INFLUENCE OF COST LEADERSHIP, DIFFERENTIATION AND FOCUS STRATEGIES ON FIRM COMPETIVENESS: THE CASE OF BOC KENYA LIMITED

BY

JANET JOAN ONYANGO

UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

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A Research Project Proposal Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Masters in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

SUMMER 2017
STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

Signed: ______________________  Date: ______________________

Janet Joan Onyango (ID 644083)

This project has been presented for examination with my approval as the appointed supervisor.

Signed: ______________________  Date: ______________________

Dr. Maina Muchara

Signed: ______________________  Date: ______________________

Dean, Chandaria School of Business
ABSTRACT

BOC Kenya plays an important role in the economic development of Kenya as it generates employment opportunities as well as creates products that are critical in life support services. It is therefore clear that improving the competitiveness of BOC Kenya is important for the realization of Kenya’s Vision 2030. The purpose of this study was to determine the influence of cost leadership, differentiation and focus strategies on competitiveness of BOC Kenya. The study sought to answer the following research questions:—What is the influence of cost leadership on the competitiveness of BOC Kenya? What is the influence of differentiation on the competitiveness of BOC Kenya? And finally what is the influence of focus strategy on the competitiveness of BOC Kenya? The study was guided by Porter’s Generic Model on competitive advantage adopted by firms. A questionnaire was used to collect primary data from the BOC Kenya customers and the data was analyzed using both descriptive and inferential statistical analysis. Survey research design was used covering a stratified sample of 1500 BOC Kenya Customers drawn from the firms distributed across the 7 key industrial sub-sectors. The researcher used multi-stage sampling technique. In the first instance, stratified sampling technique was used to classify each of the 7 sub-sectors into individual strata. The sample was then selected using simple random sampling technique from each of the stratum. Descriptive statistics such as percentage, mean, standard deviation and inferential statistics, namely; correlation analysis and regression analysis were used to test the influence of generic strategies on competitiveness of BOC Kenya. The results indicate that BOC Kenya has largely adopted competitive strategies in order to compete in the market place. The findings of the study revealed that cost leadership, differentiation and focus strategies have positive significant influence on the firm’s competitiveness in the market. However, differentiation strategy had a higher coefficient of determination meaning that, it had the greatest effect on firm performance. Moreover, as opposed to Porter’s argument that a firm can achieve a higher level of performance over its rival by either being a cost leader or by supplying differentiated product or service, BOC Kenya combined their strategies into cost minimization, product differentiation and focus simultaneously to achieve a higher competitive edge. The study concludes that while cost leadership, differentiation and focus strategies does influence an organization’s competitiveness, a combination of all three brings forth a higher competitive edge. However, it was noted that differentiation strategy has the greatest impact when each strategy is applied separately.
The study recommends that BOC Kenya and other manufacturing firms utilize much of differentiation strategy since it seemed to have greatest effect on performance as well as try out the other two strategies of cost leadership and focus simultaneously. The study further recommends the need to strengthen this study via a longitudinal study and compare the performance of different categories of businesses as well.
ACKNOWLEDGEMENT

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<th>Description</th>
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<tr>
<td>ANOVA</td>
<td>Analysis of Variance</td>
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<tr>
<td>BOC</td>
<td>British Oxygen Company</td>
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<td>BBG</td>
<td>Barclays Bank of Ghana</td>
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<td>BP</td>
<td>British Petroleum</td>
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<td>COGS</td>
<td>Cost of Goods Sold</td>
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<td>Human Resource Management</td>
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<td>LPG</td>
<td>Liquefied Petroleum Gas</td>
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<tr>
<td>NOCK</td>
<td>National Oil Corporation of Kenya</td>
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<tr>
<td>PSV</td>
<td>Public Service Vehicle</td>
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<tr>
<td>ROA</td>
<td>Return on Assets</td>
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<td>ROE</td>
<td>Return on Equity</td>
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<tr>
<td>SBU</td>
<td>Strategic Business Unit</td>
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<td>SME</td>
<td>Small and Medium Enterprises</td>
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<td>SPSS</td>
<td>Statistical Analysis in Social Science</td>
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background to the Study

Many firms are currently faced with dynamic and uncertain business environment. Tromstedt and Haapasalo (2012) indicated that today’s turbulent business environment is characterized by uncertainty and inability to predict the future thus operating a business is extremely challenging, and thus requires the development of new competences. The stiff competition in the market has rendered the success of any given firm to be largely dependent on its strategic awareness. In other words the managers must be cognizant of how changes in their competitive environment are unfolding. Porter (2000) purports that business managers should actively look for opportunities to exploit their strategic abilities. This can be achieved through adapting and seeking improvements in every area of the business, building on brand awareness and understanding of current strategies and successes. Thus, organizations must be able to act quickly in response to opportunities and barriers. For the purpose of market survival, organizations must compete effectively and out-perform their rivals in a dynamic environment. This may be accomplished by finding suitable ways for creating and adding value for their customers so as to gain a competitive edge. (Porter, 2000).

