effects of each dimension of market orientation on performance involving a sample of 192 Portuguese companies that managers should give more attention to cross-functional co-ordination in order to

improve market intelligence dissemination and responsiveness and, thus, performance. The study defined market orientation as the group of activities and cross-functional processes driven from the focus on customers' satisfaction through the continuous evaluation of their needs.

2.2.1 Cost Leadership Strategy

Porter (1980) defines cost leadership as the achievement of overall cost leadership in an industry through a set of functional policies aimed at this basic objective. Cost leadership requires aggressive construction of efficient-scale facilities, vigorous pursuit of cost reductions from experience, tight cost and overhead control, avoidance of marginal customer accounts, and cost minimization in areas like R&D, service, sales force, advertising, and so on. Essentially, low cost relative to competitors becomes the theme running through the entire strategy. It is worth noting that Porter does not focus on the possible pricing tactics related to cost leadership, instead focusing on overarching strategic considerations and the importance of achieving lower costs than rivals, regardless of pricing method used (Baack and Boggs, 2008).

Operating Efficiency

Cost leadership is mainly created through a focus on efficiency (Baack and Boggs, 2008). This efficiency can be rooted in various economies in the production or distribution process (e.g. economies of scale, scope, marketing, and so on. It can also be generated from extra-beneficial access to distribution channels or resources. In some cases, the efficiency is the result of proprietary manufacturing technologies or innovations. Lastly, efficiency can be the simple result of a managerial focus on cost control, employee productivity and economical asset use. In all cases, cost leadership is the result of some extra efficiency in the cost structure in comparison to competitors.

A market orientation not only enhances the effectiveness but also reduces management waste by knowing what customers do not require. Employees and assets are two main resources of any organization. A measure of cost efficiency is how much sales, on average, an employee can produce. Another measure is how much sales can be generated

from available assets. Measures of cost efficiency include sales per employee, sales per asset value and an overall productivity measure (Chang, Mehta, Chen, Polsa and Mazur, 1999).

According to Tajeddini (2011), cost efficiency refers to a measure of how effectively resources can be used to solve a particular problem which ultimately leads to lower costs and competitive advantage in prices. Cost efficiency can be defined as a combination of technical and allocative efficiency. Thus a measure of efficiency assesses the ability of an organization to attain the output(s) with the minimum level of inputs. It is not a measure of a success in the marketplace but a measure of operational excellence in the resource utilization process. More precisely, efficiency is primarily concerned with minimizing the costs and deals with the allocation of resources across alternative uses.

Increasing competition and tightening markets are forcing companies to reduce operating costs in order to meet shareholder demands for profitability. Solutions are mainly found in outsourcing, consolidation of operations, relocation of operations to lower-cost locations or a combination of these. Preference for any of these solutions very much depends on the activity involved and the risk level acceptable to the company (Spee and Douw, 2003).

Competitive Pricing

Price defines a firm's competitive position in the market and consumers use price to evaluate quality of a brand. When many firms are competing for the same consumer with homogeneous product offerings, price defines the competitive position, and is as a powerful competitive weapon (Fratto, Jones and Cassill, 2006). However, if a firm is not accustomed to having to compete on price, it is often hard for firms to adjust to that notion. Competing solely on price requires a business model that allows for significant cost cutting measures below those of their competitors. Notably, price alone can rarely build or sustain marketing strategy. Unless committed to this strategy, through cost models and sourcing strategies, this model is potentially highly unstable. Ultimately, a firm must shift in direction of value to take pressure off maintaining a price advantage.

Price is becoming an increasingly important marketing instrument in retailing. This trend is visible in many countries and in several fields of retailing and consumer services. At the same time, consumers are becoming more price and product value conscious. Pricing decisions are typically influenced by cost information, consumer buying behaviour, and competition. This paper focuses on exploring the pricing decisions of retailers in a context where the competitive situation is experiencing considerable change because of the entry of a new hard discount retailer into an oligopoly market. The increasing competition caused by internationalization and, especially, the entry of a hard discounter is seen as the background to increasing consumer price sensitivity, or the growth of the price conscious segment. Consumers seem to be questioning prices in many products and services. The internet makes it possible to compare prices, and the common currency, the euro, has made prices more transparent. Moreover, new firms have appeared offering low price alternatives (Uusitalo and Rökman, 2007).

Pricing is a key determinant for many marketing activities. In essence, the ability to charge a particular price is a barometer that determines and confirms the success of marketing decisions such as branding, positioning, and communicating the competitive advantage of the service provided. Price is also as a driver of demand and a lever for managing capacity, a critical issue in services. Finally price derives from the interdependence and delicate balancing of fixed and variable costs on the one hand, and the demand and profitability on the other (Taher and El Basha, 2006). In addition to the above, the importance of studying the pricing of services stems from it being considered the key element of the marketing mix with the most direct relationship to profit.

Minimal Use of Outside Financing

The modern corporate financing theory originated from the achievement of Modigliani and Miller (1958). Under their strict assumptions, Modigliani and Miller reached the conclusion that corporate capital structure was unrelated to corporate value by exploiting the thought of no-arbitrage. Scholars of corporate finance thereafter continuously loosened the assumed preconditions of Modigliani and Miller theorem, explored the realistic influencing factors of corporate financing and capital structure and put forward

several theoretical hypotheses and a lot of empirical results. However, if we divide the variation of company's capital structure into three levels, namely between-industry variation, within-industry variation and within-firm variation, no matter from which level it is judged, current empirical model has an extremely limited ability to interpret capital structure (Graham and Leary, 2011).

The capital structure of a firm is basically a mix of debt and equity which a firm deems as appropriate to enhance its operations in the midst of several constraints it poses. Modigliani and Miller (1958) postulate that, if one determines optimal leverage by balancing the tax benefit of debt and bankruptcy costs, then both the benefits and costs should depend on macroeconomic conditions. The expected benefit of debt (tax benefit to be derived as a result of debt utilization and mitigation of agency conflicts between managers and shareholders) depends on whether there is an economic expansion or recession since this has cash flow implications. Further, expected costs of debt (bankruptcy costs and agency conflicts between bondholders and shareholders) depend on probability of default and loss given default both of which should depend on the current state of the economy (Bokpin, 2009). An economic intuition indicates that, economy's business cycle phase should be an important determinant of capital structure decisions.

This study provides some reasonable revelations on the effects of firm size on the corporate financing behaviors of firms operating in a country with an undeveloped, inefficient and complex financial system. Using panel data from quoted Nigerian companies, the study establishes that the basic characteristics of firms are more consistent with the fixed effects, than with the random-effects estimation model. The study finds some pecking order patterns in the financing choices of the firms, with large, more profitable and older firms tending to rely less on debt financing, and more on other sources. The study shows, however, that because of the constraints in the country's financial system, Nigerian firms have a common practice of pecking on short-term financing than on the long-term financing, irrespective of their corporate sizes. Of the 70.7 percent found as the average total debts to total assets ratio among the firms, for

instance, as high as 91.4 percent is of short-term liabilities, while only 8.6 percent constitutes long-term liabilities. The practical implication is that because of their predominant use of short-term finances, even the larger Nigerian firms may remain constrained in making capital investments necessary for growth. They, therefore, need to take advantage of their sizes to build strong reputation and high-collateral values that help to guarantee access to long-term equity and debt finances (Ezeoha, 2008).

2.2.2 The Product Differentiation Strategy

Product differentiation strategy which is based on any distinctive organizational capability that represents a competitive advantage include the following factors:

Product Identification

Product involvement and brand loyalty are two important concepts believed to explain a significant proportion of consumer purchase choices. Product involvement differs from purchase involvement. Purchase involvement can be seen as the relevance of the purchasing activities to the individual (Quester and Lim, 2003). On the other hand, product involvement reflects the perceived relevance of the product category to the individual on an ongoing basis. For example, an individual may be very involved with a product category (e.g. cars) or a brand (e.g. Volvo) and yet have a very low level of involvement with the purchase process because of brand loyalty. Conversely, an individual may have a rather low level of involvement with a product category (e.g. jeans), but a high level of purchase involvement, possibly because of the desire to impress a friend. One of the brand assets at the source of value, brand loyalty implies both a consistent pattern of purchase of a specific brand over time and a favourable attitude towards a brand. Brand loyalty develops when the brand fits the personality or self-image of the consumer or when the brand offers gratifying and unique benefits that the consumer seeks.

