Effect of Firms Strategic Responses to the Changing Competitive Environment on Performance of Paint Manufacturing Companies in Kenya

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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 study used a survey design with a purposive sampling of 10 companies with relatively formalized strategic planning systems and employing more than 200 people. A sample size of 119 was obtained from the selected companies. Descriptive statistics used were the percentages while inferential statistics involved the use of multiple regression, 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.

Key Words: *Strategic responses, competitive environment, performance, manufacturing firms, Kenya.*

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. 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).

Inkpen and Ramaswamy (2007) 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.

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.

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.

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).

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 manufacturing firms in Kenya.

1.3 Specific Objectives

1. To analyze the effect of cost leadership strategy on performance in the paint manufacturing firms.
2. To determine the effect of product differentiation strategy on company performance among paint manufacturing firms.
3. To investigate the effects of focus strategy on performance of paint manufacturing companies.

1.4 Research Hypotheses

The study was guided by the following hypotheses:

$H_0$1. Cost leadership strategy has no significant effect on performance of the paint manufacturing firms in Kenya.

Ho2. Product differentiation strategy has no significant effect on the performance of paint manufacturing firms in Kenya.

$H_0$3. Focus strategy has no significant effect on the performance of paint manufacturing companies in Kenya.

LITERATURE REVIEW

2.1 Theoretical Review

Porter's Generic Competitive Strategy Typology and Miles and Snow Generic Strategy Typology have been reviewed. These theories are important and complement one another as they look at the macro-environmental and industry-related forces that may affect a firm's performance. This study therefore used the two theories to find out how they are strategically used in the paint manufacturing industry in Kenya.

2.1.1 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.

On 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.

2.1.2 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, 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).

2.2 Empirical Literature

A study by Tehrani (2003) discusses the impact of five types of competitive strategies (product differentiation, low cost, marketing differentiation, focus product differentiation, and focus low cost) on prominent performance among sixteen segments of high-tech industries in the US and EU. The results indicate that the relationship between competitive strategy and performance depends on the geographies the firm operates in, since US firms that adopt product differentiation, low cost, and focus product differentiation had superior performance than others while in Europe, only the low cost firms outperformed other firms. Kaya's (2004) study, that was conducted on manufacturing firms, located in Gaziantep, revealed that advanced manufacturing

technologies use and adoption of differentiation strategy are both positively and significantly influential on firm performance. The study also revealed that implementation of a dual strategy (combination of cost leadership and differentiation) as having a positive impact on performance. A study on carpeting industry in the same location found no significant relationship between competitive strategies and firm performance (Yasar 2010). The result however, suggested that in order to improve firm performance and get sustainable competitive advantage in global markets, competitive strategies should be used resolutely and cost and differentiation strategies implemented simultaneously by decision-makers.

A study of 225 Slovenian firms within different industry settings reported that the average financial performance of groups of firms strategic business units (SBUs) with different corporate strategies differs significantly between these groups: firms that are 'stuck in the middle' achieve a significantly worse financial performance than firms with any one of the suggested four generic business strategies; and firms with a (focused) differentiation strategy perform slightly better than firms with a (focused) cost leadership strategy (Cater and Pucko, 2005)) . Marques et al., (2000) in their survey of 12 large manufacturing firms from Portugal's glass industry, concluded that companies that had a higher return on equity pursued a cost leadership strategy based on the efficiency of production and a cost leadership strategy derived from production innovation. On the other hand, Silva et al., (2000) applied Porter's typology in 43 firms in the Portuguese manufacturing industry. Their findings showed the effectiveness of differentiation as a preferred strategic orientation.

Leu (2002) in his empirical study of 383 US computer and electronics firms identified that higher product quality and lower production costs are the most important competitive factors. Spanos et al., (2004), in their study examined the impact of firm and industry specific factors on profitability. Their sample consisted of Greek manufacturing companies and investigated Porter's applicability based on a modified version of his typology. They concluded that hybrid strategies are clearly preferable to Greek manufacturing firms and that the more generic strategy dimensions are included in the strategy mix, the more profitable the strategy is, provided that one of the key ingredients is low cost. Additionally, companies found employing a single generic strategy appear to produce below average results, and are less profitable even when compared with firms having no clear strategy.

