EFFECT OF PORTER'S GENERIC STRATEGIES ON FIRM PERFORMANCE: A CASE STUDY OF TYRE DEALERS IN NAIROBI COUNTY, KENYA

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A Research Project Submitted to the Institute of Postgraduate Studies of Kabarak University in Partial Fulfillment of the Requirements for the Award of Master of Business Administration (Strategic Management)

KABARAK UNIVERSITY

NOVEMBER, 2023

DECLARATION

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Edmond Imbwaga

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RECOMMENDATION

To the Institute of Postgraduate Studies:

The research project entitled **''Effect of Porters Generic Strategies on Firm Performance of Tyre dealers in the Nairobi County''** written by **Edmond Imbwaga** presented to the Institute of Postgraduate Studies of Kabarak University. We have reviewed the research project and recommend it be accepted in part fulfillment of the requirement for award of the degree of Master of Business Administration (Strategic Management).

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ABSTRACT

The study sought to look at the effect of Porter's generic strategies on firm performance of Tyre dealers within Nairobi County. Tyre demand remains high in the country owing to the high motorization rate of the population in Kenya. This demand creates good opportunities to dealers who would then develop strategies to be the biggest satisfiers of this demand. In pursuit of this competitive edge, firms adopt different strategies to enhance performance in terms of high volumes, revenue and profitability. The study sought to analyze the effect of cost leadership, differentiation and focus strategies on firm performance. This study has its foundation grounded on Porter's generic strategies theory as the guiding theory. The study adopted a descriptive research design. The population of the study were 300 Tyre dealers in Nairobi County. A sample of 200 Tyre dealers was picked through purposive sampling in Nairobi County. Out of the targeted Tyre dealers picked through purposive sampling, 108 were responsive indicating 54% response rate, this large sample ensured the reliability of the responses while the mode of structure of the questionnaires guaranteed the validity of the data collected. The Cronbach alpha measure was used to test reliability and internal consistency of the questionnaires with a strong co-efficient of 0.98, 0.99 and 0.97 respectively for cost leadership, differentiation and focus strategy questionnaires respectively. Questionnaires were dropped to 200 Tyre dealers and later picked. Data obtained was analyzed in accordance with the objectives of the study, which was to assess the effect of Porter's generic strategies on firm performance specifically on sales revenue, sale volume, profitability and firm expansion, among Tyre dealers. Data analysis was done through content analysis, measures of central tendency, frequency tables, relative percentages, and regression analysis. Given the sensitive nature of information sought from the Tyre dealers, an assurance on confidentiality was given. After analysis of the data through multiple regression, it was deduced that 95.2% of firm performance was attributed to cost leadership, differentiation and focus strategies based on the regression model. Based on the regression model cost leadership deduced a coefficient of 0.84 implying that an increase in a unit of firm performance due to an increase in 0.84 unit of cost leadership. Differentiation generated a co-efficient of 0.09 implying increase in one unit of performance due to an increase in 0.09 unit of differentiation Focus strategy deduced a co-efficient of -0.05 implying a reduction of a unit of performance by an increased in practice of focus by 0.05. This overall indicated that cost leadership and differentiation have a positive effect on performance while focus strategy has a negative effect on firm performance. Business organizations can use the findings of this research to tailor their business strategies along cost leadership and differentiation as strategies that affect positively on business performance.

Keywords: *Cost Leadership Strategy, Differentiation Strategy, Focus Strategy, Firm Performance.*

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ABBREVIATIONS AND ACRONYM

RBV:	Resource Based Theory
MBV:	Market Based Theory
SPSS:	Statistical Package for the Social Sciences
KIPPRA:	Public Institute of Public Policy Research Analysis

CONCEPTUAL AND OPERATIONAL DEFINITION OF TERMS

Cost Leadership Strategy: This strategy focuses on gaining competitive advantage by having the lowest cost in the industry (Porter, 1998). To achieve a low-cost advantage, an organization must have a low-cost leadership strategy, low-cost operations, and a workforce committed to the low-cost strategy. Cost leadership in this research refers to supply chain relations that enable the firm to acquire goods on low supply, capital capacity to order in bulk and benefit from economies of scales due to large-scale operations

Differentiation Strategy: Clark (2007) defines a differentiation strategy as one in which a product is different from that of one or more competitors in a way that is valued by the customers or in some way affects customer's choice. A successful differentiation strategy allows firm to earn above the average returns. Differentiation in the case of this research refers to the firm offering a variety of brands for Tyre sizes, different classes of Tyres, premium prices and low cost prices, retreads and new Tyres.

Focus Strategy: In this strategy, the firm concentrates on a select few target markets (Porter, 1998). This is also called a focus strategy or niche strategy. It is hoped that by focusing marketing efforts on one or two narrow market segments and tailoring marketing mix to these specialized markets, a firm can better meet the needs of that target market. Focus in this case refers to a firm selecting a specific market segment to serve, it can be a low cost Tyre demands, premium market demand segment.

Firm Performance: Financial performance is a way to satisfy investors and can be represented by profitability, growth and market value (Cho & Pucik, 2005). Profitability measures a firm's past ability to generate returns (Glick et al., 2005). Growth demonstrates a firm's past ability to increase its size. Increasing size, even at the same profitability level, increases its absolute profit and cash generation. Larger size also can bring economies of scale and market power, leading to enhanced future profitability. To measure firm performance for the interest of this research profitability, growth, sales revenue and sales volume were used as parameters.

CHAPTER ONE

1.1 Background of the study

The international automobile business sector that drives the Tyre dealership industry has been acknowledged as an economic force with the power to significantly affect the global economy and as a catalyst of economic development. The growth experienced in this industry comes with a direct economic effect on the Tyre dealership industry as it generates demand. A Car Sales and Global Market Analysis report of 2018 advanced that 18 million cars were sold in the ranked 54 countries globally, this having an immediate effect on the Tyre industry as it means a creating a continuous new and direct demand in the industry. The automotive industry and the Tyre dealership industry are interrelated and complementary; the global economic growth in the automotive industry creates a direct economic growth in the Tyre dealership industry due to increased demand.

According to Deloitte report of 2018, In Africa, there are 44 vehicles for every 1,000 people, with a 1.216 billion populations according to United Nation Estimates of 2016, this means 54 million vehicles with a demand for tires providing a great opportunity and competition to fulfill this demand. According to Africa Tire Market Research Report Forecast report of 2023. The tire industry in Africa is expansive & full of opportunities, especially across countries like South Africa, Algeria, Egypt, Kenya & Nigeria, among others, with a large automotive sector. A steady rise in registration of new vehicles and growing cross-border trade agreements forecasts lucrative growth prospects for the Africa Tire Market in the coming years. The Africa Tire Market is projected to grow at a rate of around 5.5% between 2023-28. The growth of the market will be fueled by the rapidly increasing growth of the automotive sector in Africa, owing to the interest of people in private ownership of vehicles, growth of public transport, construction industry, cross border trade and agriculture industry that would require automobiles to enhance the efficiency of the industry. With the expansion of the intercountry trade of tires together with the growing presence of Chinese & budget tires across Africa, the overall availability of tires has improved significantly, with an extensive range to choose from for vehicle owners and Tyre dealers.

Based on a KIPPRA report (2017), Kenya has a motorization rate of 28 vehicles per 1,000 people, the report further forecasts that this vehicle per person rate growth to be at 11 per cent annually. According to the Kenya Bureau of statistics report of 2020, there are close to 4 Million registered motor vehicles on Kenya roads providing a ready market and demand for Tyres. According to a Tech Science Report of 2022, the Kenyan Tyre dealership industry is valued at 180 USD Million as at 2022, with anticipation for growth of 4.27%. The Forecast report of 2023 credits the growth to various factors including increased commercial and personal motor vehicles on the road which are direct drivers of the Tyre dealership industry. Increased economic advancements owing to devolution and increased purchasing power of the population has also led to increased demand of new Tyres and subsequent growth of the Tyre dealership industry.

Further to this, the growth of the construction and agriculture industry have led to increased demand for special purpose Tyres of motor able machinery used in the two sectors creating increased opportunities for Tyre dealers. However, despite this, the industry faces challenge of influx of cheap substandard products which affects market dynamics posing risk to the end consumers and creating unfair competition. This nonetheless lightly affects the Tyre dealership industry, and the sector is on an upward trend with plenty of opportunities. The 2022 report concludes that the chances for growth in the industry are tremendous. This implying that the Tyre dealership with the most competitive edge stands a chance of benefiting from the lucrative industry. Competitive edge is based on strategy. Performance parameters within these businesses are intertwined with the capacity of the firm to be persistent in maintaining the competitive edge. This infers that business take maximum advantage of abilities that are unique and different from those of their rivals to put the firm in a strategic position put the firm to achieve superior performance (Chiteli, 2013). Firms that have the ability to perfectly attenuate threats in the industry and the capability to take advantage of materializing business moments in a fluid industry, ensure that the business remains a going concern and broadens in volumes, revenues and branch growth. The capability of the firm to implement within diverse elements including innovation, quality, speed, delivery, cost and flexibility to customer needs fluctuations directly affect the firm's ability to compete (Majeed, 2011)

According to Porter (1998), firms develop competitive strategies to survive and have a consistent competitive advantage, this consistent competitive advantage results in increased sales volumes, profitability and firm expansion. Porter (1980) advances that firm performance in an industry is determined by two factors: the attractiveness of the industry and the positioning of the firm within the industry. The positioning of the firm is an aspect within the control of the firm and firm can develop strategies to be able to position itself in manner that capitalizes on the opportunities offered in the market to grow its sales and profitability and improve its performance. Porter (1980) further asserts that the firm can in the long run maintain a position that gives it a sustainable competitive advantage over competitors.

Porter (1980) postulates that measured against competitors a firm has a litany of strengths and weaknesses that give it a competitive edge position against its rivals. These strengths and weaknesses can be crystallized into cost advantage and differentiation which form the foundation of competitive strategies of a firm which combined with scope of application result in the generic strategies of competitive advantage; Cost leadership, differentiation and focus which intern give the firm a superior performance.

Competitive business strategy models provide classifications of business strategies according to consistent attributes. They are typically used in deriving business strategy from competitive industry analysis in the formal economy with a view to gaining competitive advantage over competitors. In the context of Porter's typology, for example, Tanwar (2013), found all three generic strategies of low-cost leadership, differentiation and focus among higher performing firms producing capital goods. His study found the presence of single strategies and absence of mixed strategies where a single firm used more than one of the generic strategies.

Okwach (2012), states that new industries and established industries are pursuing technological change to advance differentiation as an avenue for low-cost leadership. Other studies in support of hybrid, mixed, integrated or combination strategies include Kim, et.al (2014), Spanos, Zaralis and Lioukas (2014).

There are researchers have come up with Porter-based models of their own and demonstrated that businesses that adopt generic strategies appear to experience enhanced performance. Ogot and Mungai (2012), carried out a study of large-scale firms in Spain, and deduced that firms that undertake generic strategies defined within the classification appear to have an enhanced performance. Their study was based on a tri dimensional typology of innovation differentiation, marketing differentiation and low cost.

Two broad strategies practiced by firms in a bid to improve performance are pure and hybrid strategies. With the pure strategies firms tend to employ one of the Porter's (2012) strategies, namely cost leadership, differentiation or focus strategy. A firm chooses the strategy that suits them best and then goes ahead to pursue it. The chosen strategy has a clear focus such as being a product leader, cost leader or niche leader. This follows an argument on whether environmental characteristics limit the range of possible strategies.

The driving force behind strategy are the actions in the business environment place that managers are taking to improve the company's financial performance, strengthen its long-term competitive position and gain a competitive edge over its rivals. Johnson and Scholes (2011), say that competitive strategy is the basis on which a business might achieve competitive advantage in its marketplace.

Owing to globalization, free markets and whirlwind technological growth, business organizations are operating in an environment of cut-throat competition, fluid and uncertain business environment (Julieni, et.al 2010). According to Wangari (2014), customers incline to firms that are providing differentiated quality products at affordable prices. Increased competition, disruptions and dynamics in business environment continue to exert pressure on firms business have to come up with strategies to ensure they remain afloat and perform to the expected standards, leveraging sales volume, sales revenue and firm expansion, (Abdirizak, 2019; Wheelen, Hunger, Hoffman & Bamford, 2018). Organizations are a result making strategy changes in order to a mirror the environment by aligning the resources and activities of an organization to that of the environment in order to ensure competitive dominance and performance (Johnson & Scholes, 2002). A successful business strategy must consider the unique attributes of the business environment that will give it a cutthroat edge over its rivals (Ogolla, 2013). The business organizations major catalyst is survival and consistency to remain competitive and profitable. This is attained by the firms perpetually renewing their competitive edge in the business environment (Kitua, 2014).