Building a brand driven culture is a lifelong commitment to a mindset and a way of life that takes time, planning and perseverance that produces intangible outputs which include greater customer satisfaction, reduced price sensitivity, fewer customer defections, a

greater share of customers' wallets, more referrals, and a higher percentage of repeat business. Customers value their relationships with their branded possessions and with marketing agents and institutions that own and manage the brand. The brand identity needs to focus on points of differentiation that offer sustainable competitive advantage to the firm. A brand is a distinguishing name and/or symbol (such as logo, trademark, or package design) intended to identify the goods or services of either one seller or a group of sellers, and to differentiate those goods or services from those of competitors (Ghodeswar, 2008).

Brand identity is based on a thorough understanding of the firm's customers, competitors, and business environment. The brand identity needs to reflect the business strategy and the firm's willingness to invest in the programs needed for the brand to live up to its promise to customers (Aaker and Joachimsthaler, 2000). Strong brands enjoy customer loyalty, the potential to charge premium prices, and considerable brand power to support new product and service launches. Companies need to have thorough understanding of customer beliefs, behaviors, product or service attributes, and competitors.

Control of Distribution Channels

Distribution channel refers to the marketing middlemen who can be classified into three broad groups: wholesalers, retailers and facilitating intermediaries. The latter group includes those factors which do not become directly involved in the transfer and negotiation of ownership, such as transportation firms, warehousing firms, advertising agencies, and marketing research agencies. These intermediaries will not be considered in this article. Each basic form of middleman is usually further subdivided for classification purposes. However, the important point for a channel selector to consider is not the label attached to the specific kind of middleman but the specific mix of services or functions that particular middlemen have or will provide to a manufacturer (Mallen, 1996).

For most firms (Chen and Lai, 2010), distribution system is a key decision for building a successful business. Many companies have built lasting competitive advantages through their choices of distribution systems, which are integrated into coherent and well-

executed business models. An excellent distribution system is critical to a company's efficient and profitable performance. In addition, companies with the highest customer retention rates earn the highest profits. In other words, customer loyalty is also an important factor that affects the performance of a company. The main purpose of this paper is to examine the influence of distribution systems and customer loyalty on firm performance.

According to Neves, Zuurbier and Campomar (2001) the following factors should be considered as detailed distribution functions, and one table for each of the flows could be developed: Product and services flow from company to final consumers which entails inventory management, product transportation, product modification and after-sales service, customizing a product for the specific needs of clients/distributors, providing technical service, product maintenance and repair, procedure and handling of returned products, promote product availability, packaging, specific packaging requirements, evaluating new products and others; Communication flow from company to final consumers including sales promotion to final consumers, information about product features, advertising, providing sales force, packaging information, loyalty programs, Web site participation, traceability information and others; Information flow from consumer to company which involve sharing knowledge of local market, access to computer data, complaints via Web site/service line, order frequency, order formats consideration, arrange information about consumption and others; and Payments and financial flows such as conducting credit checks on final consumers, billing customers, caring for specific customer orders, arrange for credit provisions, price guarantees, financing and others.

Channel control refers to the ability of the manufacturer to see that the various marketing policies and practices that he recommends are carried out at all levels of the distribution system. This particularly includes policies relating to advertising, selling effort, and within legal limitations, pricing. It could also include, among other things, control of the wholesaler’s distribution policy regarding the retail outlets to which the wholesaler sells. Distribution control also makes marketing information feedback more accessible, since

middlemen may be able to provide information to the manufacturer about operations or the market which may not otherwise be available to him (Mallen, 1996). Channel power refers to the ability of a channel member to control or influence the marketing strategy of an independent channel member at another level in the channel, possibly making them change their behavior, or perform an activity that they would not normally perform. The main sources are coercive power, reward power, referent power, expertise power, persuasion power, legitimate power and information power (Neves et al., 2001).

2.2.3 The Focus Strategy

Ideally, a market-driven firm constantly monitors the environment in which it competes in order to learn the appropriateness of its offerings to its target customers. As the customers' needs and perceptions on the firm's and/or its competitors' offerings constantly change, it is imperative to routinely evaluate one's competitive status and make timely decisions on needed modifications to offerings and marketing campaigns. A customer-oriented manager learns to seek information from customers about their perceptions and takes actions based on that information in consideration of competition and regulations to ensure superior performance. Such planning and control procedures may narrow the perceptual gap between the management and the firm's core customers as well as prevent the gap from widening (Chang et al., 1999). The net effect could be a reduction in the defection rate-percentage of customer switching to other service providers- as well as an increase in the capturing new customer rate.

Understanding what customers do not want can result in greater efficiency, reduce waste in management and manufacturing, and enhance competitive advantage. For example, numerous financial institutions learn to reduce cost by eliminating unnecessary expenses. Stockholder service firms learn to send summarized annual and quarterly reports to their clients' stockholders and only mail complete reports on request, thus eliminating substantial administrative and processing expenses. Mutual fund companies issue quarterly or semi-annual statements because many long-term investors do not need to examine their account activities every month. Banks reduce the number of employees in some branch offices because of the availability of ATMs. Consequently, the adoption of a

market orientation narrows perceptual gaps between customers and the management and yields better business performance because customers are served in a cost-efficient manner. As a result, a market-oriented business will enjoy cost efficiency. Hence the following hypothesis is posited (Chang et al., 1999)

Capacity to Manufacture Specialty Products

Capacity to manufacture specialty products has been approached from a variety of perspectives including engineering technical orientation, the interactive manufacturing system optimization, communication and human resource involvement, concurrent engineering and integrative design philosophy from idea generation to a finished product or services. Time-to-market refers to whether products are developed and introduced on or before the scheduled market introduction. Manufacturability may enable firms to design, produce, and deliver products that meet specific customer needs in a timely manner (Doll, Hong and Nahm, 2010). With the reduction in the numbers of parts, the time required to develop and manufacture product components decreases. As the manufacturing processes are simplified, the time required for manufacturing setup and execution is reduced.

The coatings industry has great ability to produce each year a variety of new end products. Many of these are variations of existing materials, but nonetheless it is of importance to note them for they provide an indication of where interest in the coatings industry lies. Typical of the specialty coatings from which the industry seeks higher profits is a white latex paint that contains a small amount of insecticide concentrate which crystallizes into thousands of microscopic particles as the paint dries. These particles migrate to the surface to form a thin dry film of insecticide that kills insects on contact. The paint can be applied on both exterior and interior surfaces of office buildings, schools, hotels, and farm buildings (Americus, 1984).

New Product Development

Timely and responsive new product development has become even more critical in the highly competitive global environment. The need to respond quickly to these dynamic

global market forces requires the firm to integrate rapidly the perspectives and needs of both product developers and potential consumers. However, working against timeliness is the traditional new product development process, which is sequential, with each stage following in logical order. An analogy of the traditional method is the relay race, which requires a smooth transition from runner to runner (i.e. one group of functional specialists passing the baton to the next group). Any lack of communication between various departments in the early stages of product development can be fatal to the success of the project as a whole (Yelkur and Herbig, 1996).

The traditional new product development process consists of eight stages: idea generation, screening, concept development and testing, marketing strategy, business analysis, product development, market testing and commercialization. Ideas are generated and screened and the surviving ideas are developed into product concepts. A product concept is an elaborated version of the idea expressed in meaningful customer terms. During this stage, the product ideas that form the new product implementation list must be defined more precisely. The ideas must emerge into well-formulated sets of attributes designed to appeal to specific sets of customers. These attributes (at least tangible ones) must be transformed into detailed design blueprints. For this to occur, four major tasks must take place. First, product designs and/or models must be made available to manufacturing and to the team for preliminary market testing. Second, market acceptance studies on current product ideas must be finalized. Third, customer segments must be identified and target markets selected. Fourth, production studies must be initiated (Bingham and Quigley, 1989).

Innovation in Manufacturing Process

Technology innovation is of vital importance for firms to survive and develop in a market under intense competition. A firm's decision-making of technology innovation strategy involves two phases. Firstly, a firm decides whether to innovate. With the influence of market structure, scale, intensity of competition, and other factors, different firms show clear distinctions in their motivation to innovate (Chen and Yuan, 2007). Secondly, if a firm chooses to innovate, it has to decide how to organize its innovation. The specific

definition of technology innovation strategy equals the second phase of this decision-making, that is, the choice over innovation path.

According to Jones and Linderman (2014), due to increasing competitive pressures, organizations must engage in activities that will generate high performance and a competitive advantage. However, in order to effectively compete over time, organizations have to perform well in both efficiency and innovation. The changing nature of a dynamic environment requires organizations to compete through innovation and adaptability but also maintain productivity. Many organizations have turned to process management initiatives like Lean and Six Sigma as a means to help achieve and sustain this type of competitive advantage with mixed success.

Quality gurus such as Deming and Juran charge that process management is universally beneficial to any organization. Process management is positioned as a management practice that places too much attention on improving efficiency, thereby hindering a firm's ability to focus on innovation through exploration (Benner and Tushman, 2002). The writers argue that process management practices stabilize organizational processes and create an environment focused on searching for easy opportunities to gain efficiency.