There are different schools of thought as regards to firm competitiveness for example there is global competitiveness, industry competitiveness and firm level competitiveness. The current study will focus on the firm level competitiveness. Longman’s Advanced American Dictionary (2000) defines competitiveness as “the ability of a firm or a product to compete with others and the desire to be more successful than other people”. According to Smith (2005), competitiveness is the ability the firm to develop and deploy capabilities and talents far more effectively than competitors can help in achieving competitiveness. Based on this definition, competitiveness of a firm can be taken as its ability to do better than comparable firms in sales, market shares, or profitability.

Firm competitiveness largely relies on the strategies that a company adopts to outperform its rivals in the market such as; cost leadership strategy, differentiation strategy and focus or niche strategy (Porter, 2000). Companies that practice cost leadership strategy may increase their market share due to low price advantage (Bauer & Colgan, 2001).
Lower prices lead to higher demand and, therefore, a larger market share (Porter, 1980). By implementing a differentiation strategy a firm is able to create entry barriers to potential entrants. This is achieved by building customer and brand loyalty. In implementing this strategy, a company provides a unique product or service from those of the rivals in the market (Hlavacka et al., 2001). Product differentiation tailors the product to perfectly suit the need of the customer. In implementing differentiation strategy one needs to consider the distinct feature of his/her company from the rest of the companies (McCracken, 2002). Lahtinen and Toppinen (2006) assert that the person focusing a given market selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others. By optimizing its strategy for the target segments, the focuser seeks to achieve a competitive advantage in its target segments even though it does not possess a competitive advantage overall.

A firm's relative position within its industry determines whether a firm's profitability is above or below the industry average. The fundamental basis of above average profitability in the long run is sustainable competitive advantage. There are two basic types of competitive advantage a firm can possess: low cost or differentiation. The two basic types of competitive advantage combined with the scope of activities for which a firm seeks to achieve them, lead to three generic strategies for achieving above average Competitiveness in an industry: cost leadership, differentiation, and focus (Porter, 1996). The focus strategy has two variants, cost focus and differentiation focus. Low cost and differentiation strategy may be compatible approaches in dealing with competitive forces (Allen & Helms, 2006), and postulated the pursuit of what has been termed hybrid/integrated competitive strategies (Porter, 1996).

David (2014) points that the Kenya Oil and Gas industry has expanded over the years and grown significantly to have an imprint on the regional market. The recent discovery of Oil and Gas in Kenya has reawakened the scramble for Kenyan market by the big Oil and Gas companies and other multinationals. British Petroleum Company which had left the country in 2002 has since reentered back the market. Helios Oil, and Hashi Oil, has also entered into the Kenyan market seeking to benefit from the new found fortunes. This has led to stiff competition among the players in the industry.
According to Energy Regulatory Commission (ERC, 2013), the size and nature of the market place for gas in Kenya has emerged significantly over the years attracting many players. According to Sambu (2012), the Kenyan market has 40 players, but the major players are Total, KenolKobil, Shell and Oil Libya. According to Kenya-Oil-and-Gas2013 report, in the LPG market, Vivo Energy (Shell) tops the market with 28.5%, Total Kenya at (22.3%), Libya Oil at 18.3%, and KenolKobil at 11.5% while National Oil holds 1.4% of the market share. Of significance to note, the government of Kenya has also invested in the Oil and Gas industry through Kenya Petroleum Refineries Limited, National Oil Corporation of Kenya (NOCK), Kenya Pipeline Corporation and through the market price regulator, the Energy Regulatory Commission (ERC). Other players are private limited companies including Gulf energy, Hashi Energy, Gapco, Engen Limited, Galana Oil Company, Triton Energy, Hass Petroleum Company, and Mogas Oil Company among other small independent companies. The industry is characterized by price volatility that occurs from time to time (ERC, 2013). In the LPG market, ERC (2013) enforced regulations that required all LPG providers to have standardized gas cylinders. This was done to ensure that consumers can have an easier access to the product without the encumbrances initially caused by hoarding of product, unstandardized measures, and pricing. In as much as the uptake of cylinder standardization has been a success, PIEA (2013) report suggests that unscrupulous providers and agents are still fleecing unsuspecting customers by selling to them substandard LPG products that does not meet ERC regulations.