1.1.1 Tyre Dealers in Nairobi

The Tyre dealership business in Kenya is lucrative with Tech Science report of 2019 valuing the industry at 36.4 billion Kenya Shillings as of 2019 while projecting that by 2025 the industry will be valued at 50 billion Kenya Shilling. This lucrative nature of the industry has attracted Tyre dealers across the country to gain from the Tyre supply chain. This study targeted these dealers in Nairobi County.

The tyre dealership industry in Kenya has been practiced for over four decades. The Sameer Africa Limited founded as Firestone East Africa Limited dominated the industry for two decades The adoption of free markets economy in Kenya towards the end of the century led to the growth of other large scale tyre dealers including, Kingsway Tyres, Auto express Kenya, Generation Tyres among others. The industry currently is dominated by hundreds of serious registered firms ranging from small scale dealers to large corporates with some importing dynamics brands for distribution with no allegiance to any specific brand. According to African business feature of 2020, the biggest Tyre distributing and retailing company in Kenya is Kingsway Tyres who have been in the business for three decades now with the headquarters being Nairobi. In Nairobi there are 300 Tyre dealers spread across various constituencies in the county with heavy presence in Kamukunji constituency along Kirinyaga road, East Leigh area and Starehe constituency specifically Ngara and Pangani, Njiru and Kamulu in Kasarani constituency, Waiyaki way cutting across Westlands and Dagoretti South Constituency. Dagoreti Constituency specifically sections of Ngong road.

1.1.2 Firm Performance

Ayub e.t al (2019) considers firm performance as outcome-based financial indicators assumed to reflect the meeting of the economic goals of the firm. This approach has commonly used parameters such as sales growth, profitability indexes such as, investments return, sale returns, and equity returns and earnings per share. Chepng`etich & Kimencu, 2018 also have a wide view of performance which include indicators of operational performance that include parameters such as market share position, new product introduction, product quality, marketing effectiveness, and value-addition.

According to Ongeti (2014) the key objective of every organization is to consistently outshine the competitors and achieve consistent, good returns to the investor at the same being able to accommodate other holder interests. It comprises of the actual performance of the firm compared against the set-out objectives. Performance takes into account non-economic and economic indicators of an organisation, (Upadhaya, Munir & Blount, 2014). Richard, Devinny, Yip and Johnson (2009) explain that firm performance is specific to these three elements; financial performance which is measure through profits, return on assert, return on investment; product market performance seen from the aspect of sales, market share; and shareholders return analyzed with total shareholder return and economic value addition in mind. According to Combs, Crook and Shook (2005) performance is an economic output arising from combination of firm traits, actions and business environment.

Kaplan and Norton (1992) advances that the performance of a firm refers to both monetary and non-monetary indicators, which provide an indicator of the attainments of firm goals and objectives. The firm main objective is continuous good performance. Barney (2002) avers that there is a link between performance and strategy, that what separates a firm performance from its competitors is the manner in which it develops and remain consistent in its competitive strategies. Whereas a chunk of corporates competes owing to single point distinctiveness, top firms achieve this through balance, alignment, and regrowth of the basic elements of exemplary performance: unique abilities, market position and performance structure, (Barney, 2002). Firm performance is the aggregation of economic results arising from the coordination of a firm's resources in the day-to-day activities. (Lusch and Laczniak, 1989).

Pearce and Robinson (2003) expound that's there three economic objectives, which outline a firms performance led by strategic compass. These objectives are survival, growth and profitability. A business's growth is dependent on its survival and profitability. Survival equates to a long-term strategy to be a consistent going concern and failure to do so implies the firm is not in a position of achieving the shareholder objectives. Pearce and Robinson (2003) further affirm that increase in market share is related to profitability though other aspects of growth. Increase in market share, dynamic and distinctive products, innovations that are used to develop products more often leads to enhancement of a firm's competitive edge. This narrows down the measures of performance to sales volumes, Sales revenue, branch expansion, market share and profitability, which are the indicators of the dependent variable. These economic measures are what aid the company in survival, growth and profitability when sustained at high levels and have therefore been picked to guide the study in measurement of firm performance. (Pearce and Robinson, 2003). For the purposes of this research the firm performance was measure by sales volumes, Sales revenue, branch expansion, market share and profitability.

1.2 Statement of the Problem

The Tyre dealership business in Kenya is characterized by cutthroat competition, with a motorization rate of 28 per 1000 people according to KIPPRA report of 2015; the Kenyan motorized population offers a good potential market for Tyre dealers with an annual average of 2.5 million vehicles on Kenyan roads. This high number of vehicles per year on the roads require supply of Tyres consistently given the diverse terrain that the vehicle traverses. This provides ready market for Tyre dealers. In order for the firms to take opportunities provided by this market and maintain high sales volumes, revenue, profitability and expansion the firm needs to adopt competitive strategies (Barney, 1991). One of the competitive strategy available is the Porters generic strategy, If indeed this strategy leads to superior performance is a question that this study sought to determine. It is against this that the study sought to establish whether Porter's generic strategies have an effect on the performance of Tyre dealers in Nairobi County. Various studies have been done on Porters strategy and their practice in different industries, however, there an apparent gap on the practice of Porters Generic Strategies in the Tyre dealership industry. This study seeks to fill this gap.

1.3 Main Objective of the Study

The main objective of the study was to analyze the effect of Porters Generic strategies on firm performance of Tyre dealers in Nairobi County.

1.3.1 Specific Research Objectives

i. To analyze the effect of cost leadership strategy on performance of Tyre dealers in Nairobi county

ii. To analyze the effect of differentiation strategy on performance of Tyre dealers in Nairobi county

iii. To analyze the effect of focus strategy on performance of Tyre dealers in Nairobi county.

1.4 Research Hypothesis

H_1: Cost leadership strategy has a significant effect on the performance of Tyre dealers in Nairobi County

H_2: Differentiation strategy has a significant effect on the performance of Tyre dealers in Nairobi County

H_3: Focus strategy has a significant effect on the performance of Tyre dealers in Nairobi County

1.5 Significance of the Study

This study is useful for several reasons and by different entities. Managers of Tyre distribution firm can use this study to understand some of the key drivers that help in enhancing performance of the firms. The study would be of use by other researchers to fill gaps in this research. Managers in fields of business can also learn the contribution of generic strategies in improving performance in the industry they operate in.

This research study is also important in enhancing the comprehending the Tyre dealership and distribution industry for potential investors.

1.6 Scope of the Study

The research study sought to assess the effect of Porter's generic strategies on performance of Tyre dealers in Nairobi County, Kenya. The target population were 300 Tyre dealers in Nairobi County in the areas of Makadara, Dagoretti, South, Dagoreti North, Mathare, Kamkunji, Kasarani Starehe, Roysambu, Embakasi, Langata, Dagoretti and Westlands. The study was conducted between the period of June and Sep 2022 on Porter's generic practices and their effect on performance of Tyre dealers in Nairobi.

1.7 Limitations and Delimitations of the Study

Best and Khan (1998) asserts that there are factors outside the scope of the researcher that place restrictions on the deductions of the study. The study was limited to the extent of the information Tyre dealers were willing to share and the extent of exposure they were willing to give to their firms through the research. Tyre dealers may resort to giving socially acceptable responses to avoid appearing offensive resulting in responses that are not less reliable and valid. Employees who do not understand the business strategy may respond to the questionnaires of firm hence limiting the accuracy of the shared information.

1.7.1 Delimitations of the Study

To guarantee the accuracy of information received the employees felt free to air the information. They were assured of the confidentiality of the data given and confidentiality agreement was entered. The information was relayed anonymously, and individual identity of sources were not revealed this to ensure the respondents feel at ease while giving the answers. The study was targeted at employees in position of influence and making strategic decisions. This was helpful to get information from people who have hands on experience understanding market dynamics and dealing with competition.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter covers a review of the driving theory that is Porters generic strategies, in-depth review of empirical studies done together with selected review of the research gaps and a graphical representation of relationship between the generic strategies and organizational performance illustrated using the conceptual framework.

2.2 Theoretical Review

Porter (1980; 1985) advocates three generic competitive strategies for having an edge over rival firms in an industry, they include: cost leadership, differentiation and focus. Porter (1980) further expounds that these generic strategies are fundamental to any firm growth plan, that a business can use to gain a competitive edge and attain progressive organization performance. The strategies are said to be generic due variety of firms being able to adopt them irrespective of them being processing, service or nonprofit making entities (Hill and Jones, 2001). Hill and Jones further aver that each of the generic strategies are because of a firm making consistent choices on product, market, and distinctive competences. The choices support each other.

Porters (1985) advances that how attractive a firm in a business environment is a key determinant to its profitability; the second determinant is the positioning in the industry. The level of returns of a firm are determined by how optimal the firm has positioned itself. This optimal position is attained by leveraging the core strengths of the firm which breakdown to cost advantage and differentiation. The core strengths can be applied in a narrow to broad range resulting in three generic strategies of cost advantage, differentiation and focus, this referred to as Porters Generic strategies. These strategies affect the survival and growth of the firm whose economic indicators are sales revenue, sales volumes and profitability.

Porter (1998) recognizes that organizations do not exist in business environment vacuum; it operates in a business environment of competition, which each firm angling to be the market leader and preserving its share in the market. The firm therefore operates in an aggressive external environment in direct competition with other firms offering similar products. In order to survive and grow, the firm has to develop a unique characteristic that gives it an advantage over the rest. Therein Porter (1998) further asserts for the firm to come up with a persistent competitive edge it must develop either offensive strategies or defensive strategies. To be able to come up with techniques that attend to market competition, it is important that the firm studies the internal environment in the organization an analysis premised on its key strengths, which have a driving force towards performance.

Jothiabasu (2014) in his study argues that there was a significant positive effects of cost leadership, differentiation and focus strategies on performance. Porter (1985) further avers that a firm performs best by pursuing one strategy. Other authors however argue that a single thronged implementation of porter's generic strategies individually will influence firm performance digressing that a mix of these strategies do present a firm an excellent opportunity to achieve exemplary performance (Johnson et al., 2011; Johnson and Scholes, 2008). Whichever strategy a firm sets itself on, it must align with the corporate goals and objectives to perform well (Hahn and Powers, 2010).

The fact that generic strategies can be a source of superior performance has provoked study within the strategic management discipline (Livvarcin, 2007).

According to Porter (1980), Cost leadership aims to achieve low costs that in turn reduce the prices of commodities by taking into a consideration the economies of scale hence, achieving an advantage through low prices. These low prices make the firm to gain advantage over its competitors. Under this strategy, the company achieves profitability and stability by gaining through volumes, this making the organization sustainable and improving performance.

The differentiation approach to competition involves seeking a unique element, which the market demands, and the organization then narrows down to serve these needs at premium prices irrespective of volumes, the shortage in volume is compensated through premium prices, which help the firm, maintain high performance. (Porter, 1980)

Focus strategies involves segmenting the markets and selecting to serve a section of the market through a distinct product that has been specifically designed to serve that particular market at a unique cost. So differentiation can be experienced at the level of pricing and at the level of market segments, which resulting lead to niche loyalty, which attenuates sales volumes and enhances firm performance (Porter, 1980).

According to Porter (1980), a firm narrows down on a segment and within that segment seeks to attain a cost advantage or differentiation. A firm that pursues focus strategy has a loyal clientele that acts as a restriction to entry to competitors. Firms which pursue a focus strategy have a low volume which reduces their bargaining power with suppliers hence may experience difficulties in pursuing cost leadership for firm that does is a mass producer. Firm pursuing differentiation under this strategy transfer the escalated cost of developing distinctive products to their clients, as the differentiated products cannot be imitated elsewhere by competitors (Porter, 1980).

2.2 Empirical Review

2.2.1 Cost Leadership Strategy and Firm Performance

Cost leadership relates to becoming the low cost corporate in a process and can be operationalized as low input costs, economies of scale, experience, products and process design and low pricing (Johnson et al., 2011)

According to Porter (1980), this strategy requires the firm to be low cost producer in the industry at a certain status of product quality. The firm sales its products at average industry prices to earn a profit higher than that of rivals or at below average industry prices to gain a market share. He added that, the execution of differentiation strategy to the latter results in high performance (Porter, 2001)

Corporates that pursue cost leadership strategy place heavily stress on cost minimisation in every procedure of the production and distribution (Rumelt, 2011). A firm might be a cost leader but that does not automatically mean that the firm's good and services are cheap. A firm can for example charge a moderate price while pursuing the cost leadership strategy and reinvest the yield into the firm (Lynch, 2003)

According to Barney (2002), Cost leadership is minimizing expenditures for example assembly, manufacturing, supply chain and advertising costs below that of its competitors. Barney advances further that a firm that picks this strategy needs to have ease of access to a variety of technology, capital that is not expensive, raw material accesibility and other processing inputs and supply chain networks. Jober (2014) asserts that business that have adopted cost leadership strategy offers products with standard quality and attributes to a wide set of customers at a favorable price. The business therefore attains a higher profitability can offer a better price compared to competitors to attract more new markets for increased sales volumes.