Product innovation is the introduction of a good or service that is new or significantly improved in terms of its characteristics or intended use. Product innovation can be an important source of competitive advantages that can lead to improved performance. Product innovation is central to any analysis of flexible manufacturing systems (Camisón and López, 2010). Thus both the time required to introduce new products into production and the modification of an existing product can be improved with the acquisition of advanced manufacturing systems.

2.2.4 Company Performance

The focus on organizational performance to sustain competitive advantage is necessary for any organization (Rhodes, Hung, Lok, Lien and Wu, 2008). However, the measurement of organizational performance may take different forms. Traditionally,

organizations assess performance based on financial outcomes; tangible units such as amount of profit, cost reduction, sales volume and inventory turnover rate are used. Intangibles such as customer satisfaction rate, frequency of patterns, rate of product development and new competencies and capabilities are infrequently used as performance indicators.

All types of organization, whether they are small or big, public or private, for-profit or non-profit, struggle for survival. In order to survive, they need to be successful, that is, effective and efficient. To assure their success, organizations must perform well. Ultimately, performance lies at the heart of any managerial process and organizational construct and is therefore considered as a critical concept in the strategic management field. Performance has been widely studied and investigated both in practice by business professionals and in theory by academics. Performance as a theoretical construct can be defined as "the accomplishments or outcomes of an entity". It can be defined also as "the way an organization performs vis-à-vis other similar organizations in its industry, not only on traditional financial indicators of performance, but on important non-financial indicators as well" (Elbanna and Naguib, 2009).

2.3 Theoretical Framework

Porter's Generic Competitive Strategy Typology and Miles and Snow Generic Strategy Typology. These theories are important and complement one another as they look at the macro-environmental and industry-related forces that may derail any firm. For example, consider questions such as are there new rivals emerging with winning customer value propositions on the edges of the market? Which regulations or technologies will affect the business enterprise? What moves by competitors might turn the competitive space on its head? Such questions elicit varied responses by firms leading to either success or failure of the firm. This study therefore used the two theories to find out how they apply in the paint manufacturing industry in Kenya and thereby enhancing the success of strategic responses employed by the firms.

2.3.1 Porter’s Generic Competitive Strategy Typology

Porter's (1985) generic strategies of low cost, differentiation, focus and combination strategies are generally accepted as a strategic typology for organizations. Cost leadership focuses on gaining competitive advantage by having the lowest cost in the industry. In order to achieve a low-cost advantage, an organization must have a low-cost leadership strategy, low-cost manufacturing, and a workforce committed to the low-cost strategy. The organization must be willing to discontinue any activities in which they do not have a cost advantage and should consider outsourcing activities to other organizations with a cost advantage. For an effective cost leadership strategy, a firm must have a large market share. There are many areas to achieve cost leadership such as mass production, mass distribution, economies of scale, technology, product design, input cost, capacity utilization of resources, and access to raw materials. Lower costs and cost advantages result from process innovations, learning curve benefits, economics of scale, product designs reducing manufacturing time and costs, and reengineering activities. A low-cost or cost leadership strategy is effectively implemented when the business designs, produces, and markets a comparable product more efficiently than its competitors. The firm may have access to raw materials or superior proprietary technology which helps to lower costs.

Differentiation is one of Porter's key business strategies (Allen and Helms, 2006). When using this strategy, a company focuses its efforts on providing a unique product or service. Since, the product or service is unique, this strategy provides high customer loyalty. Product differentiation fulfills a customer need and involves tailoring the product or service to the customer. This allows organizations to charge a premium price to capture market share. The differentiation strategy is effectively implemented when the business provides unique or superior value to the customer through product quality, features, or after-sale support. Firms following a differentiation strategy can charge a higher price for their products based on the product characteristics, the delivery system, the quality of service, or the distribution channels. The quality may be real or perceived based on fashion, brand name, or image. The differentiation strategy appeals to a sophisticated or knowledgeable consumer interested in a unique or quality product and

willing to pay a higher price.

In the focus strategy, a firm targets a specific segment of the market (Davidson, 2001). The firm can choose to focus on a select customer group, product range, geographical area, or service line. For example, a paint manufacturer firm may focus solely on the Kenyan market. Focus also is based on adopting a narrow competitive scope within an industry. Focus aims at growing market share through operating in a niche market or in markets either not attractive to, or overlooked by, larger competitors. These niches arise from a number of factors including geography, buyer characteristics, and product specifications or requirements. A successful focus strategy depends upon an industry segment large enough to have good growth potential but not of key importance to other major competitors. Market penetration or market development can be an important focus strategy. Midsize and large firms use focus-based strategies but only in conjunction with differentiation or cost leadership generic strategies. But, focus strategies are most effective when consumers have distinct preferences and when the niche has not been pursued by rival firms. In his book, Porter (1980) states that firm failing to develop its strategy in at least one of the three directions – a firm that is “stuck in the middle” is in an extremely poor strategic situation.

2.3.2 The Miles and Snow Generic Strategy Typology

The Miles and Snow (1978) generic typology provides a very powerful tool for classifying organizations by their strategic decisions. Miles and Snow originally developed a framework that identified organizations as one of four mutually exclusive strategic categories: prospector, analyzer, defender, and reactor. Prospector organizations are characterized by a strong and consistent exploration of new markets, technological uses, product designs, and organizational operations. In brief, prospector organizations are constantly seeking innovation in business. Most often, prospector leaders value innovation as the organization's key competitive advantage

In contrast, analyzer organizations more often tend towards cautious activism, waiting for the business advantages of new operational procedures to become apparent before

adopting new methods. Leaders in analyzer organizations most likely embrace a “look before leaping” decision-making style instead of a prospector's “first mover advantage” strategy. While these leaders acknowledge that their organizations may overlook some opportunities through prudence, they also view these potential losses as insurance against costly and nonproductive activities (Mayfield, Mayfield and Stephens, 2007).

An even higher degree of conservatism in decision making occurs within defender organizations. Defenders tend to excel in a select, limited number of markets and production methods, and are slow to adopt major operational changes. Leaders in these organizations tend to favor highly focused competencies in a few specific areas, and place low priority on new strategic ventures (Miles and Snow, 1978). In comparison to the other strategic types, reactors have no clear and consistent strategy. These companies oscillate between the other three forms of strategies, simulate competitor strategies, simply react to events and crises in the business environment, or adopt any and all of the preceding non-strategies in a number of combinations.

According to the Miles and Snow framework, these strategies would remain consistent across the lifetime of an organization in the majority of cases. Subsequent research has tended to support this hypothesis (Mayfield, Mayfield and Stephens, 2007). This high level of predictability is rooted in organizational culture, and reflects the authors' belief that founding organizational leaders have heavily influenced both culture and strategy. According to these tenets, organizations are expected to have stable cultures, which in, turn reinforce strategic consistency over time (Robbins, 2002).

Three central characteristics of the theory give much utility to this framework. First, the theory offers a coherent, practical, and reliable categorization schema that can be used to classify a wide variety of businesses into a small number of strategic behaviors. Secondly, the Miles and Snow typology relies on observable characteristics and business activities to classify organizations; therefore obviating the need for extensive knowledge of internal activities or executive plans. Thirdly, the typology creates a set of exhaustive and mutually exclusive organizational categories; thus, lending a methodological

elegance and utility to the theory (Mayfield, Mayfield and Stephens, 2007).

2.4 Conceptual Framework

A conceptual framework is a collection of concepts or models from literature which informs a research study (Kothari, 2009). It relates a study to existing ideas or principles. For this study, it considers strategic response as a critical component of organizational growth and performance. According to this framework, strategic response constitutes the independent variables which are assessed through the various elements. The specific measurable independent variables include Cost leadership strategy, Product differentiation strategy and Focus strategy. On the other hand, organizational performance is considered to be the dependent variable assessed in terms of indicators such as Profitability, Customer satisfaction, Market share growth and Return on investment. The study also considered moderating variables comprising the quality of staff, government regulation and economic performance. The conceptual framework of the study is illustrated in Figure 2.1.