Similarly, various studies have been carried out on competitive strategies across different contexts and sectors in Kenya. Mutunga and Minja (2014) focused on competitive strategies that firms adopt in the Kenyan beverage industry. The results indicated that 56.2 per cent of the firms embraced duo strategies of cost leadership and differentiation simultaneously while 25 per cent were exclusively on cost leadership and 18.8 per cent were exclusively using differentiation.

In his study of implementation and effects on performance of large private sector firms in Kenya, Waweru (2008) found that there were three strategic groups of low-cost leaders, differentiators and duo strategists in the proportion of 1:3:6. Warucu (2001) evaluated competitive strategies employed by commercial banks that participate in clearing house. The study found that focus and product differentiation are some of the major strategies that the banks have employed in their quest to outdo each other. Similarly, Kiptugen (2003), in his case study of KCB, looked at the strategic responses to a changing competitive environment and established that proactive rather than reactive strategies such as research on changing customer needs and preferences form the basis of its strategic planning. George (2010) examined the relationship of competitive strategies and firm performance in the mobile telecommunication service industry. The findings revealed that the strategies adopted by Safaricom Kenya Limited so as to cope with

the competitive environment included vigorous pursuits of cost reduction; providing outstanding customer service; improving operational efficiency; controlling quality of products/services; intense supervision of frontline personnel; developing brand or company name identification; targeting a specific market niche or segment; and providing specialty products/services. The findings also revealed a significant relationship between the strategies adopted by Safaricom Kenya Limited and its performance with respect to the following objective performance indicators used: total revenue growth, total asset growth, net income growth and market share growth.

Thathi (2008) , focused on competitive strategies used by advertising firms in Kenya and found that discounts, competitive pricing and quality service provision were major strategies applied by advertising firms under focus. A study by Murimiri (2009) report that Commercial Banks in Kenya pursued cost reduction, outstanding customer service and operational efficiency with respect to performance indicators of revenue growth, asset growth and market share. Furthermore, Kimotho's (2012) study on the impact of competitive strategies on the financial performance of CFC Stanbic Bank Limited indicated that those companies that are effective at rapidly innovating new products gained a huge competitive edge in today's business world.

A study on competitive strategies on performance of dairy firms in Kenya found that focus strategy was most preferred by dairy firms in Kenya compared to cost leadership and differentiation strategies (Maluku, 2008). In a more recent study on tourism industry in Kenya, Mary (2014), found that compared to other generic strategies, focus strategy was the factor that had the most significant effect on the company’s competitive advantage. Similar findings were reported by Gitonga (2003) in his study of application of Porters generic strategies framework in hospitality establishments in Nairobi.

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.