According to Wilson (2012) , the downside of pursuing the cost leadership strategy is that the firms focus on minimizing costs, at the cost of essential factors may become so dominant that the firm loses its sight on the objective of why it undertook one such strategy from the inception which is that of developing a competitive edge, attaining high profit margins and hitting high sales volumes. Cost advantage strategy should be leveraged against company profitability and accelerating turnover. According to Ofunya (2013), the relationship between cost leadership and performance pertaining growth in revenue, asset, market share and net income is significant.

Cost-leadership approach aspires to provide a merited, mass products and at a favorable cost to clients. Cost leadership approach has been practiced in developing nations, for example, Indonesia, Malaysia, India and China where labor cost is reduced which in turn minimize generation cost. A restrictive strategy is to gain customer loyalty by providing consistent quality, distinctive items, brand image, and up to standard services. This makes the product to be distinct implying that the product will have a competitive edge as compared to competing products (Porter & Millar 2012).

Cost Leadership tends to be competitors oriented as compared to being client centered. Cost Leadership necessitates a solid consistent supply as opposed to the demand side pressure, as this requires an out of the norm introduction (Rouse, 2016). Therefore, firms that seek the cost initiative methodology should continuously measure their standards against other contending firms with a specific end objective of surveying their comparative cost and consequently profitability position in the business environment. An organization that desires a cost initiative system attains an ease position by emphasizing on aggressive growth of effective economies of scale, thorough scrutiny of expenditures and cost minimization in sections like innovation, research and development, administrations, market offers, advertising and promotion (Porter, 2012)

Onuoha and Olori (2017) conducted a study on business strategies and competitive edge of banks in Port Harcourt, Nigeria to ascertain the link and possible effects of product differentiation, cost leadership and focus strategy on customer loyalty and brand reputation. The study results affirmed that firms should give thought to the production cost and develop products at minimum cost without interfering with the expected standards of the product.

Chumba et.al (2019) conducted research to understand the importance of competitive strategies on the firm performance of Telkom Kenya. The study delved on the effects of differentiation strategy and cost leadership strategy on firm performance of Telkom in Nakuru. The results indicated that there was a constructive relationship between cost strategy and firm performance at a significant level.

According to Tanwar (2013), cost-leadership procedure has been perfectly practiced in Japan. The Toyota firm's business strategy, Its consistent aggression in cost minimization, quality and distribution lead time, has given the indication to a general strategy towards increased efficiency through cost reduction techniques.

In a study conducted by Kanyuga (2019) on the effects of strategic innovation on performance in telecommunication industry specifically Safaricom. The researcher concluded that cost management impacts the performance of Safaricom further affirming the relatedness between cost leadership and firm performance.

Njoroge (2015) in a research conducted on the competitive strategies adopted by the telecommunication mobile service provider Telkom Kenya came to the conclusion that cost Leadership, best cost provider and focused differentiated strategy were major strategies being adopted to achieve an edge on competitors. Cost leadership strategy would be attained by leveraging on infrastructure, infrastructure sharing, tight oversight of operating expenditures, enhancing effectiveness in operations, minimization of input costs, monitoring of workforce costs, use of information systems and lowering distribution costs. All this working towards improving the performance of Telkom Kenya.

According to Karanja (2002) in a study conducted on the competitive studies of real estate firms deduced that the strategies pursued by Real Estates align with Porters Generic Strategy. Real Estates firms attend to clients from diverse social economic strata, the generic strategies were discovered to be considerably linked to performance at a significant level. The study found that increased practice of Porters generic strategies in real estates resulted in elevated levels of performance. Murage (2001) conducted a study on competitive strategies adopted by petroleum dealers, The research study deduced that generic strategies have an accelerating effect on the performance of Petroleum dealing firms and advocated continued practice of these market approaches by Kenyan Petroleum Dealers.

In a conducted by Islami et.al (2020) on correlation of Porter's generic strategies and firm performance, the importance of using Porter's generic strategies in firms that operate in cutthroat business environments was investigated. The objective was to delve on the effects of Porter's generic strategies on firm performance. The conclusions of the data were sourced from 113 firms that do business in the Republic of Kosovo. Multivariate regression analysis, Pearson's correlation analysis and *t* test were used to give hypotheses test. Inferential results affirmed that pursuing low-cost strategy had an accelerating effect on firm performance alongside other strategies including differentiation albeit at lower effect to firm performance comparatively

Juha (2013) on a research study undertaken on competitive strategies in higher education digressed that the strategy of overall cost leadership is attained through a group of functional policies aimed at this basic objective. Cost leadership necessitates the development of cost minimization facilities and an aggressive pursuit of cost minimization in areas such as research and development, service and marketing. An enormous effort of managerial attention is important to attain achieve cost efficiency. A low-cost approach acts as a restriction due to terms of cost edge or economies. A low-cost position puts the firm in a defensive position against buyers with a large financial muscle. A strategy of cost leadership is an applicable option in markets where the price level is comparatively low as regulated by the public sector funding organisations or due to a cut throat rivalry in the market. Low cost also provides a defensive to entry against the cost of inputs increasing . To get an aggregate low cost position often necessitates that inputs be readily obtainable.

Kharub, et.al (2019) studied the link between cost leadership strategy and firm performance regarding the connecting function of quality management from the aspect of SMEs. The study through the use of gathered data from 245 SMEs that accounted for a 65% response rate. The Cronbach alpha test was conducted to check the validity and reliability of the administered questionnaires. The research findings indicated that there is no correlation that existed between cost leadership strategy and firm performance; nevertheless, quality management strategy entirely linked their correlation and among the eight model scores with highest cumulative impact on product quality enhancement; process upgrade; the persistent upgrade was ranked highest, data analysis and supply chain management respectively (Kharub, et.al ,2019). The research inferred that persistent upgrade through efficient information and data analysis is the driver to attain the cost leadership strategy's objective in SMEs. The research results will aid firm heads in executing cost leadership strategy at a firm level, and the outstanding practice will provide a competitive edge in the business environment and will inspire the firm to look at issues from a worldwide perspective. The results of the research have led to growth of strategic management concept in processing frims, and asserts the practice of strategic management techniques in SMEs in upcoming economies (Kharub,et.al 2019).

Chepchirchir, et.al (2018) studied the impact of cost leadership strategy on firm performance of logistics companies. The research analyzed how logistics organizations from JKIA use cost leadership strategy towards enhancing firm performance; the study delved into application of the low cost strategy as mirrored by Porter's five forces theory. The research had a target population of 151 logistics firms, out of which, using simple random sampling ,110 were picked as a sample size from strategic and functional levels of management. The research data was based on 110 logistics firms domiciled at JKIA Nairobi, with currently running websites. A questionnaire premised on the dependent and independent variables of the research was used to gather data from the sampled logistics firm. Descriptive and inferential statistics were used to analyze the data. The study inferred that cost leadership had a significant constructive effect on logistics firm's performance. The research deduced cost leadership practice resulted in accelerated sales volume and profits. In addition to this there was decrease of costs related to operations that led to an enhanced profitability. The research advocate that its necessary for all logistics firms to evaluate embedding cost leadership aspects in all functional areas of the organization.

2.2.2 Differentiation Strategy and Firm Performance

Johnson et al (1999) postulate that the firm aims to get a competitive edge by offering distinctive items at average or premium prices. Business that succeed in terms of performance in the differentiated strategy possess the following core strengths: ability to conduct scientific surveys, properly skilled and innovative business growth team, a thorough marketing and sales team that advertise the key benefits of the product, brand reputation for topnotch and transformative products. Clark (2000) advances that a firm can make its products different from those of its rivals in terms of quality, branding, aesthetics, durability and taste.

Tanwar (2013), postulates that corporates that pursue differentiation strategy enlighten buyers about the unique attributes of the products they offer compared to rivals. Corporates that pursue this tactic also most times also offer their products at premium prices than those of their rivals as compensation for the distinctive attributes of the products, the cost of the on the spot delivery, quality service and supply networks A corporate can distinguish itself by offering unique features, providing topnotch service, undertaking thorough promotions, and growing an indomitable brand.

Moreover, Parnell (2016), stress the importance of differentiation in a company image which increases the sensitivity of the buying process for customers. This aligning with the assertions of Thompson and Strickland (2005) that there are numerous ways and methods that organizations can distinguish themselves. Present day vicious competition is the key driver explaining why most firms are taking time, effort and investing in resources to come up with differentiation strategies.

Acquaah and Agyapong (2013) in a study done on the relationship between competitive strategies and firm performance on small and medium business in Ghana concluded that differentiation strategy positively influence performance. Miller (1988) found that product-differentiated firms researched well in order to be innovative and competitive. The drive behind the strategy being to offer better products at the same price competitors are offering or at a price narrowly higher than they do. According to research done on assessment of sustainable competitive advantage of selected hotels in Kumasi using the porter's generic strategy. The study concluded that with differentiation strategy, a firm can have an easy time developing a competitive edge among competitors (Darko, 2002).

Richardson and Dennis (2003) undertook a research study on retail activities in the UK vineyards sector and found that hybrid focused differentiation was the best foe Niche segments. Islami, et.al (2020) studied the significance of using Porter's generic strategies in firms that operate in competitive environments. This was done among 113 firms in Kosovo Republic, the investigation deduced that differentiation strategy provides higher firm performance in comparison to two other Porter's generic strategies (low-cost strategy or focus strategy) which also have a positive effect on performance.

Baroto, et.al (2012) aver that firms undertake differentiation strategy from different aspects for example Brand aspect, design aspect, technology aspect and innovation aspect. In a research project done by Tharamba (2018) on the effects of strategic position on performance at Safaricom, research and development, marketing, resource availability and multiple products were found to have a positive effect on the performance of Safaricom. The study also deduced that firms were adopting differentiation techniques to beat increasing competition and bolster performance.

Kireru, et.al (2016) studied the impact of product differentiation strategy on competitive advantage in Equity Bank Limited. The study affirmed that banking institutions undertake product differentiation strategies to deliver best deposits products at the best prices to the clients.

Adebayo, Bananda and Eluka (2018) conducted a study on how product differentiation affects the competitive edge of telecom firms in Southwest Nigeria. The findings of this reserach deduced that differentiation is a viable strategy in generating above average returns as the differentiated product results in brand loyalty that makes reduces client sensitivity to price. The research also concluded that the differentiated product if hard to imitate will create a barrier to entry making the firm to increase market share.

Greeks Spanos et.al, (2004) researched on the Greek processing plants and ascertained mixing strategies was preferable to single pronged generic strategy as an approach to positively affecting performance in the Manufacturing industry. Hahn and Powers, (2010) singled out product development, distribution, pricing, technology, branding, service quality, segmentation and relationship banking as sections in which banks practiced differentiation strategies.

According to a study done by Ochieng et.al (2017) on effects of generic strategies on performance of SME businesses in Naivasha Town specifically metal works, with a descriptive approach the research gathered that Porters generic strategies had a constructive impact on the performances of metal works dealers with the recommendation that differentiation would be the most recommended strategy to adopt since substitutes product ruled the market.

Atikiya, (2015) researched on impact of Competitive Strategies on the performance of Manufacturing Firms in Kenya with a descriptive study designed among 189 stratified samples of Manufacturing firms in the country. The study was driven by Porters generic strategies , after data gathering and analysis deduced that though all the Porters generic strategies contributed constructively to firm performance, differentiation strategy had the highest coefficient of determination implying that, it had the greatest influence on firm performance.

Pauline (2017) undertook a research study on the effects of strategic management practices on the performance of public universities in Kenya. The specific objectives of the study were to ascertain the relationship between differentiation strategy and firm performance; to ascertain the link between intra firm procedures and firm performance and to investigate the correlation between employee growth and firm performance. Correlational research design was adopted for the research. The researcher engaged judgmental procedure to select 120 samples from the various groups in the private universities; vice chancellors, deputy vice chancellors, deans of schools and departmental heads. Multiple regression model and content analysis tools were used for analysis of the data, the study examined both quantitative and qualitative data. The research results indicated that culture, customer experience, quality and customer response are fundamental measures of performance in the sampled private universities in Kenya this being dimension of differentiation.