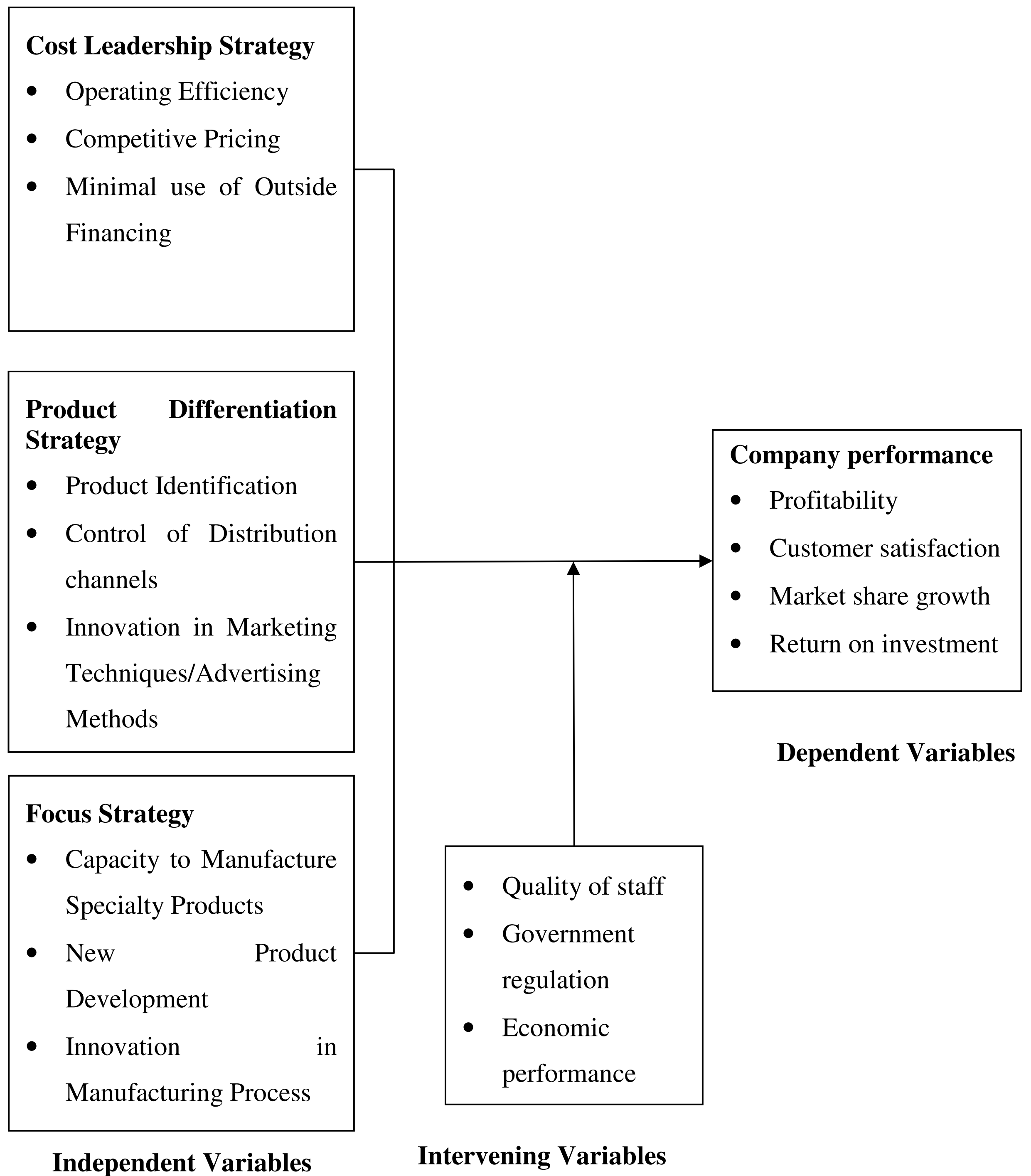

Figure 2.1: Conceptual Framework

Source: Researcher (2013)

2.5 Research Gap

Even though the issue of strategic responses has been widely studied, this study has found two key gaps in the previous studies that make for the need for the study. One is that while firms stake out different strategic directions, there has not been adequate explanation for large performance variances within a single industry, such as the paint manufacturing industry in Kenya, in spite of overall above average performance in the construction sector as compared to other sectors of the economy. The underlying motivation for this kind of study is the quest for those factors that may provide firms with a competitive advantage and hence drive firm profitability. Traditionally, the emphasis in analyzing variations in firm performance has been at the industry level (Houthoofd, Desmidt and Fidalgo, 2010). Further, as companies pursue different strategies, some will disappear, others will not be affected, while others will improve their performance. The study seeks to uncover some of the possible explanation for these experiences so that insights can be adduced as to what measures can be taken to increase to success of the strategy adopted by the firm.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research design that was adopted in this study, as well as the location and population. Instrumentation, data collection and analysis are other important aspects that are explained in the chapter.

3.2 Research Design

A survey research design was used in the study. The purpose of a survey is to explore and describe a phenomenon. According to Kothari (2009), surveys are more efficient and economical. They help the researcher to know much about opinions and attitudes of the respondents. It also seeks to obtain information that describes existing phenomenon by asking individuals about their perceptions, attitudes, behaviors or values. A survey uses questionnaires and interviews in order to determine the opinions, attitudes, preferences and perception of groups of people (Adrian, Lewis and Saunders, 2007). Osoo and Onen (2008) describes structured or closed-ended items as the mainstream of survey research because with questionnaires, a researcher can access a large number of respondents. According to Mugenda and Mugenda (2003), a survey attempts to collect data from members of a population in order to determine the current status of that population with respect to one or more variables.

3.3 Location of Study

The study was carried in Kenya involving paint manufacturers in their head offices in Nairobi.

3.4 Target Population

The target population of this study comprised of heads of departments as well as team leaders in the ten paint manufacturers as named Section 1.6 above in their Head offices in Nairobi.

3.5 Sampling Design and Procedures

The study employed both purposive and simple random sampling techniques were used

to select the study participants. Thus out of a sampling frame of 44 companies, only those that meet the criteria of 200 employees or more were sampled. This was to ensure that only those companies that are relatively large and therefore have a more formalized strategic planning process were included. The next stage was to use simple random sampling to select the employees to take part in the study weighted by the number of employees in each organization. The survey targeted individuals at the senior, middle and supervisory levels in the organization since they are likely the most knowledgeable people regarding their organization strategies and overall organization situations.

Table 3.1: Sample Distribution

	Number of employees	Sample	Percentage
Basco Paints	344	14	12%
Crown Berger	341	14	12%
Galaxy Paints	268	11	9%
Ideal Paints	260	11	9%
Grand Paints	302	12	10%
Orion Paints	236	10	8%
Sadolin Paints	367	15	13%
Solai Paints	340	14	12%
Flamingo Paints	220	9	8%
Apex Paints	223	9	8%
Total	2901	119	100%
Standard deviation	55.56	2.28	

The sample was found using the formula:

$$n = \left[\frac{z_{\alpha/2}\sigma}{E} \right]^2$$

As explained by Adrian et al. (2007), where:

n = the sample size

z = abscissa of the normal curve that cut off an area α = 0.05 at the tails (z = 1.96)

s = standard deviation of the number of the employees in the study firms

E = the desired level of precision (in the same units as the standard deviation). In the study, the margin of error, E = 10 is assumed since the sample size is not known apriori.

The margin of error E is the maximum difference between the observed sample mean $\bar{x}$ and the true value of the population mean μ:

$$\mathrm{E} = z_{\alpha/2} \cdot \frac{\sigma}{\sqrt{n}}$$

Thus,

$$n = (1.96*55.56/10)^2$$
$$= (1.96*55.56/10)*(1.96*55.56/10)$$
$$= 119$$

3.6 Data Collection Instruments

The instruments used in data collection comprised of a structured questionnaire with a five-point Likert scale with points ranging from Strongly disagree (1) to Strongly agree (5). The instruments sought information on their characteristics in terms of department, gender, level of education, years served in company and their respective designations. The instruments further sought the respondents' perceptions on the nature of strategic responses and vaarious measures of performance with regard to their respective companies (Appendix IV). Osoo and Onen (2008) recommends the use of questionnaires for studies that seek to collect information which is not directly observable as such atudies inquire about feelings, motivation and accomplishment as well as experiences of individuals. The sets of instruments employed the use of open and closed ended questions as well as a five point likert scale.

3.6.1 Validity

Validity refers to the extent to which a test measures what the researcher actually wishes to measure (Mugenda & Mugenda, 2003). Adrian et al. (2007) point out that validity is that soundness, the effectiveness of the measuring instrument. Osoo and Onen (2008) also contend that it is the extent to which an instrument measures what it is intended to

measure. They thus recommend that content validity should be established to ensure that the sample of the instruments' items represents the content that the instrument is designed to measure. The content validity established is to ensure accuracy of the instruments. The face validity ensure that the instrument appears to measure what it purported to measure. The researcher sought the expertise of the two supervisors from the Faculty of Commerce at Kabarak University. This helped determine the relevance of the instruments in relation to the subject of study and ensure that all aspects of the objectives were adequately covered by the test items.