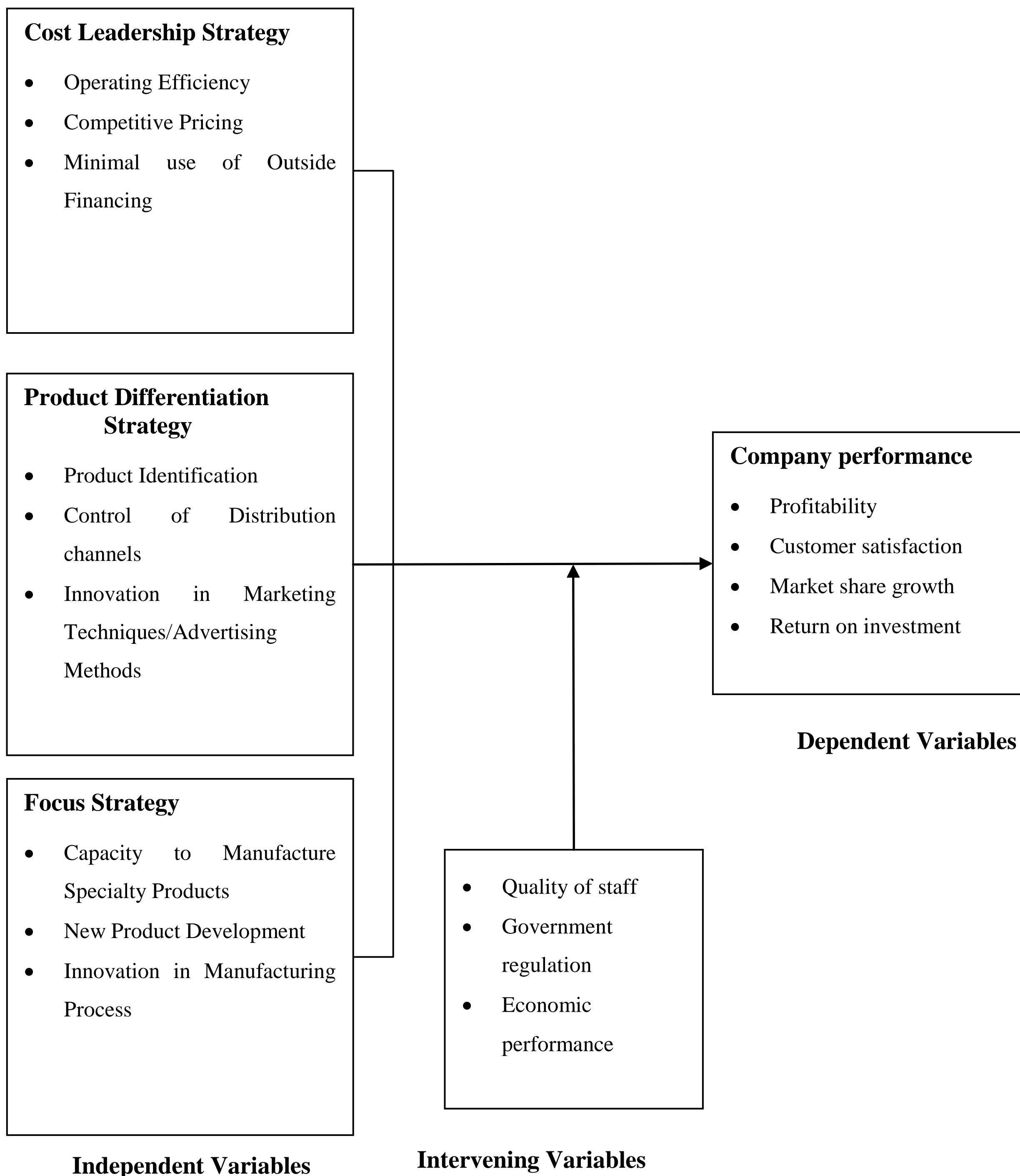

Figure 2.1: Conceptual Framework
Source: Researcher (2013)

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.

3. RESEARCH METHODOLOGY

A survey research design was used in the study. The study employed both purposive and simple random sampling techniques to select the study participants. Thus out of a sampling frame of 44 companies, only those that met the criteria of 200 employees or more were sampled, which settled at 10 companies that were relatively large and had a more formalized strategic planning process. 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. A total of 119 employees at senior, middle and supervisory levels were sampled for the study.

A structured questionnaire with a five-point Likert scale with points ranging from Strongly disagree (1) to Strongly agree (5) was used for thestudy. 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 various measures of performance with regard to their respective companies.

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 yielded reliability alpha scores of 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 and a value greater than 0.7 is considered adequate.

4. RESULTS, DISCUSSIONS AND CONCLUSIONS

4.1 Demographic Information

The total numbers of respondents were 119 of which 60 percent were male and 40 percent female. 75 percent had work experience of more than 5 years. Designation comprised 12 percent in senior management, 38 percent in middle level management and 62 percent working as supervisors.

4.2 Inferential Statistics

Inferential statistics were used to establish relationship among variables as well as testing the hypotheses.