In the study conducted by Okwach, (2012) where the researcher went out to find the issues of competition encountered by homegrown airlines in Kenya and ascertain the competitive techniques practiced by homegrown Kenya airlines. Out of the the fourteen airlines corporates targeted by the research which were responsive. The results showed that major setbacks that confront local Kenyan airlines were the supremacy of few rivals in the market, negative reactions from rivals when an airline changes tact, Cheaper services from rivals, price competition in the industry, outstanding reputation from competitors and expansive branch networks of rivals. The setbacks that were less felt were loss of clients to other competitors; rival offering expansive choices, distinctive services offered by rivals, staff attrition to competitors, difficulties from the major customers and high costs of clients changing to rivals. Competitive strategies that were majorly used as a reaction to this setback were upscale in financing, price reductions and offers, expanded presence to other states, cost minimization, developing distinctive products from competitors, new product development and enhancing product standards. This emphasizing the importance of product differentiation as an aspect of gaining a competitive edge which mutates to firm performance.

2.2.3 Focus Strategy and Firm Performance

This strategy narrows down to a portion of a market that is not properly taken care by cost leadership or differentiation strategies and innovates its products to the requirements of that specific market share while keeping out others (Johnson et al., 2011). This strategy is also used when it is not strategic to approach the market through the wide cost leadership or differentiation (Porter, 1985), by offering a restricted number of items, taking care of specific markets or having tailor made items specific to a client (Allen and Helms, 2006; Hahn and Powers, 2004; 2010).

Caxton (2015) advances that, businesses that pursues focus strategy exhibits a heightened intensity of customer loyalty, and this embedded loyalty inhibit other businesses from taking the competitor head on. Owing to their restricted market target, businesses that pursue this strategy tend to score less volumes and hence less power to bargain in the supply chain.

Rahman (2011) avers that focus strategies are practiced to direct a business in narrowing down to particular market portion within a business environment. Contrary to low-cost leadership and differentiation strategies which target expansive markets, focus strategies target a particular and normally small section of the market. These market segments can actually be specific buyer segment, a tapered niche of a certain product line, a topographical market, or a segment with unique and particular preferences. The elementary concept driving focus strategy is to narrow down the firm’s operations in ways that other than wide approach of cost leadership and differentiation which organizations cannot excel in, Premium value results in accelerated profitability, which come about when other expansive approach firms that are not able to specialize or undertake their operations as well as a focused firm. Given that a market section has attributes that are unique and persistent, then an organization can develop its own set of restrictions to competition just like entrenched large-scale corporates do in large markets (Okwach, 2012).

Kolding (2013) asserts that small firms perform well and survive in the business environment in view of them serving specific market segments. Market segment focus drives some firms to rival each other in the areas of low cost, differentiation and rapid response against established firms with enormous resources because focus strategy necessitates that a business understand its target clientele, their demands, any unique expectations that the clientele would desire to be included in the product and initiate and maintain customer relations in ways that endear the smaller business to the market segment or make it more indispensable to the desired market. According to Roxy (2010), avers that focus strategy means that a firm narrow down on a specific purchase subset, product section or physical geographical area. The focus strategy can be based on wide or limited market scope, where broad refers to the overall market and narrow refers to one market segment only.

Parnell (2016) asserts that focus strategies are initiated by selecting a market segment where buyers have unique preferences or taste. The market segment can be seen to be a physical geographic distinct area, specific expectation when utilizing the product, or by distinct product traits that are attractive to members of that market segment. A firm that pursues focus strategy has specific incentives including competitive advantage resulting from minimized costs than those of its competitors while attending to the market niche or an ability to offer to specific clients product attributes that competitors are not offering. The driving force behind focus strategy that grounded on low costs is the existence of a market segment whose demand needs can be taken of care at a lower cost compared to when pursuing demand needs of the whole market. For focus strategy based on differentiation, there has to been a market segment whose demand needs a product or service that is distinctive from those of its competitors.

Alva & Paul (2011) delved into focus-differentiation strategy implemented by the University of Puget Sound. The research investigated strategic focus-oriented differentiation strategies started and executed by two consecutive heads of the University of Puget Sound in 2003–2015. The mutation of this decades-old institution from an also-ran local university to a nationally ranked liberal arts college provides a distinct case that illustrates the practicality of Porter's paradigm of generic strategies in the education sector. The research affirmed that elementary success factors were as a result of execution of focus strategy that sought to distinguish the university from other institutions of higher learning.

Ochodo et al (2020) undertook a study on the importance of focus strategy on the performance of a picked sample of 109 NHIF accredited hospitals in Kenya. The study adduced that focus strategy had a positive significant connectedness with the performance of hospitals. The study further averred that hospitals should introduce focus-differentiated services at considerably low cost, be niche specific in order to reach a large clientele and control considerable market share.

Masale (2018) conducted research on the influence of competitive strategies on the organizational performance of Bridge International Academies in Nairobi. The study focused on Porters generic strategies; focus strategy, cost leadership strategy and differentiation strategy. The study inferred that focus strategy had an inferior impact on the frim performance. The study however affirmed that that focus strategy aided Bridge International Academies in Nairobi to reach households of low income segment.

Suparman (2016) study sought to establish the effect of market segmentation strategy and positioning on customer and its impact on customer satisfaction on Sundanese restaurants in Bandung City, Indonesia. The results showed that; The implementation of market segmentation strategy affect the positioning, that the implementation of the strategy of market segmentation and positioning affect the value of customers and that the implementation of the strategy of market segmentation positioning and customer value significantly affected customer satisfaction.

Graham (2016) conducted a study on market focus strategy and the internationalization of universities. The study explored the relationship between having a complete strategic focus and internationalization of university business schools. The study also further investigated the level of desire for the future internationalization. The study adduced that schools with strategic focus had an accelerated level of current internationalizations and high expectation for even top levels of internationalizations than schools without a complete strategic focus. It was additionally deduced that there may be a link between research intensity and internationalizations. The adoption of internationalizations mode was validated. The model thus was used together with strategic focus to demonstrate strategy in action.

Shitseswa, et.al (2019) investigated the influence of Porter’s competitive strategies on the performance of mobile phone service providers in Kenya. The study adopted descriptive to analyse the data, this analysis illustrated that focus competitive strategy in the telecommunication sector gave firms competitive advantage in Kenya. There was an intense positive significant correlation between focus competitive strategy and performance. This implied that focus competitive strategy was a significant predicator of mobile phone service providers' performance in Kenya. Therefore, an increase in focus competitive strategy such as specific market segment, product differentiation, competitive price and innovation would enable the firms to gain competitive advantage which would results to increase in efficiency, customer satisfaction and customer relationship thus competitive performance.

Akintokunbo (2018) undertook a research on market focus and firm performance of telecommunication firms in Port Harcourt, Nigeria. The research adopted a cross sectional design that included management staff of 4 telecommunication corporates in Port Harcourt. The target population of the research was 134. Through the Taro Yamane formula, a sample size of 100 was gathered through the simple random technique. The study affirmed that market focus strategy had a positive and significant effect on firm competitiveness. The study recommended that firms that choose to employ market focus strategies should concentrate on a specific market niche and within that selected section endeavor to practice either a cost advantage or differentiation.

Arasa and Gathanji (2014) researched on the link between focus leadership and firm performance in the telecommunication industry in Kenya. The study singled out competitive strategies practiced by businesses in the telecommunication sector in Kenya, analyzed the various levels of execution of competitive strategies within the organizations and investigated the association between these strategies and organization performance. This study, through a descriptive research design gathered data from a sample size of 72 respondents who had been selected using purposive sampling, out of which 63 were responsive. The research disclosed that competition is high in the business environment and differentiation and low-cost leadership are the frequently practiced strategies. Additional strategies practiced include strategic alliance strategies and particular market focus strategies. Correlation and regression analysis were used to analysis and the resulting data revealed that the strategies practiced enhance the general firm performance. The major performance measures affected by these strategies are customer retention, market share, product innovation, profitability and sales. The study affirmed that to achieve cost leadership, organizations must have a minimized cost manufacturing, labor force committed to the low-cost strategy and a low-cost leadership strategy.

Aykan and Aksoylu (2013) analyzed the impact of competitive strategies and strategic management accounting techniques on perceived performance of business. The study grouped competitive strategies into three; cost leadership, focus leadership and differentiation strategy from manufacturing firms in Turkey. Data analyzed through regression analysis deduced that there was a positive and significant association between focus leadership and firm performance.

In a study conducted by Klein (2015) on Niche Marketing in Urban Higher Education. The research noted that as rivalry between universities had escalated and as resource limitation being very acute, giving attention to student demands was becoming increasingly necessary. The target marketing approach involves the market sectionalization process and offers sizeable chance for growth within the higher institution of learning sector. Consequently, institutions of higher learning were in favor of market focus strategy. The researcher recommends several distinct approaches can be used to split the market for learning services into homogenous subgroup. The researcher noted that demographics have consistently been highly preferred division parameters, especially the topography aspect, psychological aspects and other methodology for selecting population subsets with varying demands also can be used to pursue the strategy to be picked.

2.3 Research Gaps

Table 1

Research Gaps

Author	Year	Topic	Findings	Research gap
Onuoha and Olori	2017	Business strategies and sustainable competitive advantage of banks in Rivers State	There exist significant relationship exists between business strategies and sustainable competitive advantage	Only focused on customer loyalty and brand reputation without delving into economic indicators
Chumba et.al	2019	Influence of competitive strategies on firm performance in the telecommunication industry: Telkom Kenya	There was a positive and statistically significant relationship between cost and differentiation strategy and firm performance.	Did not test the effect on focus strategy on firm performance
Tharamba	2018	Effects of strategic positioning on the performance of mobile telecommunication firms in Kenya: A case of Safaricom Limited	Marketing, research and development, resource availability and multiple products had a positive influence on the organizational performance	Did not delve into Porters generic strategies. Did not look at the Tyre industry
Masale	2018	Effect of competitive strategies on organizational performance: Case study of Bridge International Academies	Differentiation & Cost contributes the most towards improved organizational performance. Focus contribution is negligible	The study looked at a service industry vs a goods industry
Suparman	2016	The Effect of Market Segmentation Strategy and Positioning on Customer and Its Impact on Customer Satisfaction on Sundanese	Market Positioning and segment strategy affect customer satisfaction significantly	The study did not look at the effects on business economic indicators such sales revenue ,sales volumes and profitability

*Source***:** Researcher, (2023)

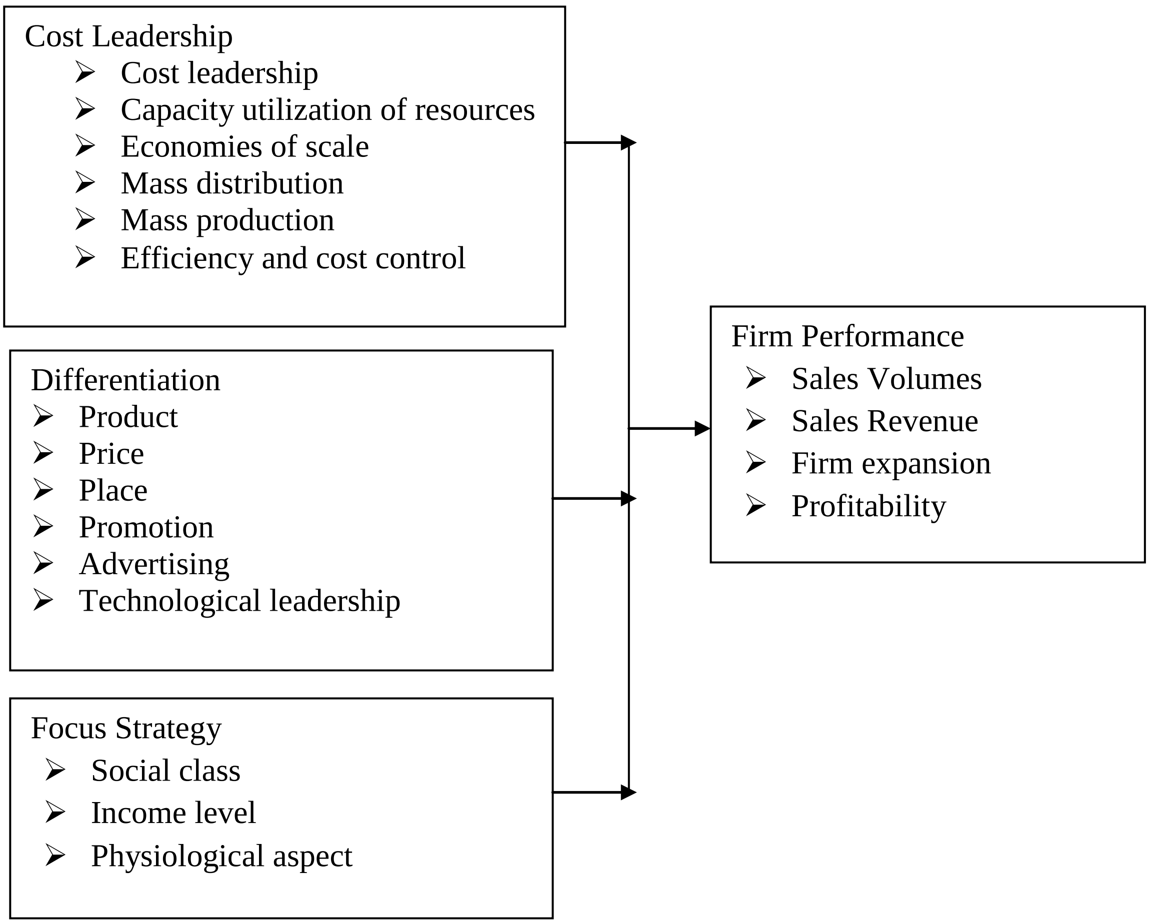
2.4 Conceptual Framework

Mugenda and Mugenda (2003) elaborates that a conceptual framework is composed of distinct variables that stand for a characteristic parameter that is affected by various traits. These variables are identified as independent and dependent variables. Kombo and Tromp (2006) asserts that the independent variable affect variation in the dependent variables.