3.6.2 Reliability

Reliability measures the degree to which a research instrument yields consistent results or data after repeated trials. The instrument was piloted in two paint company in Nairobi other than those targeted by the researcher that had common characteristic as those of targeted paint companies. This enhanced the reliability and validity of the instruments. The result of the piloted instruments was used to calculate the reliability coefficient. Reliability was established to ensure accuracy and consistency of the instrument. The alpha scores were Cost Leadership (0.81), Product Differentiation (0.75), Focus (0.85), and Company Performance (0.76). According to Coeurderoy and Durand (2004), since strategic behavior is seldom directly observable, the use of multiple scales to measure a construct is recommended with internal reliability being controlled by the Cronbach alpha. Further, Marqués and Simón (2006) note that the statistic used for determining the reliability of the measurement based on its internal consistency is the compound reliability coefficient should be greater than 0.7 in all the dimensions, which is the acceptable minimum. As a result, the study concluded that strategic responses and performance dimensions are accurately measured. This means that the items chosen to measure each dimension are reliable.

3.7 Data Collection Procedures

A research permit will be sought from the National Council of Science and Technology using an introductory letter obtained from Graduate School of Kabarak University. Initial visit to the companies with an introductory letter and an explanation of the intended

research was done by the Researcher. The questionnaire was then administered to respondents. Completed questionnaire were then collected from the respondents for processing.

3.8 Data Analysis

The data analysis was carried using both descriptive and inferential statistics. Upon completion of data collection, coding of responses was done by assigning values to the responses made by the respondents on the questionnaires. The raw data was captured on the SPSS data sheet allowing for frequencies, percentages and cross tabulations to be done. Both respondents' biographical data and nature of strategic responses were analyzed with the help of descriptive statistics such as frequencies and percentage. Factor analysis was used to classify the companies according to predominant strategic responses using principal component analysis extraction method. Relationships between strategic response on performance in the three categories of paint companies was determined at alpha level of $p < 0.05$ and $p < 0.01$. Effect of strategic response on the performance was tested statistically using multiple regression analysis and Pearson Moments Correlation. An ANOVA test was then carried out to investigate the differential impact of different types of strategy.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

In this chapter, the description of the respondents is provided as well as descriptive statistics in respect of each study objective. Factor analysis is used to reduce the dimension of a large complex dataset to allow for correlation analysis to establish the effects of strategic responses on company performance. The chapter concludes with discussion linking the findings of the study with the related theoretical and empirical studies.

4.2 Description of the Respondents

The background of the respondents included the number of respondents from each company in the study, respondent's gender, level of education, experience and the position held in the organization.

4.2.1 Respondent Background Information

In line with the sampling design, the participants were drawn from the study companies with 12% of the respondents being from Basco Product and Solai and Crown Berger, from Galaxy and Ideal 9% each, Grand 10%, Orion 8%, Sadolin 13%, and finally respondents from Flamingo and Apex were 8% each. The gender of the respondents fell into categories male 60% and female 40% while the highest level of education attained by the respondents were classified into Certificate/Diploma representing 55% of the respondents, Bachelors degree corresponding to 35%, and Master's degree or above constituting of the respondents 10%. The work experience of the respondents was another indicator that the study sought to find out in the background information. This information was deemed essential since in indicates the amount of organizational learning that is likely to have taken place through experience and also job turnover in the sector both of which have indirect implications on the strategy implementation. The breakdown of work experience in terms of length of service in the organization being studied was broken down into Less than 5 years making up 24%, From 5 to 9 years constituting 19%, From 10 to 14 years corresponding to 21% of the participants, From 15

to 19 years which comprised 14%, and 20+ years being at 21%. Finally on the respondents' background information the participants were asked to furnish information about their positions in the study firms. Three categories were provided here including Senior staff at 10% which comprised all the individuals at senior positions in the firms who were at the corporate level, the next category was Middle level staff at 38% which comprised all the organization managers at the departmental levels and Operational staff which was at 52% and included all the line staff who are engaged in strategy implementation as part of their routine activities. Support staffs such as cleaners, drivers and other such kind of individuals were not included in this category.

Table 4.1: Respondents Description

		Number of respondents	Percentage
Company	Basco Products	14	12%
	Crown Berger	14	12%
	Galaxy	11	9%
	Ideal	11	9%
	Grand	12	10%
	Orion	10	8%
	Sadolin	15	13%
	Solai	14	12%
	Flamingo	9	8%
	Apex	9	8%
	Total	119	100%
Gender	Male	71	60%
	Female	48	40%
	Total	119	100%
Education	Certificate/Diploma	65	55%
	Bachelors degree	42	35%
	Master's degree or above	12	10%
	Total	119	100%
Experience	Less than 5 years	29	24%
	From 5 to 9 years	23	19%
	From 10 to 14 years	25	21%
	From 15 to 19 years	17	14%
	20+ years	25	21%
	Total	119	100%
Designation	Senior staff	12	10%
	Middle level staff	45	38%
	Supervisory staff	62	52%
	Total	119	100%

Using principal component analysis of the factor analysis, the study derived three generic strategies based on the latent root method (eigenvalues greater than one). These components were themed as Cost leadership strategy, Product differentiation strategy, and Focus strategy following Porter's (1980) typology. The total variance explained was taken to represent the percentage of companies pursuing the generic strategy thereby

providing a classification criteria where 65% of the companies pursued the cost leadership strategy, 22% product differentiation strategy, while the remaining 13% pursued the focus strategy. (See Figure 4.1 below).

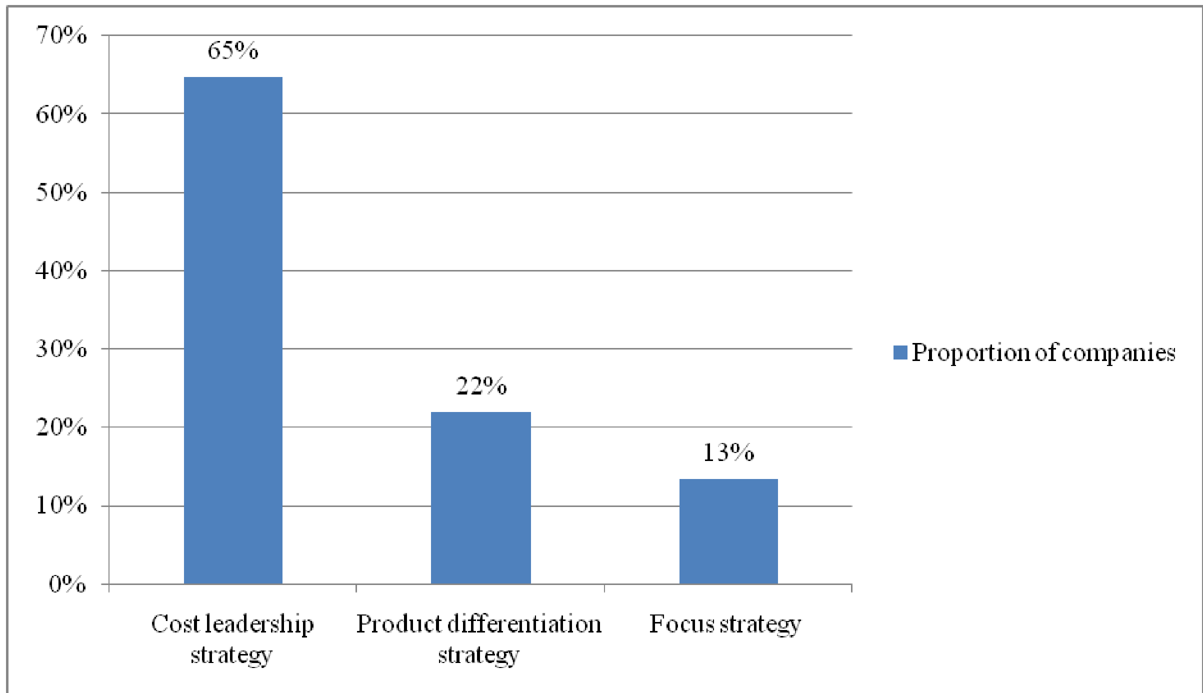

Figure 4.1: Types of Strategic Responses

4.2.2 Cost Leadership Strategy

Percentages were used to summarize the proportion of respondents giving each response while chi-square test was performed to test whether the responses differed across the response categories. In regard to cost leadership strategy, twelve items were examined, as to how the respondents viewed their company performance relative to the competition. When the respondents were asked whether the company has Continuing, overriding concern for lowest cost per unit, relative to the competition, a majority of respondents (54%) noted that their company placed higher priority on costs (χ^2 = 114.24, p = 0.000); on whether the company made Major expenditure on technology-based delivery systems to lower costs, 50% of respondents indicate their company performed higher (χ^2 =