4.2.1 Correlation Analysis

Pearson product-moment correlation coefficient was used to determine the relationship between the variables. Findings from table 4.6 indicate significant positive correlations between Company performance and the factors Cost leadership strategy (r = 0.651, n = 119, p = 0.000) signifying that 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.

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).

4.2.2 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.

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 coefficients, 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).

4.2.3 Hypotheses Testing

Hypothesis One:

The study hypothesized that cost leadership strategy has no significant effect on performance of paint manufacturing firms in Kenya. The study findings indicated that there was a positive significant relationship between cost leadership strategy and performance of paint manufacturing firms (β= 0.414 and p value=0.000). Therefore, a unit increase in use of cost leadership strategy index led to an increase in manufacturing firm performance index by 0.414. Since the p-value was less than 0.001 as shown in Table 4.7, the null hypothesis was rejected and the alternative hypothesis accepted. It can then be concluded that cost leadership strategy influences firm performance of paint manufacturing firms in Kenya.

Hypothesis Two:

The study hypothesized that product differentiation strategy has no significant effect on the

performance of paint manufacturing firms in Kenya. However, the study findings showed that there was a positive significant relationship between differentiation strategy and manufacturing firm performance (β=0.463 and p-value=0.000). Therefore, a unit increase in differentiation strategy index led to an increase in manufacturing firm performance index by 0.463. Since the p-value was less than 0.001 as indicated in Table 4.7, the null hypothesis was rejected and the alternative hypothesis accepted. Therefore, it can be concluded that differentiation strategy had a significant affect manufacturing firm performance.

Hypothesis Three:

The study hypothesized that Focus strategy has no significant effect on the performance of paint manufacturing companies in Kenya. The study findings revealed that there was no significant relationship between focus strategy and manufacturing firm performance (β=0.127 and p-value=0.116) as indicated in Table 4.7. Therefore, it can be concluded that focus strategy had no significant effect on manufacturing firm performance.

Table 4.7: Regression Results

Model summary				
Model	R	R square	Adjusted R square	Std error Std estimate
1	0.731	0.534	0.522	0.74666

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

Anova					
Model	Sum of squares	df	Mean square	F	Sig
Regression	73.601	0.3	24.534	44.007	0.000
Residual	64.112	115	0.557		
Total	137.713	118			

Coefficients								
Model		Unstandardized coefficients		Standardized coefficients	T	Sig	Collinearity statistics	
1		B	Std error	Beta			Tolerance	VIF
	(constant)	-0.277	0.406		-0.681	-0.467		
	Cost leadership strategy	0.539	0.094	0.414	5.709	0.000	0.769	1.300
	Product differentiation strategy	0.463	0.104	0.355	4.440	0.000	0.634	1.577

Focus strategy	0.156	0.098	0.127	1.582	0.116	0.265	1.600

Dependent Variable: Company Performance
Predictors: Focus strategy, cost leadership strategy, product differentiation strategy

4.3 Discussions of the Findings

Results from regression analysis revealed that cost strategy has significant relationship with performance of paint manufacturing companies in Kenya. For every increase in cost leadership strategy, there was a corresponding increase by 0.414 in paint manufacturing firm performance. Thus, high levels of improved cost management were associated with high levels of company performance. This result is consistent with previous studies that investigated the influence of cost leadership on firm performance. For instance, Marques et. al. (2000) in their study on 12 large manufacturing firms from Portugal's glass industry concluded that companies which had a higher return on equity pursued a cost leadership strategy based on the efficiency of production and a cost leadership strategy derived from product innovation. Similar studies on Greek manufacturing companies by Spanos et. al. (2004) also allude that cost leadership strategies lead to company profitability. Furthermore, the study findings also concur with those of Murimiri (2008) who found out that cost reduction, outstanding customer service and operational efficiency were embraced by commercial banks in Kenya as a competitive move. Atikiya (2016) also in support of the findings of the study as he reports that manufacturing firms in Kenya generally pursued cost leadership strategy to improve their performance. The study therefore concludes that paint manufacturing companies in Kenya have embraced cost cutting measures in the design to economize on cost of materials and the entire value chain aimed at lowering prices in comparison with their competitors.