Figure 1

Conceptual Framework

Independent Variable   Dependent Variable



Source: Researcher (2023)

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter sets out various stages that were followed in achieving the objectives of the study. Techniques, methodologies and procedures and that were used to collect process and analyze data. Specific research design, population of the study, description of research instruments, sampling design, data collection instruments, data collection procedures and data analysis techniques.

3.2 Research Design

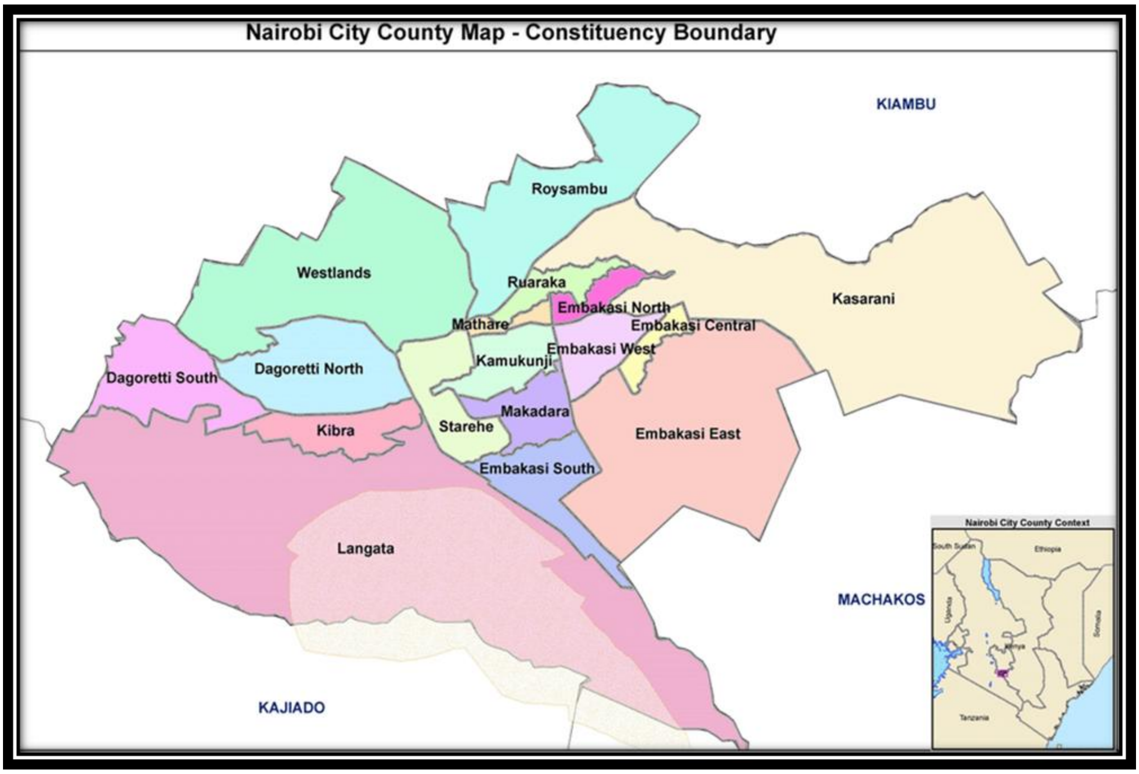
This study adopted a descriptive research design. The objectives of descriptive research design is to draw inferences and reach conclusions when only a part of a population or sample of the population has been studied (Essex-Sorlie, 1995). Hunter and Leahey (2008) avers that the main goal of quantitative method in research is to come up with and engage theories, mathematical models and hypotheses on the variables investigated Quantitative data was obtained using semi-structured questionnaires distributed to Tyre dealers.

3.3 Location of the Study

The study was done amongst Tyre dealers in Nairobi County, specifically a manager per dealer. Below Figure 2 is the map of Nairobi County per constituency.

Figure 2

Nairobi County Map



Source: www.researchgate.net/figure/Nairobicountymap

3.4 Target Population

The population of a research is said to be the cumulative summation of all units of the matter or phenomenon to be studied. All observable samples of a population are treated to be homogeneous (Kumekpor, 2002). The target population of the study were 300 automotive Tyre dealers specifically first hand Tyres in Nairobi County specifically from Makadara, Kamkunji, Starehe, Roysambu, Embakasi, Langata, Dagoretti, Mathare, Kasarani and Westlands.

3.5 Sampling Procedure and Sample Size

3.5.1 Sampling Procedure

Sampling is the procedure of ascertaining a portion to represent a population (Polit and Beck, 2004). For this study's purpose, purposive sampling technique was used to select respondents. Purposive sampling technique dictates choosing respondents that are easy for the researcher to access. The choice of sample persists till the required sample size is obtained (Saunders et al., 2009). This method is seen to be cost sensitive and reliable procedure of picking sample from a large population of potential respondents.

3.5.2 Sample Size

The sample size that the researcher uses is important and dependent on the margin of error the researcher is willing to take, the quantity of the summative population and the nature of analyzing that the researcher is doing. The sample size that the researcher chooses is at their discretion (Saunders et al., 2009). Stutely, (2003) avers that thirty samples of a population are the minimum that a researcher should pick to enable statistic efficiency in research given that the sample from the population the researcher picks are seen to be homogeneous. The sample was 200 drawn from Tyre dealers on a purposive sampling basis in Nairobi County. The list of Tyre dealers sampled is attached as appendix iv.

3.6 Instrumentation

The research deployed a structured closed ended Likert based questionnaire for data gathering; The questionnaire included items weighed on a Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). A questionnaire is defined as a data gathering aid consisting of a several questions collecting data from respondents. A questionnaire was relevant as it brought out the information being looked in an organized manner that was simple to analyze. (Churchill, 1987) Considers questionnaires as simple method to complete and had a accelerated response rate.

3.6.1 Validity of the Questionnaires

McCaslin (2009) asserts that Validity expresses the degree to which a measurement measures what it purports to measure. Face validity is the level to which a measurement method appears “on its face” to gauge the construct of interest, to ensure the questions framed captured the variable of cost leadership, differentiation, cost focus, and was evident at face value to investigate these variables. The level to which a questionnaire is valid at face value is qualitative. Content validity refers to the length to which the questionnaires cover the variables; this was ensured by connecting the measurement method and definition of the construct. Criterion validity is the level to which people’s points on a measure are related with other variables that one would expect them to have a relationship with, this was ensured by psychologically facilitating the respondents to be as truthful as possible.

3.6.2 Reliability of the Questionnaire

According to Akeem (2015) Reliability is the length to which a questionnaire, test, observation or any measurement procedure produces the same results on repeated trials. It is the stability or consistency of scores over time or across raters. Reliability of the questionnaire was tested during the pilot study conducted amongst four Tyre dealers on Kirinyaga road and Kamkunji. Internal consistency is also used to determine reliability it concerns the extent to which items on the test or instrument are measuring the same thing Cronbach’s alpha determines the internal consistency or average correlation of items in a survey instrument to gauge reliability of the questionnaire. Thus, Cronbach’s alpha is an index of reliability associated with the variation accounted for by the true score of the "underlying construct" (Santos, et.al 1998). Below are the results for Cronbach alpha index shown for each set of questions.

Table 2

Cronbach Alpha Results

Section	Cronbach Alpha Index
Cost Leadership	0.980
Differentiation	0.987
Focus	0.969

The Cronbach alpha test for the cost leadership, differentiation, focus and firm performance questionnaire was 0.98, 0.98, 0.96 and 0.97 respectively are all closer to 1 indicating a high reliability and internal consistency of the questionnaire.

3.7 Data Collection Procedure

The research used both primary and secondary data that was collected in the research to provide qualitative and qualitative data. This data was collected through questionnaires administered to managers of Tyre dealer's shops within Nairobi County who are responsible for the formulation and driving of strategy. The questionnaires were distributed on a drop and pick method for those who were not able to fill in a short time. Authorization to undertake research was obtained from Kabarak University inform of a letter of introduction to Tyre dealer shops questionnaires were then administered to managers of Tyre dealer shops.

3.8 Data Analysis and Presentation

The procedure of data analysis included numerous steps; data clean up and explanation. Data clean up encompasses editing, coding, and tabulation in order to pick out any inconsistencies in the responses and allocate particular numbering to the responses for continued analysis. Fully filled questionnaires were corrected for consistency and completeness. The data gathered was coded and scrutinized for any commission errors and omissions (Cooper and Schindler, 2011). Frequency tables, percentages and mean have been used to present the results. Responses in the questionnaires were tabulated, coded, processed and analyzed by use of SPSS. This generated quantitative reports through tabulations, percentages, and measure of central tendency. These provide the generalization of the findings on the effects of cost leadership, differentiation and focus strategies on the performance of Tyre dealers in the Nairobi County. To bring out the quantitative interpretation of the data collected (Swift and Piff, 2005), relationships and predictions among variables were determined regression techniques (Mugenda and Mugenda, 2003, p.132). A correlation analyses was carried out at a 0.05 level of significance. Below is the adopted regression model for the study to determine the significance of the effects of the generic strategies on performance.

as: $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$

Where: Y = Performance of Tyre dealers

X_1 = Cost leadership strategy, X_2 = Differentiation strategy, X_3 = Focus strategy

ε = Model error

Devlin (2006) opines that Ethical considerations in research are critical. Ethics are the norms or standards for conduct that distinguish between right and wrong. They help to determine the difference between acceptable and unacceptable behaviors. Ethics are essential where people work collaboratively as it develops an environment of trust, accountability, and respect amongst researchers. Tyre dealers were requested to fill the questionnaires on their own consent; without being compelled or manipulated. An agreement to remain anonymous was entered to safeguard the responses.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTREPRETATION OF FINDINGS

4.1 Introduction

This chapter analyzes the data obtained through the data and present findings.

4.2 Response Rate and Organization Biodata

4.2.1 Response Rate

The study aimed to find out the effect of Porters generic strategies on the performance of firms, case study being that of Tyre dealers. The sampled firms were 200 Tyre dealers however, 108 were responsive, a response rate of 54% which is acceptable to draw conclusions on a sample size according to Rubin and Babbie (2016). The data has been summarized and presented in form of tables, percentages and inferential statistics. Inferential statistics including mean, standard deviation and correlation coefficients. The unresponsive clients are not unique; the 54% are a fair representation of the sample of Tyre dealers picked. Below is a tabular breakdown of the response rate.

Table 3

Response Rate

Response Rate	Frequency	Percentage
Complete	108	54%
Incomplete	92	46%
Total	200	100%

Source: Own Research (2023)

4.2.2 Organization Data

From the 108 responsive Tyre dealers, 48 accounted for sole proprietorship while 60 represented companies representing 44% and 56% respectively on the question of nature of ownership. On the categorization of business based on scale, 17% accounted for small & upcoming business, 73 % for medium level firms and 10 % for large and established firms.

Table 4

Organization Data

Organization Type	Frequency	Percentage
Sole Proprietorship	48	44%
Companies	60	56%
Total	108	100%

Source: Own Research (2023)

4.3 Descriptive Analysis

This section contains descriptive findings, observations and analysis relevant to the objectives of the study. The outcomes were presented through measures of central tendency (means) and dispersion (standard deviations). The data gathered was analyzed using a five-point Likert scale: where 5 showed strong agreement, 4 meant agreement, 3 communicated uncertainty, 2 implied disagreements, and 1 signified strong disagreement

4.3.1 Cost Leadership

The researcher in this section sought to determine to what significant extent the Tyre dealers in Nairobi County undertook cost leadership strategy practices. The results are as shown below in Table 5.