95.496, $p = 0.000$); 46% respondents indicated their company performed higher than competition on Economies of scale achieved through merger or consolidation (χ^2 = 76.084, $p = 0.000$); at the same time 29% indicated their company performed better than competitors regarding Outsourcing functions or entering into joint ventures to control cost showed a majority of ($\chi^2 = 16.42$, $p = 0.0003$); a lower percentage of 26% of the respondents showed that their company was Pricing below competitors, ($\chi^2 = 14.403$, $p = 0.006$); still, 50% of respondents indicated that their company offered Services/products in lower priced market segments ($\chi^2 = 77.092$, $p = 0.000$); while 45% expressed the view that their company Has increased quality management aimed towards better performance ($\chi^2 = 57.345$, $p = 0.000$); only 24% of the respondents indicated that their company Initiate price change and expect other firms to follow ($\chi^2 = 7.008$, $p = 0.135$), which was not significant; and on financing of the company operations, 38% of the respondents indicated that their company relied on Debt financing more than industry average (χ^2 = 36.168, $p = 0.000$); while 41% respondents indicated their company had equity in proportion higher than industry average ($\chi^2 = 51.378$, $p = 0.000$); however respondents indicated 36% of New projects are mainly financed by reinvesting profits ($\chi^2 = 27.849$, $p = 0.000$). (See Table 4.2 below).

Consequently, of the twelve items examined, ten items were significantly rated higher by the respondents relative to the competition indicating an intense competition to be the cost leader. Price leadership was however not significant lending more credence to the view of Uusitalo and Rökman (2007) that consumers may be insensitive to small price changes or small differences in prices, and a change in price is likely to influence consumer choice only when the magnitude of the change is above a threshold. Therefore it can be concluded that the cost leadership strategy, while not necessarily leading to price leadership, provided cost advantages to the firm, enabling them to produce and sell higher volumes relative to competitors (Coeurderoy & Durand, 2004).

Table 4.2: Cost Leadership Strategy Description

	Very low	Low	Similar	High	Very high	χ^2	p-value
Continuing, overriding concern for lowest cost per unit	3%	1%	14%	54%	29%	114.24	0.000
Major expenditure on technology-based delivery systems to lower costs	3%	8%	8%	50%	30%	95.496	0.000
Economies of scale achieved through merger or consolidation	2%	8%	14%	46%	29%	76.084	0.000
Outsourcing functions or entering into joint ventures to control cost	17%	24%	22%	29%	8%	16.42	0.003
Pricing below competitors	14%	29%	21%	26%	10%	14.403	0.006
Services/products offered in lower priced market segments	6%	8%	20%	50%	16%	77.092	0.000
There is increased quality management aimed towards better Performance	5%	12%	25%	45%	13%	57.345	0.000
Initiate price change and expect other firms to follow	19%	22%	24%	24%	11%	7.008	0.135
Operations mainly financed by debt	8%	10%	27%	38%	17%	36.168	0.000
Operations mainly financed by contribution from shareholders (owners)	5%	8%	26%	41%	20%	51.378	0.000
New projects are mainly financed by reinvesting profits	8%	17%	24%	36%	15%	27.849	0.000

4.2.3 Product Differentiation Strategy

On the product differentiation strategy, nine items were examined of which all the response categories were not significantly different among the respondents. Most of the companies did not make it their creating a market position that is perceived as being unique industry-wide and that is sustainable over the long run. For instance, only 24% of

the respondents indicated that their company made Concerted higher effort to build the company's reputation within the industry (χ^2 = 51.378, p = 0.000); again, 25% of the respondents indicated that Building company name identification was very high in their priority relative to other firms (χ^2 = 51.378, p = 0.000); majority of the respondents of 24% indicated that their company made Major expenditure on technology to differentiate services/products lower than other firms in the industry (χ^2 = 51.378, p = 0.000); according to 24% of the respondents, their company maintained a Strong branch network at Very high levels compared to competition (χ^2 = 51.378, p = 0.000); at the same time a majority of 26% of the respondents were indifferent whether their company had Extensive customer service capabilities (χ^2 = 51.378, p = 0.000); similarly, a majority of 26% of the respondents were indifferent whether their company Emphasize direct communication to final consumers 26% (χ^2 = 51.378, p = 0.000); while 23% were also indifferent regarding the company's Innovation in marketing techniques/ advertising methods, (χ^2 = 51.378, p = 0.000); however, a majority of 24% were of the view that their company Promotion/advertising expenditures relative to the industry average was very low (χ^2 = 51.378, p = 0.000); while another majority of 24% rated as low Marketing/ advertising techniques help generate feedback from the final consumers relative to competition (χ^2 = 51.378, p = 0.000).

Therefore, while firms adopting the differentiation strategy achieve a competitive advantage by investing in developing products or services that offer unique qualities desirable to customers which allow the firm to command a price premium (Banker, Mashruwala & Tripathy, 2014), the study found no enough evidence to support the proposition that product differentiation strategy was used extensively by the firms in the paint manufacturing industry in Kenya. As such, it is possible that without the extensive use of product differentiation strategy developed around firm-specific and product-specific innovations and marketing effort, superior company performance be easy to imitate quickly rendering it not durable. Thus the paint manufacturers can be inferred to have not pursued successfully a differentiation strategy with a view to creating a perception in the minds of customers that their products or services possess superior

characteristics that are unique from those of competitors in term of image and reputation, reliability, design features and quality (Porter, 1985).

Table 4.3: Product Differentiation Strategy Description

	Very low	Low	Similar	High	Very high	χ^2	p-value
Concerted effort to build the company's reputation within the industry	22%	19%	20%	24%	15%	2.387	0.665
Building company name identification	19%	18%	17%	21%	25%	2.639	0.620
Major expenditure on technology to differentiate services/products	24%	18%	19%	21%	18%	1.294	0.862
Strong branch network	23%	21%	18%	14%	24%	3.311	0.507
Extensive customer service capabilities	14%	18%	26%	18%	24%	5.916	0.206
Emphasize direct communication to final consumers	18%	18%	26%	17%	21%	3.311	0.507
Innovation in marketing techniques/ advertising methods	21%	18%	23%	20%	18%	0.958	0.916
Promotion/advertising expenditures above the industry average	24%	23%	21%	13%	19%	3.815	0.432
Marketing/ advertising techniques help generate feedback from the final consumers	22%	24%	18%	14%	23%	3.647	0.456

4.2.4 Focus Strategy

Eleven items were used to assess the extent to which the Focus strategy was applied by the paint manufacturing companies in Kenya. For instance, in regard to geographic segmentation where the company Only served specific geographic markets, 22% of the respondents who were the majority indicated Very low usage in relation to competition (χ^2 = 0.538, p = 0.970); on whether the company placed Emphasis on the marketing of specialty services/products, a majority of 27% indicated Very low emphasis in comparison to competition (χ^2 = 12.555, p= 0.014); however, a majority of 23% indicated that their company operated in markets that offered Services/products were higher priced markets (χ^2 = 1.126, p = 0.890); 29% of the respondent were indifferent whether their company offered a Narrow, limited range of services/products had a majority of (χ^2 = 9.361, p = 0.053); as to New service/product development, a majority of 25% indicated higher than competition performance (χ^2 = 3.647, p = 0.456); at the same time a majority of 27% of the respondents showed that higher Emphasis on training, education, and institutional learning was prioritized by their company (χ^2 = 4.571, p = 0.334); a majority of 23% were indifferent in regard to their company offering Broad service/product range (χ^2 = 1.378p = 0.848); however, a majority of 24% of the respondents showed that Developing and refining existing service/product offerings by their company was Very low compared to competition (χ^2 = 2.387, p = 0.665); though another majority of 28% were indifferent in regard to whether their company had Major expenditure on technology to differentiate services/products (χ^2 = 13.227, p = 0.010); yet 26% of the respondents indicated that their company had Stricter service/product quality control procedures as compared to the competition (χ^2 = 4.824, p = 0.306); and regarding whether the firm had Specific efforts to insure a pool of highly trained/experienced personnel, a majority of 23% expressed their placed Very high priority within the company compared to the competitors (χ^2 = 0.958, p = 0.916).

Overall, of the eleven items examined, there were only two items where the respondents showed that there were significant differences between the response categories. These were items: Emphasis on the marketing of specialty services/products which was rated very low generally and Major expenditure on technology to differentiate

services/products which also received more low rating. As such it can be concluded that firms operating in the paint manufacturing industry in Kenya have not employed focus strategy successfully by targeting specific groups of buyers, product lines, or geographic areas. Therefore these firms are not able to gain from either low costs or differentiated products and services within their more limited market scope (Porter, 1985).