The results from the study also reveal that differentiation strategy has a positive and significant influence on performance of paint manufacturing firms in Kenya (β=0.463 and P≤0.001). The findings are consistent with Kaya's (2004) study which reported that advanced manufacturing firms technologies use and adoption of differentiation strategy have positive and significant influence on firm performance. The findings are also in agreement with Yasar (2010) whose study on carpeting industry established that the use of cost and differentiation strategies improved firm performance and leading to competitive advantage in the global markets. The findings also concur with the study by Asdemir, Fernando and Tripathy (2013) on manufacturing firms in Kenya who report that a differentiation strategy is harder to copy as it is anchored on product and services that are perceived to be different from the competitors and this guaranties a more sustainable performance.

The findings from the regression analysis show that focus strategy has no significant influence on paint manufacturing firms in Kenya. Contrary to these findings, other researchers have found support for the use of focus strategy. For instance, Warucu's (2001) study on competitive strategies employed by commercial banks found focus and differentiation to be the major strategies used by the banks to outdo each other. Furthermore, Mary (2014) reports that focus strategy had the most significant effect on firm's competitive advantage. These findings support Porter's (1980) submission that strategy selection by itself does not necessarily lead to improved firm performance. This implies that manufacturing firms aiming at achieving superior performance should align their strategies to the changes taking place in the broad environment. Furthermore, they should also pursue other ways to tackle competition because competitiveness

of a firm is not only a function of choice of competitive strategies as alluded by the findings from the study.

4.4 Conclusions

On objective one, the study concludes that cost leadership as used by paint manufacturing firms was statistically a significant factor in relation to firm performance. In this regard, if manufacturing a firm wants to perform at a significantly higher level than competitors, it should pursue cost leadership strategy by ensuring that charges and overheads are kept lower. On cost saving measures for cost leadership strategy, it was found that product design technique, use of technology, cutting on administration costs and lowering pricing impacted on manufacturing firms in Kenya.

In regard to objective two, the study concludes that differentiation strategy is a statistically significant factor in determining the performance of paint manufacturing firms in Kenya. Paint manufacturing firms employing differentiation strategy should strive to create and market unique and superior products for varied customer group. The aim should be to create a superior fulfillment of customer needs than the competitors through unique product features in order to develop customer satisfaction and loyalty which can in turn be used to charge a minimum price for the product. A broad variety of product innovations with strong brand reputation is the competitive avenue of differentiation strategy by paint manufacturing companies in Kenya.

On objective three, the study did not find a statistically significant influence of focus strategy on performance of paint manufacturing firms in Kenya. However, the paint manufacturing firms pursuing focus strategy should strive to identify customers whose needs and wants are not met by the firms that are utilizing differentiation and those employing cost leadership and offer services and products not offered by their competitors in order to remain competitive in the market place.

4.5 Recommendations

Based on the findings of the study, the researcher recommends that the paint manufacturing firms adopt cost leadership strategy. The empirical evidence from this study infers that cost leadership has significant effect on performance of manufacturing firms. The results of this study thus provides a valuable reference for top manufacturing firms in Kenya in terms of implementing cost leadership strategy as this would help them achieve competiveness and improve their performance. Literature has shown that cost saving measure is a major consideration in industries in Kenya due to higher cost of raw materials and energy. Accordingly, the study recommends that the managers of manufacturing firms in Kenya go for more cost-effective methods of running business. It is further recommended that the manufacturing firms procure the raw materials from cheaper sources and equally pay attention to other value chain management practices that result in cost reduction.

Secondly, based on the findings of this study, manufacturing firm's managers should also engage differentiation strategy as it has been proven to have the highest significant effect on manufacturing firm performance. They should embrace new product development and innovations as a way of satisfying the diverse customer needs.

The study also recommends that manufacturing firms should exercise utmost care if they have to pursue focus strategy. This is because some of the segments may be too small to be profitable or worth the effort, particularly for large manufacturing firms. Small processing would

flourish in targeting focus strategy on niche markets that may have been neglected by the large manufacturing companies.

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