Table 5

Cost Leadership Practice

	Cost Leadership	N	Mean	Standard deviation
1	The firm strives to supply a standard of high volume Tyres at the most competitive prices to customers	108	3.88889	1.022509018
2	The firm benchmarks itself against competing firms to access their relative cost	108	3.84259	0.969219348
3	The firm exploits all potential cost drivers to allow the greater efficiency in each value adding activity	108	4.09259	0.894096436
4	The firm underpins their products to open up a suitable cost advantage over competitors	108	4.14815	1.029486401
5	The firm has improved its efficiency by controlling costs along the existing activity cost chain	108	3.94444	1.146249924
6	The firm pursues cost savings through the cost chain not overlooking anything	108	4.55556	1.296719508
7	Cost advantage is achieved through restructuring the cost chain eliminating unnecessary cost sourcing activities	108	3.99074	1.23080948
8	The firm is a low cost supplier of Tyres in the Tyre distribution industry	108	4.0463	0.898448785
9	The firm sets the industry price to earn a profit around its market position	108	4.2037	1.033297656
	Grand Mean		4.07922	1.057870728

Source: Own Research (2023)

Based on the data in Table 5 and in order of the strength of mean, at a mean rate of 4.56 and standard deviation of 1.30, there was strong agreement to the fact that Tyre dealers do pursue cost savings in line with the strategy of cost leadership. Secondly, on the strength of agreement at a mean rate of 4.20 and standard deviation of 1.03 they do set prices with an intention and with reference to the market position implying the need to minimize cost with the intention to achieve high profitability in line with strategy of being cost leader. Tyre dealers at a mean rate of 4.15 and standard deviation of 1.03 acknowledges that Tyre dealers underpins their products to have a cost advantage over their competitors implying how greatly firms agree on the need to pursue cost leadership. On question, 3 Tyre dealers strongly agree at high mean rate 4.09 on the Likert scale and a standard deviation of 0.89 that firms do pursue all potential cost drivers with an intent to minimize cost with an intention of being a cost leader in line with porter's generic strategies.

There was a strong agreement at a mean of 4.05 and standard deviation of 0.90 among Tyres dealers they were each suppliers of low cost Tyres implying that they consciously pursued the desire to offer low cost products as a strategy to achieve good firm performance. Tyre dealers strongly agreed that they restructured the cost chain to eliminate unnecessary and cost activities that would increase cost in line with the firm goals of being cost leaders.

On the increasing efficiency to eliminate costs, there was a strong agreement among Tyre dealers at a mean rate of 3.94 and standard deviation of 1.15 that they pursue this strategy in line with the greater line of being a cost leader. It was agreed at a mean rate 3.89 and standard deviation of 1.02 that they always endeavored to provide products to customers at the most competitive rates. On the question of if a firm benchmark itself against competitors on the access the relative, firm agreed that that there was a level of comparison with competing firms at a mean rate 3.84 and standard rate of 0.97. Overall on the cost leadership strategy, there is strong agreement at a weighted mean of 4.07 and standard deviation of 1.06 that firms take cost leadership as a key strategy to approach the market and overall the firm endeavors to be a low cost producer with an intention of maximizing profits through increased volumes and sales revenue (Porter, 2001).

4.3.2 Differentiation Strategy

The researcher in this section sought to determine to what significant extent the Tyre dealers in Nairobi County undertook differentiation strategy practices. The results are as shown below.

Table 6

Differentiation Strategy

	Differentiation	N	Mean	Standard deviation
1	The firm creates customer value by offering high quality products supported by good services at premium prices	108	4.01	0.88
2	The firm markets unique products for varied customer groups	108	4.05	0.91
3	The firm has built value by creating attributes for its products and services at an acceptable cost	108	4.03	0.93
4	The firm uses technology to remain on the cutting edge of innovation	108	4.35	1.15
5	The firm has carried out its own strategic group- unique products and services within the industry	108	3.65	0.68
6	Customers are sensitive to unique type of products	108	4.21	1.02
7	The potential market share of firms is increased due to high quality services and products	108	4.18	0.91
8	The firms sources for uniqueness that cannot be quickly imitated	108	4.04	0.82
9	The firms depends on tangible product attributes to achieve differentiation	108	4.05	0.84
	Grand Mean		4.06	0.9

Source: Own Research (2023)

As the Table 6 above demonstrates, Tyre dealers had a strong agreement that the firm uses technology in attempting to have a competitive edge in the market indicated by a strong mean of 4.35 and a standard deviation of 1.15. Further, with a mean of 4.21 and standard deviation of 1.02 indicate the Tyre dealers strongly agree that customers are demand sensitive to the uniqueness of a product implying that the customers would either affect the sales volumes, revenue and profitability of the firm.

At a mean of 4.18 and standard deviation of 0.91 there was agreement that the market share of a firm is increase based on the quality of a products, the more the good quality, more customer loyalty resulting in increased sales volumes, revenue and profitability. Tangible characteristics of a product that make it different from other competing products give a firm competitive edge enabling growth in sales volumes and profitability, derived from question 9 showing a weighted mean of 4.05 and standard deviation of 0.84 which implies a strong agreement that tangible features of a product help achieve differentiation which separates a product from others.

Tyre dealers from the data analysis strongly agree that they do offer their customers unique products to different market groups ensure that ensure that market segments are well sorted with a variety of products increasing the market grip on the segment improving overall sales volumes, revenue and profitability. Tyre dealers offers customers with products that cannot be imitated easily to ensure customer loyalty and ward off competition this with an intent to solidify the sales and market share, this indicated with a strong mean agreeableness index of 4.04 and standard deviation of 0.84 on question 8.

With a weighted agreeableness mean index of 4.03 and standard deviation of 0.93 Tyre dealers imply that because of the various Tyre dealers' ability to provide products of unique characteristics, a value chain has been built that helps the dealers manage their costs affecting prices and attractiveness of their products positively affecting their sales volumes, revenue and profitability. At a weighted mean index of 4.01 and standard deviation of 0.88 Tyre dealers imply that they offer a section of their differentiated products at a premium price implying a locked market share and higher sales revenue due to the premium pricing.

Tyre dealers majorly agree with a mean of 3.65 agree that they have unique products that are strategic to positioning within the industry with an intent to create a competitive advantage that affects performance. There is strong agreement amongst firms on the importance of differentiation into quality products as a competitive edge in improving performance, this demonstrated with a weighted mean agreement rate of 4.01 which supports that differentiation based on the quality standards of products as a strategy towards creating a market following. Overall the weighted mean of 4.06 indicate a strong agreement that differentiation is a strategy that is intensely used by firm to create a competitive market presence. In their research on the UK wine industry, Richardson and Dennis (2003) found the differentiation approach was best in attaining excellent economic results for segment markets. Hahn and Powers, (2010) pinpointed, service quality, technology, segmentation, distribution, pricing, branding, product development and relationship banking as areas where institutions pursue differentiation strategies for superior performance.

4.3.3 Focus Strategy

The researcher in this section sought to determine to what significant extent the Tyre dealers in Nairobi County undertook focus strategy practices. The results are as shown below in Table 7.

Table 7

Focus Strategy

	Focus	N	Mean	Standard deviation
1	The firms has identified a market niche for buyers	108	3.55	0.64
2	The firms focuses on low cost strategy	108	4.15	1.01
3	The firms produces unique focused products that enhances value to the organizations	108	4.56	1.37
4	The firms builds relationships with customers and suppliers	108	4.56	1.3
5	The firms has expanded on broader line that competitors cannot serve	108	3.41	0.45
6	The firm has improved on getting other sources of products that are of value adding activities	108	4.31	1.04
7	The firm targets a specific niche within an industry	108	4.05	0.81
8	The Firm specializes in activities in ways that other firms cannot perform	110	4.02	0.85
9	Firm develops its own set of barriers to market entry by other competitors	108	4.19	0.99
	Grand Mean		4.09	0.94

Source: Own Research (2023)

Table 7 under this chapter shows how firms use focus strategy for growth. Tyre dealers have products that are meant for specific markets and these focused products meant for specific segment add value to the organization this emphasized strongly by a mean of 4.56 and standard deviation of 1.37. Tyre dealers avers that they consciously build special relationship with its customers and suppliers with a need to build a segment, which it can consistently serve with an intention to increase sales, and profitability this supported with a mean of 4.56 and standard deviation of 1.30.

At a weighted mean of 4.31 and standard deviation of 1.04 there is strong agreement that the firm aims to source for products to serve a market segment that adds value to its performance. The analysis heavily deduces with a weighted mean of 4.19 and standard deviation of 0.99 that dealers come up with barriers to protect a market from entry by competitors enabling it to create a unique niche that only it can serve contributing positively to its sales revenue and performance this. The dealers aim at a low cost strategy to enable them to effectively serve a market that demands items of low pricing enabling to lock such a market by growing market share, increasing sales volumes and revenue this indicated by a strong mean agreeable index of 4.15 and standard deviation of 1.01 under question 2. There is a strong level of agreement that the dealers do specialize in activities including sourcing and distribution of the Tyres in ways that the the other companies do not. This gives the dealers a focus differentiated niche that give each dealer an advantage that other firms don't have thereby contributing to customer loyalty, stabilized sales volumes and revenue, all this indicated in question 8 with a mean of 4.02 and standard deviation of 0.85.

There is strong agreement that firms target specific market niches as a strategy to approach markets in pursuit of market share, this is indicated by a weighted mean of 4.05 and standard deviation of 0.81 indicating strong agreeableness to this strategy as a way of achieving sales volumes and profitability. From the data analyzed, it deduced that the dealers identify a specific segment that they do serve by being assured of repeat sales and revenue this shown by an agreeable mean index of 3.55 and standard deviation 0.64.

There is a general level of agreement among that dealers serve on a broader specific line that competitors would have a difficult time to learn and perfect there having an advantage of an assured market line, sales and revenue this indicated by a mean of 3.41 and standard deviation of 0.45. There is also strong agreement that a firm focus strategy to serve a specific market is in such a way that other firm would find it difficult to serve the same market the same way hence developing barriers to entry by other competitors.

Firms heavily agree that this strategy is an approach to consolidate market presence and volumes, demonstrated by a mean agreement rate 4.09. This explains the effect of porter's strategy in firm performance. Focus strategy is employed when it is not appropriate to apply the broad cost leadership or differentiation (Porter, 1985), by offering a limited range of having special product/service for specific type of customers (Allen and Helms, 2006; Hahn and Powers, 2004; 2010)

4.3.4 Firm Performance

The researcher in this section sought to know to what performance trends that the Tyre dealers have actually had for the past three years touching on the sales volumes, sales revenue, expansion and profitability. The results are as shown below in Table 8.

Table 8

Firm Performance

	Firm Performance	N	Mean	Standard deviation
1	Sales Volume has increased has over the past three years	108	4.38	1.04
2	Sales Revenue has increased has over the past three years	108	4.27	0.95
3	The firm has expanded to other branches	108	4.26	0.95
4	Your firm has been able to make profit for the past three years	108	4.52	1.27
5	Your market share has grown over the past three years	108	4.52	1.34
6	Asset valuation has increased over the past three years	108	4.23	0.88
	Grand Mean		4.36	1.07

Source: Own Research (2023)

As per Table 8 above the firm performance under the parameter of profitability and market share, the firms had a high weighted mean indicating a predisposition towards high profitability and high market share over a period of three years indicated by mean of 4.52, 4.52 and a standard deviation of 1.27 and 1.34. There is also an increase of sales revenue and volumes for the comparative period of three years for most of the firms shown by the weighted mean of 4.38, 4.27 and standard deviation of 1.04 and 0.95. There is a general agreeableness amongst the firms about expansion under question 3 this indicated by mean of 4.26 and a standard deviation of 0.95.

There was agreement that the stock valuation of the firm has increased over the years indicating a strong ability to sale necessitated by demand and ready market to dealer’s overall approach to the market. The grand mean for the firms is at 4.36 out of 5 indicating that the level of agreeableness that performance has increased in the past three years. This is important in developing the relationship between the strategies that the firms have been using for the past three years and their general level of performance. It is the most important goal and a key measure of output (Porter, 2004). Organizational performance is the capability of a firm to attain its main objectives including high sales turnover, and returns on assets (Mudaki, 2012)

4.4 Inferential Statistics

To determine the effect between porter’s generic strategies and firm performance, Pearson correlation analysis was used. Weinberg and Abramowitz (2008) states the correlation coefficient depict the relations between the direction and intensity of two variables under research. The Pearson correlation has a value that lies between 1 and 0. The closer the coefficient to 1, the stronger the correlation between the two variables, the closer a value to 0, the weaker the correlation between the two variables, 0 indicating no relations between the two variables.

Three porters generic strategic were analyzed against the firm performance for a period for three years using the Pearson coefficient, below is a tabular representation of the same.