Table 4.4: Focus Strategy Description

	Very low	Low	Similar	High	Very high	$\chi2$	p-value
Only serve specific geographic markets	22%	20%	18%	18%	21%	0.538	0.970
Emphasis on the marketing of specialty services/products	27%	27%	21%	11%	14%	12.555	0.014
Services/products offered in higher priced market segments	20%	19%	17%	23%	21%	1.126	0.890
Narrow, limited range of services/products	24%	15%	29%	16%	16%	9.361	0.053
New service/product development	16%	19%	23%	25%	17%	3.647	0.456
Emphasis on training, education, and institutional learning	22%	17%	17%	27%	18%	4.571	0.334
Broad service/product range	18%	22%	23%	20%	17%	1.378	0.848
Developing and refining existing service/product offerings	24%	22%	20%	15%	19%	2.387	0.665
Major expenditure on technology to differentiate services/products	21%	22%	28%	22%	8%	13.227	0.010
Extremely strict service/product quality control procedures	24%	18%	16%	26%	17%	4.824	0.306
Specific efforts to insure a pool of highly trained/experienced personnel	18%	18%	21%	20%	23%	0.958	0.916

4.2.5 Company Performance

The dimensions of company performance were also considered along the lines of how there has been Sales growth in the firm with 53% of the respondents indicating that their

company sales growth were Very high compared to the competition (χ^2 = 87.824, p = 0.000); the Reputation and image of the company was rated very high also by a majority of 44% (χ^2 = 79.361, p = 0.000); still Customer satisfaction garnered a very high majority rating of 52% (χ^2 = 75.319, p = 0.000); though Market share had a majority rating of high of 47% compared to competition (χ^2 = 98.773, p = 0.000); at the same time Profitability had 41% majority indicating very high performance relative to competition (χ^2 = 74.151, p = 0.000); and finally Return on investment was rated by a majority of 54% very high relative to competition (χ^2 = 112.218, p = 0.000).

Therefore it can be concluded that most companies performed at high or very high relative to competition of the selected measures of performance. This indicates that the sustainable competitive advantage rests on the successful the application of the generic strategies either by emphasizing the competitive imperatives of cost control, or providing unique products or services or offering products/services tailored to the specific needs and wants of particular segments in the market (Banker, Mashruwala & Tripathy, 2014). (See Table 4.5 below).

Table 4.5: Company Performance Description

	Very low	Low	Similar	High	Very high	$\chi2$	p-value
Sales growth	2%	0%	7%	39%	53%	87.824	0.000
Reputation and image	2%	2%	24%	29%	44%	79.361	0.000
Customer satisfaction	2%	0%	11%	35%	52%	75.319	0.000
Market share	2%	4%	11%	47%	36%	98.773	0.000
Profitability	2%	3%	20%	34%	41%	74.151	0.000
Return on investment	4%	1%	13%	29%	54%	112.218	0.000

4.3 Inferential Statistics

Inferential statistics used in the study included the use of correlation analysis and multiple regression analysis. The use of different tests was driven by the need to corroborate results and to further query the results to find out more about the underlying patterns explaining such results.

4.3.2 Correlation Analysis

Correlation analysis is used to describe the strength and direction of the linear relationship between two variables. Pearson product-moment correlation coefficient was used to explore the correlation relationship between the factors. Pearson product-moment coefficient is designed for interval and ratio level (continuous) variables. Significant positive correlations were found between Company performance and the factors Cost leadership strategy ($r = 0.651$, $n = 119$, $p = 0.000$) signifying that with high levels of improved cost management was associated with high levels of company performance. Regarding Product differentiation strategy, the correlation was also significant and

positive (r = 0.634, n = 119, p = 0.000) showing that Product differentiation strategy improvement generated performance advantages but slightly lower than the cost leadership strategy; and finally, Focus strategy also had significant positive correlation with company performance (r=0.529, n=119, p=0.000) indicating that by the company focusing on a more narrowly defined group seeking a distinctive mix of benefits, they improve the performance but not to the same extent as through cost leadership or product differentiation. Thus the correlation analysis results were in agreement with the regression analysis leading to the same conclusion that Cost leadership led to the largest unique contribution to the company performance followed by Product differentiation strategy and then, finally Focus strategy. (See Table 4.6 below).

Table 4.6: Correlation Analysis between the Variables

		Cost leadership strategy	Product differentiation strategy	Focus strategy	Company performance
Cost leadership strategy	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	119			
Product differentiation strategy	Pearson Correlation	.287	1		
	Sig. (2-tailed)	.472			
	N	119	119		
Focus strategy	Pearson Correlation	.364	.459	1	
	Sig. (2-tailed)	.216	.327		
	N	119	119	119	
Company performance	Pearson Correlation	.651**	.634**	.529**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	119	119	119	119

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

4.2.3 Regression Analysis

In order to answer the question regarding how the variables Focus strategy, Product differentiation strategy, and Cost leadership strategy affect the Company performance, a multiple regression was used. Multiple linear regression is a method of analysis for assessing the strength of the relationship between each of a set of explanatory variables also called independent variables, and a single response (or dependent) variable.

For the multiple regression analysis to proceed, it was important to establish lack of multicollinearity among the explanatory variables since multicollinearity present difficulty in giving a clear answer on extent to which independent variable contributed to the variance explained in the dependent variable due to confounding interaction between the independent variables. The test helped rule out multicolinearity since the Variance Inflation Factors (VIFs) did not rise above 10 and the tolerances of the explanatory variables which refer to the proportion of variance of the variable in question not explained by a regression on the remaining explanatory variables with smaller values indicating stronger relationships were larger than 0.1. The VIFs are inversely related to the tolerances with larger values indicating involvement in more severe relationships with VIFs above 10 or tolerances below 0.1 are seen as a cause of concern. (See Table 4.7 below).

The multiple regression model fit was assessed using both "Model Summary" and "ANOVA" test. According to the model summary, the values for the multiple correlation coefficient, R, its square, R^2, and an adjusted version of this coefficient were provided. The multiple correlation coefficient R = 0.731 indicates that there is a strong correlation between the observed company performance and those predicted by the regression model. The proportion of variability in company performance accounted for by the fitted model was 53.4%, $R^2 = 0.534$. However, since by definition R^2 will increase when further terms are added to the model even if these do not explain variability in the population, the adjusted R^2 improves the estimation of R^2 in the population by adjusting downwards the R^2 to compensate for chance increases in R^2, with bigger adjustments for larger sets of

explanatory variables (Adrian et al., 2007). Thus the adjusted $R^2 = 0.522$ which leads to a revised estimate that 52.2% of the variability in company performance in the population can be explained by the three competitive strategies. The Model Summary also provides an estimate of the standard deviation of the error term (under Std. Error of the Estimate). The mean absolute deviation was found to be 0.75, which was small since Company performance ranged from 1 to 5. (See Table 4.7 below).

The other test used to assess the regression model fit was through the ANOVA test that was used to provide an F-test for the null hypothesis that none of the explanatory variables are related to Company performance, or in other words, that R^2 is zero. There was enough statistical evidence to reject the null hypothesis since at least one of the factors Focus strategy, Product differentiation strategy, Cost leadership strategy is related to Company performance [$F(3,115) = 44.007$, $p < 0.001$]. (See Table 4.7 below).

Applying multiple regression analysis to the data set resulted in regression coefficients that give the estimated change in the response variable associated with a unit change in the corresponding explanatory variable, conditional on the other explanatory variables remaining constant. Table 4.7 provides estimates of the regression coefficients, standard errors of the estimates, and t-tests that a coefficient takes the value zero. The estimated regression coefficients are given under the heading "Unstandardized Coefficients B"; which give, for each of the explanatory variables, the predicted change in the dependent variable when the explanatory variable is increased by one unit conditional on all the other variables in the model remaining constant. Therefore the results show that the company performance is increased by 0.539 for every additional score on the Cost leadership strategy scale provided that the other two factors are held constant ($p < 0.01$). Similarly, the estimated effect for a unit increase in Product differentiation strategy was associated with 0.463 increase in the company performance score ($p < 0.01$). And finally, the estimated effect of Focus strategy is that a unit increase in it leads to 0.156 increase in company performance after adjusting for Focus and Product differentiation strategies, however, this relationship was not significant ($p < 0.116$). (See Table 4.7 below).

Finally, the Coefficients table provides standardized regression coefficients under the heading "Standardized Coefficients Beta". These coefficients are standardized so that they measure the change in the dependent variable in units of its standard deviation when the explanatory variable increases by one standard deviation. The standardization enables the comparison of effects across explanatory variables. Accordingly, the set of beta-coefficients suggests that, after adjusting for the effects of other explanatory variables, Cost leadership strategy has the strongest effect on company performance with B = 0.414, followed by Product differentiation strategy B = 0.355 and Focus strategy was the least with B = 0.127. (See Table 4.7 below).