Table 9

Pearson Correlation Analysis

		Cost Leadership	Differentiation	Focus
Firm Performance	Pearson coefficient	0.868	0.868	0.854
Sig_2 tailed		0.08	0.08	0.08

Source: Own Research (2023)

The Table 9 above indicates a strong correlation between cost leadership, differentiation and cost focus with regard to firm performance a coefficient of 0.868, 0.868 and 0.854 respectively with a 99% confidence level in all the comparison. Focus strategy has an effect on firm performance indicated by a co-efficient of 0.854. Cost leadership and differentiation have a correlation-co-efficient of 0.868 to firm performance implying that that put cost leadership and differentiation strategies position are affect the performance of the firm, third but still with an effect on performance is differentiation with a correlation coefficient of 0.854

With a general correlation coefficient of close to 1 for the three strategies, it's imperative that the three porter's generic strategies have an effect on firm performance which is consistent with the alternative hypothesis of this research that porter's generic strategies affect the performance of firms in this case study being Tyre dealers.

To further the accuracy of the correlation a multi collinearity test was done. When predictors exhibit a perfectly linear relationship, it becomes impossible to derive individual estimates for a regression model. Collinearity signifies that two variables possess an almost perfect and linear interconnection. In scenarios involving more than two variables, the term multicollinearity is employed. Below are the results of the Variance inflation factor that measures multi-collinearity.

4.4 Multicollinearity Test

Table 10

Multicollinearity Test Table

Model	Variance Inflation Factor
Cost Leadership	4.059580895
Differentiation	4.080923375
Focus	3.711742529

Source: Own Research (2023)

The VIF Values for the model lie between 1 and 5 and for interpretation of this results, a value between 1 and 5 indicates moderate correlation between a given explanatory variable and other explanatory variables in the model, but this is often not severe enough to require attention. No further investigation were done as the model was considered within limits of Variance inflation factors.

To further assess the effects of Porters generic strategies on firm performance multiple regression was used, using statistic packages the below results were developed from the data.

Table 11

Multiple Regression Results

Regression Statistics	
Multiple R	0.976033101
R Square	0.952640615
Adjusted R Square	0.951274478
Standard Error	0.17810217
Observations	108

Source: Own Research (2023)

The R-squared value of ~0.952 on Table 12 indicates that the model explains 95.2% of the dependent variable's variance and the model can be relied on to show the relationship between Performance and porters generic strategies. The standard error is 0.1778 indicating that the model is significantly correct, as the variance between the data point and the fitted values is low.

Table 12

Multiple Regression Anova Statistics Results

ANOVA					
	df	SS	MS	F	Significance F
Regression	3	66.35823038	22.11941	697.3248	1.05767E-68
Residual	104	3.298919824	0.03172		
Total	107	69.65715021			

Source: Researcher (2023)

Table 12 Column F indicates the p value for the F test of overall significance of the model, the higher the p value the more statistically significant the model, the p value is 697.3248 indicating the model is statistically significant.

Table 13

Multiple Regression Results Equation Summary

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	0.63	0.09	6.71	0.00	0.44	0.81	0.44	0.81
Cost	0.84	0.12	7.28	0.00	0.61	1.07	0.61	1.07
Differentiation	0.09	0.13	0.69	0.49	-0.17	0.36	-0.17	0.36
Focus	-0.05	0.07	-0.70	0.48	-0.19	0.09	-0.19	0.09

Source: Researcher (2023)

Table 13 indicates the co-efficient, which gives the relation between the dependent and independent variable. The regression equation deduced is as illustrated below,

$Y = 0.63 + 0.84X_1 + 0.09X_2 - 0.05X_3 + \varepsilon$

The following are the hypothesis tests for each objective;

H_{01}: Cost leadership strategy does not have a significant effect the performance of Tyre dealers in Nairobi County.

The co-efficient of cost leadership on the regression model is 0.84 indicating a positive relationship between performance and leadership, implying an increase in 1 unit of Cost leadership strategies, increases the performance by 0.84. The p value is found to be 0.00 which is lower the pre-determined significance value of 0.05, the null hypothesis is thus rejected implying that cost strategy has a significant impact on performance of firms.

H_{02}: Differentiation strategy does not have a significant effect the performance of Tyre dealers in Nairobi County.

Differentiation has an effect on firm performance indicated by a coefficient of 0.09, indicating an increase in a 1 unit of differentiation strategy increases performance by 0.09. The p value is 0.48 which is above the set significance value of 0.05, resulting in acceptance of the null hypothesis that though differentiation has a positive impact on performance of Tyre dealers the impact is not significant.

H_{03}: Focus strategy does not have a significant effect on the performance of Tyre dealers in Nairobi County.

Focus strategy has a coefficient of -0.05 indicating an effect on firm performance, an increase in 1 unit of focus strategy decreases performance by 0.05. The p value is 0.49 above the set significance level of 0.05 resulting in acceptance of the null hypothesis that though focus strategy negatively affects firm performance the effect is not significant.

This models shows a positive effect on Porters generic strategies specifically cost leadership strategy and differentiation on having a positive effect on firm performance, while practice of focus strategy having a negative though insignificant effect on firm performance. These findings replicate the findings of Chumba et.al (2019) that the practice of cost leadership and differentiation had a positive effect on firm performance in their study on Telkom Kenya. This model's conclusions being in line with the deductions of Onuoha and Olori (2017) in a study conducted on Business strategies and sustainable competitive advantage of banks in Port Harcourt, which concluded that cost is a major factor in attracting and retaining customer loyalty, a key element in deciding volumes and performance of the company.

The findings on the positive contribution of differentiation strategies on firm performance mirrors the findings of Acquaah and Agyapong (2013) who in a study conducted in Hotels in Ghana on the practice of differentiation strategy concluded that differentiation strategy had a positive effect on firm performance. Further to the models conclusions on differentiation strategy and in line with a study carried out by Tharamba (2018) on the impact of strategic position on performance at Safaricom, the study concluded that firms were adopting differentiation strategy to beat increasing competition and bolster performance. The research by Kireru, et.al (2016) who studied the effect of product differentiation strategy on competitive advantage using Equity Bank Limited as a case study and concluded that banking institutions embrace product differentiation strategies to deliver best deposits products at the favorable prices to the clients further align with these findings on the positive effects of differentiation strategy on performance.

The findings on the effects of focus strategy given that the co-efficient is insignificant being partly in line with Masale (2018) that focus had a negligible effect on the performance firms on a study carried out at Bridge International Academies.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECCOMMENDATIONS

5.1 Introduction

This chapter seeks to make conclusions on the study based on the finding and conclusions in chapter four. This chapter offers a summary of findings based on literature given and recommendations to business owners, managers and future researchers. The research has been limited in scope to the framework and future researchers can access some of the gaps and delve further into those areas. The unit of analysis are Tyre dealers whereas the unit of observation for the research is the performance of Tyre dealers against the practice of three Porter's generic strategies.

5.2 Summary

5.2.1 Cost Leadership Strategy

The research sought to investigate the effect of cost leadership strategy on Tyre dealers' performance. Premised on the responses by the tyre dealers, there is a strong agreement among the dealers investigated that cost leadership practiced had the effect of attracting and retaining customers which lead to high sales volumes, revenue and profitability. There is a strong significant effect of cost leadership on performance indicated by the regression co-efficient of 0.84, indicating that the more a firm engages in cost leadership the greater the performance.

5.2.2 Differentiation Strategy

The study established that there is a positive effect of differentiation strategy on performance of Tyre dealers indicated by a regression co-efficient of 0.09 though at an insignificant level. Tyre dealers that apply this strategy will have negligibly higher sales volumes and revenue and higher profitability than not when using the strategy.

5.2.3 Focus Strategy

The regression co-efficient of -0.05 deduced that the more a dealer practices focus strategy, the less the performance though at an insignificant level given the low value of the co-efficient. The level of significance though on the reduction in performance is negligible. This being mainly because focus strategy narrows the market reach and volumes hence affecting profitability and that the strategy should be approached in multipronged approach in line with other porters generic strategies to achieve synergy.

5.3 Conclusion

The study aimed to assess the application of porter's generic strategies in firms operations and find any relationship between the practice and firm performance. The study yielded a strong relationship between the strategies adopted and the firm performance comparative for a period of three years. The conclusion from the study was that cost leadership, differentiation and focus strategies had an overall effect on firm performance as customer respond positively to these strategies hence increasing volumes, revenue and profitability, which in turn have a direct impact on the market share and eventual ability of the business to have the capital to expand to other areas.

5.4 Recommendations

The researcher recommends that firms should purpose to study and adopt Porters generic strategies specifically cost leadership and differentiation. Customers being price sensitive will embrace products from a firm that positions itself such that it offers affordable products which is achievable because it pursues cost leadership strategies. Customers will also align themselves to a firm that offers products that have added beneficial features that make it different from products of competing firms, giving the firm an edge over existing firms. Firms should avoid practicing focus strategy in isolation from other strategies to avoid minimizing their market volumes and revenue as this limits the firm to a specific section of the market leaving out other potential market growth areas.

5.4.1 Policy Recommendations

This research recommends that government through the ministry in charge of small and medium enterprises develop training needs for managers in this sector to equip them with skills in strategic management along the lines of porters generic strategies to enable them improve their business maximize resources and improve performance. This in the end resulting in positive economic growth for the small medium entrepreneurs.

5.4.2 Recommendations to Managers

The research also proposes to managers to thoroughly practice these cost leadership and differentiation strategies in order to leverage on the optimal efficiencies in performance that come with them.

5.5 Recommendation for Future Research

This study has not exhaustively looked at all areas that connect porter's generic strategies and firm performance, The researcher recommends that further researches be done on the extent to which firms practice this strategies, what level or which strategy is most predominant and contributes most to the positive firm performance. Non-economic indicators including customer satisfaction, brand loyalty and market dominance can also be looked against the practice of Porters generic strategies.

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APPENDICES

Appendix I: Questionnaire

I am an MBA student from Kabarak University. As part of the requirements for the award of the Master of Business Administration, degree am carrying out research on the effect of porter's generic strategies on firm performance, a case study of Tyre dealers Nairobi County. I request that you assist to fill this questionnaire to guide my findings. The answers provided for this questionnaire will solely be used for academic purposes and will be treated with the high level of confidentiality.

Tick, use numbers and explain where appropriate.

Section A: Organization Bio-Data (Optional)

1) What is the type of ownership of your organization have?
    a) Sole Proprietorship ……….
    b) Partnership …………
    c) Company ………...
2) Categorize your organization on the following scale
    a) Small and upcoming ………………
    b) Medium ………………………….
    c) Established and large ……………

Section B: Cost Leadership Strategy

Kindly indicate the extent to which you agree with the following statements on Cost Leadership Strategy. Kindly (√) tick appropriately on a scale of 1-5.

5-Strongly Agree, 4- Agree, 3-Uncertain, 2-Disagree, 1-Strongly Disagree

		5	4	3	2	1
		Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagr
1	The firm strives to supply a standard of high volume Tyres at the most competitive prices to customers					
2	The firm benchmarks itself against competing firms to access their relative cost					
3	The firm exploits all potential cost drivers to allow the greater efficiency in each value adding activity					
4	The firm underpins their products to open up a suitable cost advantage over competitors					
5	The firm has improved its efficiency by controlling costs along the existing activity cost chain					
6	The firm pursues cost savings through the cost chain not overlooking anything					
7	Cost advantage is achieved through restructuring the cost chain eliminating unnecessary cost sourcing activities					
8	The firm sets the industry price to earn a profit around its market position					
9	The firm is a low cost supplier due to substantial capital that the company holds					

Section C: Differentiation Strategy

Kindly indicate the extent to which you agree with the following statements on Differentiation Strategy. Kindly (√) tick appropriately on a scale of 1-5.

5-Strongly Agree, 4- Agree, 3-Uncertain, 2-Disagree, 1-Strongly Disagree

		5	4	3	2	1
		Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
1	The firm creates customer value by offering high quality products supported by good services at premium prices					
2	The firm markets unique products for varied customer groups					
3	The firm has built value by creating attributes for its products and services at an acceptable cost					
4	The firm uses technology to remain on the cutting edge of innovation					
5	The firm has carried out its own strategic group- unique products and services within the industry					
6	The potential market share of firms is increased due to high quality services and products					
7	The firms sources for uniqueness that cannot be quickly imitated					
8	The firms differentiates on the basis of products and services that do not lower a buyer’s cost or enhance their well being					
9	The firms depends on tangible product attributes to achieve differentiation					

Section D: Focus Strategy

Kindly indicate the extent to which you agree with the following statements on Differentiation Strategy. Kindly (√) tick appropriately on a scale of 1-5.