Therefore the study findings are congruent with Porter (1980) assertion that cost leadership strategy has a positive impact on market share in general since a firm that manages to sustain a competitive advantage in cost structure can offer the lowest prices to customers. Such a firm is likely to benefit from a virtuous circle: Based on its cost advantage, the firm produces and sells higher volumes than competitors. Therefore, the firm achieves higher economies of scale than competitors which in turn increases its cost leadership (Coeurderoy and Durand, 2004). The study findings therefore lead to the rejection of the first objective and the adoption of the alternative hypothesis that cost leadership impacts favorably company performance.

Alternatively, the study finding of significant positive relationship between product differentiation strategy and company performance confirms the assertion by Asdemir, Fernando and Tripathy (2013) that a differentiation strategy is harder to imitate since it is built on products or services that are perceived to be different from the competitors; hence leading to more sustainable performance. Furthermore, differentiating oneself from the competition by concentrating on making reliable and high quality products will have a significant impact on sales.

Focus strategy, on the other hand, relates to an emphasis on a particular need, or geographic, demographic or product segment. Porter (1985) posits that it is more applicable in mature industries or in industries in which there is a high cost of poor

performance results suggest that niche marketing is an effective strategy for countering price competition in a mature industry and can use a niche market strategy. They identify key success factors, the most important factor of which is a thorough understanding of the targeted consumers (Parrish, Cassill & Oxenham, 2006). The results were not significant in respect of Focus strategy indicated that the companies may not have targeted the market segmented completely with most suitable offerings.

Table 4.7: Regression Analysis Results

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.731[a]	.534	.522	.74666

a. Predictors: (Constant), Focus strategy, Cost leadership strategy, Product differentiation strategy

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	73.601	3	24.534	44.007	.000[b]
	Residual	64.112	115	.557		
	Total	137.713	118			

a. Dependent Variable: Company performance

b. Predictors: (Constant), Focus strategy, Cost leadership strategy, Product differentiation strategy

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.277	.406		-.681	.497		
	Cost leadership strategy	.539	.094	.414	5.709	.000	.769	1.300
	Product differentiation strategy	.463	.104	.355	4.440	.000	.634	1.577
	Focus strategy	.156	.098	.127	1.582	.116	.625	1.600

a. Dependent Variable: Company performance

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter provides a summary of findings, draws conclusion from such findings upon which recommendations are made, and then finally concludes with a suggestion for further research.

5.2 Summary of Findings

The study sought to investigate the differential impact of different types of strategy according to Porter (1980, 1985) typology which categorizes competitive strategies as cost leadership, differentiation, or focus approach to industry competition and argues that superior performance can be achieved in a competitive industry through the pursuit of a generic strategy. The study used data from the paint manufacturers in Kenya. Porter's competitive strategy model was used to isolate and classify the strategic response factors. The descriptive statistics showed that the paint manufacturing companies, by and large, applied the competitive methods stressing one of the generic strategies while at the same time using competitive methods associated with the other remaining strategies to a lesser extent. A multiple regression analysis results showed that Cost strategy accounted for the largest variation in performance, followed by product differentiation strategy and lastly by focus strategy being applied the least in the industry. The correlation also showed that better company performance were associated with cost leadership strategy followed by the product differentiation strategy and though an insignificant relationship was found with focus strategy.

5.3 Conclusions

The study sought to understand the effects of strategic responses on the performance of the companies in the study. Business performance was found to be affected positively by all the strategic responses adopted by the firms. The analyses confirmed positive relationships with Cost leadership strategy, Product differentiation strategy and Focus strategy. Since the strategic responses examined did not vary much among the companies, the study concluded that the key driver for performance differentials between

the firms related to measures undertaken by firms to contain costs and differentiate their products. However, how the firms can improve their performance targeting the various segments of the markets differently has not been conclusively addressed leading to insignificant focus strategy results. This provides the business with advantages in those segments leading to overall higher performance.

5.4 Recommendations

From the findings of the study, the following recommendations that since cost leadership strategy provides easy to mimic competitive methods, the companies are better off emphasizing other elements of strategic responses. This will not only reduce the effects of price based competition but also offer additional benefits to their customers for sustained superior performance. This can be achieved through increased emphasis on research and development to find new ways of improving product quality, range, and functionality by the paint manufacturing companies. Further, the study recommends that in order to drive their focus and product differentiation strategies, the companies need to improve their human resource practices since it's the organizational personnel who are likely to drive the innovations in the firms.

5.5 Suggestion for further research

This study suggests a study that focuses on how market segmentation can be carried out specifically in the paint industry in Kenya and thus such a study can help provide useful information that can be used by companies to cast their net wide thereby increasing their business performance.

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Appendix I: Questionnaire

SECTION A: RESPONDENT'S BIO DATA

1. Name of department:………………………………………………………………

2. Gender: Male ☐ Female ☐

3. Educational level of respondent:………………………………………………………

4. Number of years served in the company:………………………………………………

5. Respondent's Designation:……………………………………………………………

SECTION B: Cost Leadership

Indicate the extent to which you agree or disagree with the following statements concerning the following observations in your company. Use the scale below to tick appropriately in the table below:

1. Strongly disagree; 2. Disagree; 3. Undecided 4. Agree and 5. Strongly agree

Statements	Ratings				
	1	2	3	4	5
Operating efficiency					
1. Continuing, overriding concern for lowest cost per unit					
2. Major expenditure on technology-based delivery systems to lower costs					
3. Economies of scale achieved through merger or consolidation					
4. Outsourcing functions or entering into joint ventures to control cost					
Competitive Pricing					
5. Pricing below competitors					
6. Services/products offered in lower priced market segments					
7. There is increased quality management aimed towards better Performance					

8. Services/products offered in lower priced market segments					
9. Initiate price change and expect other firms to follow					
Minimal use of outside financing					
10. Operations mainly financed by debt					
11. Operations mainly financed by contribution from shareholders (owners)					
12. New projects are mainly financed by reinvesting profits					

Section C: Product Differentiation Strategy

Indicate the extent to which you agree or disagree with the following statements concerning the following observations in your company. Use the scale below to tick appropriately in the table below:

1. Strongly disagree; 2. Disagree; 3. Undecided 4. Agree and 5. Strongly agree

Statements	Ratings				
	1	2	3	4	5
Product identification					
1. Concerted effort to build the company's reputation within the industry					
2. Building company name identification					
3. Major expenditure on technology to differentiate services/products					
Control of distribution channel					
4. Strong branch network					
5. Extensive customer service capabilities					
6. Emphasize direct communication to final consumers					
Innovation in marketing techniques/ advertising methods					
7. Innovation in marketing techniques and methods					

8. Promotion/advertising expenditures above the industry average					
9. Marketing/ advertising techniques help generate feedback from the final consumers					

Section D: Focus Strategy

Indicate the extent to which you agree or disagree with the following statements concerning the following observations in your company. Use the scale below to tick appropriately in the table below:

1. Strongly disagree; 2. Disagree; 3. Undecided 4. Agree and 5. Strongly agree

Statements	Ratings				
	1	2	3	4	5
Capacity to manufacture specialty products					
1. Only serve specific geographic markets					
2. Emphasis on the marketing of specialty services/products					
3. Services/products offered in higher priced market segments					
4. Narrow, limited range of services/products					
New product development					
5. New service/product development					
6. Emphasis on training, education, and institutional learning					
7. Broad service/product range					
8. Developing and refining existing service/product offerings					
Innovation in manufacturing process					
9. Major expenditure on technology to differentiate					

services/products					
10. Extremely strict service/product quality control procedures					
11. Specific efforts to insure a pool of highly trained/experienced personnel					

Section E: Organizational performance

Indicate the extent to which you agree or disagree with the following statements regarding how the following performance have improved in light of the strategy pursued by the company. Use the scale below to tick appropriately in the table below:

1. Strongly agree; 2-Disagree; 3- Undecided; 4- Agree and 5.Strongly agree

Statements	Ratings				
	1	2	3	4	5
1. Company strategy has increased sales					
2. Company strategy has improved reputation and image of the organization					
3. Company has led to increased customer satisfaction					
4. Company has led to growth in market share					
5. Company strategy has led to improved profitability of the firm					
6. There is increased return on investment for the company as a result of the strategy it is pursuing					

Thank you for your cooperation

Appendix II: List of Paint Manufacturing Firms

Apex Paints
Basco Paints
Crown Paints
Flamingo Paints
Galaxy Paints
Grand Paints
Ideal Paints
Orion Chemicals
Sadolin Paints
Solai Paints