5-Strongly Agree, 4- Agree, 3-Uncertain, 2-Disagree, 1-Strongly Disagree

		5	4	3	2	1
		Strongl y	Agree	Uncert	Disagre	Strongl y
1	The firms has identified a market niche for buyers					
2	The firms focuses on low cost strategy					
3	The firms produces unique products that enhances value to the organizations					
4	The firms builds relationships with customers and suppliers					
5	The firms has expanded on broader line that competitors cannot serve					
6	The firm has improved on other sources that are of value adding activities					
7	The firm targets a specific niche within an industry					
8	The Firm specializes in activities in ways that other firms cannot perform					
9	Firm develops its own set of barriers to market entry by other competitors					

D: Firm Performance

Kindly indicate the extent to which you agree with the following statements on firm performance Strategy. Kindly (√) tick appropriately on a scale of 1-5.

5-Strongly Agree, 4- Agree, 3-Uncertain, 2-Disagree, 1-Strongly Disagree

		5	4	3	2	1
		Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
1	Sales Volume has increased has over the past three years					
2	Sales Revenue has increased has over the past three years					
3	The firm has expanded to other branches					
4	Your firm has been able to make profit for the past three years					
5	Your market share has grown over the past three years					
6	Asset valuation has increased over the past three years					

Appendix II: Tyre Dealers List

TYRE DEALERS			
1	ACME Auto Tyres	40	Try Tires
2	Adkeen Tyres	41	Tunit Car Centre Limited
3	Asma Tyres	42	Tyre Shop Kenya
4	Autokings Service Centre	43	TYRETEC LIMITED
5	Bantu Tyres	44	Wambu Auto Tyres
6	Baraka Tyres_Eastleigh	45	Zanira Auto
7	Barwaqo Auto Tyres Ltd	46	Essentials Tyres
8	Best Point Auto Tyre	47	Mapatano Tyres
9	Blue Jay Tyres	48	Agmer Tyrez
10	Blue White Tyres	49	Alison Traders
11	Bridgeways Tyres	50	Allied Tyre Traders
12	City Prime	51	Antonios Tyres
13	Classic Tyre Centre	52	East Point Tyres Ltd
14	Crossroad Kahore Tyres Ltd	53	Awad Auto LTD
15	Doha Tyre Ltd	54	Ayaan Tyres_Eastleigh
16	Fouzi Tyres	55	Benxpress Tyre Experts & Acc. Ltd
17	Hekima Auto Tyres	56	Best Quality Auto Tyres Ltd
18	Jakakut Tyres	57	Blacks Auto Tyres
19	JB Tyres	58	Bridge Auto Care
20	Kahore Tyres Ltd 2,	59	Brightway Tyres
21	Kaitu Tyres	60	Chamu Auto Tyres
22	Kalalu Tyres Distributors	61	Ngamba Auto Tyres
23	Discount Tyres_Kitengela,	62	Njamba Tyres
24	Liban Auto Suppliers	63	Njemaki Services Station
25	Lwan Auto Spares	64	Njeri Bypass
26	MD Tires	65	Njeru Tyres
27	Musyoki Tyres_Eastleigh	66	Pamar Tyres
28	Muuwi Tyres	67	Rapid Tyre Centre
29	Nasuba Auto Tyres,	68	Real Auto Spares LTD
30	Pro Grip Tyre Hub LTD	69	Smart Kings Tyres
31	Quick Fix Mobile Tyres	70	Tala Auto Tyres
32	Rasmi Auto Tyres	71	Tala Junior
33	Road Max Tyres	72	Tena Tyre
34	Shilloh Auto Tyres	73	Tyre Ville
35	Smart Tyres	74	Tyre Works Limited
36	Step Auto Mart Tyres	75	Vision Auto Tyres
37	Super Ride Auto_Muema	76	Tyrella Ventures
38	Super Ride Auto Tyres	77	Towbah Holdings LTD
39	Treadsetters Tyres Limited	78	Speedline Tyres

79	Shaam Auto	120	Elohim Tyres
80	Nasri Auto Tyres	121	Garden Tyres
81	City Auto Tyres	122	Generations Tyres Ltd
82	Bilal Auto Tyres	123	Genuine Tyres
83	Generation Tyres	124	First World Tyre Centre
84	Mars Tyre Centre	125	GM Auto Tyres
85	Rivera Auto Tyres	126	Hams Tyres
86	Specialty Tyres	127	Hargeysa Store & Auto Tyres
87	Park Road Tyre Centre	128	Highway Tyre Centre
88	Tyrex Kenya	129	Mwaniki Tyres
89	No Excuses Tyres	130	J.J. Tyres,
90	Kenya Masters Auto	131	Jamal Auto
91	BFGoodrich	132	James&Michael
92	Tyreshop Kenya	133	Janki Auto Tyres & Accessories
93	Mobi Tyres & Auto	134	Jomacki General Merchants
94	East End Tire Centre	135	Jupiter Auto Tyres
95	AutoPoint tires & Rims	136	Nairobi West Tyres
96	Masaku Auto Tyres	137	Kawa Tyre Centre
97	Mwangaza Auto Tyres	138	Kayata Auto Tyres
98	Neema Auto	139	Kega Auto Spares
99	Optimum Auto Tyres	140	Tireproz Auto Ciata
100	Sam Auto Tyres	141	ContiPartner Kiambu
101	Thika Tyre	142	Fairrate Tyre and Auto Mart
102	Top Choice Auto Solutions Ltd	143	Amani Tyre Centre
103	Tyre and Wheel 2	144	Ayan Auto
104	Wankam Agencies	145	Baraka Auto
105	Wide Range Services Co. Ltd	146	Bashan Motor(K) Ltd
106	Continental Tyres	147	Beam Tyres
107	County Auto Mart	148	Blessed Auto Tyres
108	Dancy Auto Tyres	149	Brijose Tyre Mart
109	Discover Joy Enterprises Ltd	150	Caravan Tyres Limited
110	East End Tyres	151	Fine Tyres
111	Eastern Bypass Tyres	152	Pamuki Auto Tyres
112	Eastland`s Tyres	153	Salman Auto Tyres
113	Jamnga Tyres	154	Faite Tyres
114	Elimo Auto	155	Rehoboth Tyres
115	Highway Tyres LTD	156	Rema Enterprises
116	Equator Tyres	157	Road Champion Tyres
117	Eqwi Petro Tyres	158	Road Mark Auto Tyres
118	Excess Auto Limited	159	Roadstar Auto
119	Fastlane Auto	160	Salama Tyres

161	Salome Tyres
162	Meshride Tyres
163	Standard Auto Tyres
164	Lesta Tyres
165	Skyline Auto Tyres
166	Speciality Tyres Kenya Ltd
167	Switch Global Tyres
168	Target Link
169	Transway Auto Tyres
170	Trova Tyres
171	Tyre Joint
172	Valley Tyres Limited
173	Wamurema Tyres
174	West End Tyre Selection
175	Neema Auto_Nairobi
176	D-Bass Auto Tyre Centre
177	Kikesa Auto Tyres
178	Kikuyu Tyre Centre
179	Kingsway Tyres Limited
180	Kitui Highride Tyres
181	Lyons Auto Tyres
182	Talent Auto Centre
183	Marana Tyres & Auto
184	Mawilo Limited
185	Mbooni Tyres Buruburu
186	Meco Auto Tyres
187	Motomoto Auto Tyres
188	Mula Tyres
189	Mumo Auto
190	Mutai Tyres
191	Mwania Auto Tyres
192	Naim Auto Tyres
193	Kazimon Tyres
194	Maxis Changamwe
195	Narok Auto Tyres
196	Kingsway Tyres Limited_Westland
197	Nasri Tyres
198	New Happy Auto Tyres
199	Njoro Auto Spares
200	Best Fit Auto Tyre Centre

Source: Own Research (2023)

Appendix III: Letter of Introduction

KABARAK UNIVERSITY

BOARD OF POST GRADUATE STUDIES

Private Bag - 20157
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http://kabarak.ac.ke/institute-postgraduate-studies/

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E-mail: directorpostgraduate@kabarak.ac.ke

17th July, 2020

The Director General
National Commission for Science, Technology & Innovation (NACOSTI)
P.O. Box 30623 – 00100
NAIROBI

Dear Sir/Madam,

RE: EDMOND IMBWAGA – GMB/ON/0189/01/18

The above named is a candidate at Kabarak University pursuing Master's degree in Business Administration (Strategic Management). He is carrying out a research entitled ***"Effects of Porters Generic Strategies on Firm Performance"***. He has defended his proposal and has been authorised to proceed with field research.

The information obtained in the course of this research will be used for academic purposes only and will be treated with utmost confidentiality.

Please provide the student with a research permit to enable him to undertake the research.

Thank you.

Yours faithfully,

KABARAK UNIVERSITY
DIRECTOR
POST GRADUATE STUDIES
17 JUL 2020
PRIVATE BAG - 20157, KABARAK

Dr. Wilson O. Shitandi
DIRECTOR, INSTITUTE OF POST GRADUATE STUDIES

Kabarak University Moral Code
As members of Kabarak University family, we purpose at all times and in all places, to set apart in one's heart, Jesus as Lord. (1 Peter 3:15)

Kabarak University is ISO 9001:2015 Certified

Appendix IV: NACOSTI Permit

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Ref No: 214552

Date of Issue: 30/July/2020

RESEARCH LICENSE

This is to Certify that Mr.. Edmond Imbwaga of Kabarak University, has been licensed to conduct research in Nairobi on the topic: EFFECTS OF PORTERS GENERIC STRATEGIES ON FIRM PERFORMANCE-A CASE STUDY OF TYRE DEALERS IN NAIROBI REGION for the period ending : 30/July/2021.

License No: NACOSTI/P/20/5942

214552

Applicant Identification Number

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Appendix V: Evidence of Conference Presentation

THARAKA UNIVERSITY

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MARIMANTI, KENYA

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Website: https://tharaka.ac.ke
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Education for Freedom

OFFICE OF THE DIRECTOR
RESEARCH, EXTENSION & PUBLICATIONS MANAGEMENT

REF: TUN/DREP/GL/01/12 **29th November, 2023**

Edmond Imbwaga,
Department of Commerce,
School of Business and Economics,
Kabarak University.

Dear Sir,

REF: ACKNOWLEDGMENT OF ATTENDANCE AND PAPER PRESENTATION AT THARAKA UNIVERSITY 5TH ANNUAL INTERNATIONAL RESEARCH CONFERENCE

On behalf of Tharaka University 5th Annual International Research Conference Committee, I extend my sincere gratitude for your invaluable contribution to the Transformative Business Entrepreneurship, Economics and Trade session during our recent conference held from **22nd to 24th November, 2023.**

Your participation and presentation titled "***Effect of Porter's Generic Strategies on Firm Performance of Tyre Dealers in Nairobi County, Kenya,***" added depth and insight to our discussions, enriching the discourse.

We hope to have the privilege of your participation in our future Research Conferences.

Warm regards,

Dr. Denis Obote, Ph.D.
Director, DREP

THARAKA UNIVERSITY
BOARD OF POSTGRADUATE STUDIES AND RESEARCH
29 NOV 2023
DIRECTOR
P.O. Box 193-60215, MARIMANTI

Appendix VI: List of Publication

Kabarak Journal of Research & Innovation
www.kabarak.ac.ke

RESEARCH ARTICLE

Effect of Porter's Generic Strategies on Firm Performance of Tyre Dealers in Nairobi County, Kenya

Edmond IMBWAGA*[1]

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Submitted 26th July, 2023, Accepted 28th July, Year and Published 23rd September, 2023

ABSTRACT

The study sought to assess the effect of Porter's generic strategies on firm performance of Tyre dealers within Nairobi County. The study adopted a descriptive research design. The population of the study were tyre dealers in Nairobi County. A sample of 200 tyre dealers was picked through random sampling in Nairobi County. Out of the targeted tyre dealers that were picked through simple random sampling, 108 were responsive indicating 54% response rate, this large sample ensured the reliability of the responses while the mode of structure of the questionnaires guaranteed the validity of the data collected. After analysis of the data through correlation and multiple regression, it was deduced that there is a strong effect of porter's generic strategies on firm performance, with a strong correlation co-efficient of 0.975, 0.928 and 0.976 for cost leadership, differentiation and focus respectively. Multiple regression deduced that 95.2% of firm performance was attributed to cost leadership, differentiation and focus strategies based on the regression model. Based on the regression model cost leadership has a deduced coefficient of 0.84 implying that an increase in a unit of firm performance due to an increase in 0.84 unit of cost leadership. Differentiation generated a co-efficient of 0.09 implying increase in one unit of performance due to an increase in 0.09 unit of differentiation Focus strategy deduced a co-efficient of -0.05 implying a reduction of a unit of performance by an increased in practice of focus by 0.05. This overall indicated that cost leadership and differentiation have a positive effect on performance while focus strategy has a negative effect on firm performance.

Keywords: *Cost leadership strategy, Differentiation strategy, Focus strategy, Firm performance.*