According to Herbling (2013), British Petroleum (BP) exited the Kenyan market in 2007 due to competition and low profit margins. However, in 2013, BP made a return to the market citing vibrant growing needs for Oil and Gas in Kenya. Equally, according to David(2014), argues that Esso, Agip, Mobil, Caltex exited the Kenyan market due to the growing competition from the small Oil and Gas providers who were significantly eating into their profit margins. In the Kenyan Oil and Gas industry where competition is stiff and dynamic, it is important to apply the hybrid or integrated competitive strategies in order to edge competition and achieve optimal sustained business returns. Thus, the influence cost leadership, focus and differentiation strategies applied by BOC Kenya on its competitiveness form the basis of this study.
1.2 Statement of the Problem

There exist varied and at times conflicting views in the literature on the application of Porters Generic Strategies and how it influences firm competitiveness. Porter (2001) sums up strategy as deliberately choosing a set of activities to deliver a unique mix of value. The choice of strategy is determined by the level at which decisions are made, size and nature of the organization. Corporate level decisions are about the entire organizational direction while business level strategies include Porter's generic strategies which focus on how a firm can establish their competitive advantage through low cost, differentiation and focus strategies. Through low cost strategy a firm becomes competitive offering lower prices in the market, focus strategy enables a firm to concentrate on a smaller niche hence locking out other firms while differentiation gives the product a unique value that the market does not offer hence competitiveness (Porter, 1980). It is therefore clear that any business organization needs a business level strategy such as Porter's generic strategies (Porter, 2001) in order to gain a competitive edge in the market.

Indeed global, industry and company specific studies have been carried out on Porters generic strategies’ influence on firm competitiveness to evaluate the same. Alamdari and Fagan (2005) carried a model-based study, by discussing the effectiveness of the low-cost model and the Influence on the profitability of low cost airlines which was introduced by the Southwest Airlines. They analyzed the Competitiveness and business models of ten longer established US and European low cost carriers against the original model of Southwest Airlines. Their analysis indicated that although an increasing number of ‘hybrid’ low cost models achieved low operating costs, offering low fares and returning attractive operating profit margins, the low cost carriers tended to follow a differentiation strategy as opposed to cost leadership on which the original low cost model was based. In contrary the study on BOC Kenya evaluated the influence of cost leadership strategy and the differentiation strategies separately to determine how each can enhance the firm’s competitiveness, and not as a combination of the strategies, which was identified in the above study on the low cost airlines.

Differentiation entails an enterprise aiming at different market segments and taking into account each individually to gain utmost value. This can be attained by making a product or service that is regarded unique industry-wide. A firm then carries out an aggressive marketing
campaign to emphasize the product uniqueness so as to build a strong brand loyalty to defend itself against competitor products (Dean, 2011). Haarla (2003) in her study of Product differentiation: Does it provide competitive advantage for a printing paper company? concluded from the sample represented by four Finnish paper industry companies, its customers, its suppliers as well as consultancy companies, the Finnish Technology Agency and a bank, that product differentiation in the context of printing papers is rather a product proliferation, a wasted opportunity, rather than a real value-adding action. This study will however seek to find out if product differentiation in the context of BOC Kenya (a manufacturing and allied company) will add value by influencing competitiveness for the company.

Dwamena (2011) carried out an evaluation of the competitive strategies in the banking Industry in Ghana: a case study of Barclays bank of Ghana Ltd. The paper sought to identify and evaluate the competitive strategies adopted by Barclays Bank of Ghana (BBG) and identify the areas of competition in the banking industry. The research recommended that, BBG continues to find ways of differentiating itself by changing its strategic direction to also focus on the middle and low earning customers and incorporate a refocus on superior customer service. The above recommendation applies to this study as it sought to find out if in addition to existing large institutions focusing on the middle and low earning customers i.e. focus differentiation at BOC Kenya will improve its competitiveness in the oil and Gas sector.

In Kenya, Gathoga (2001) in his study, focused on competitive strategies adopted by commercial banks in Kenya. The study revealed that expansion by opening of new branches has been used as a strategy. Karanja (2012) also did a survey on competitive strategies of real estate firms in the perspective of Porter’s generic model. These studies revealed that firms in different industries adopt different competitive strategies which are unique in each context stating that the least used among the Insurance companies is the focus strategy. This study will therefore look into determining if focus strategy also applies in the gas industry. From the above gaps this study will therefore look at the influence of the three generic strategies; cost leadership, differentiation and focus in influencing in sustaining the competitiveness of BOC Kenya whose revenue was negatively impacted by competition from imports of medical gases by competitors, reduction in the market prices for Liquefied Petroleum Gas (LPG) and a change in the Group’s sales mix. (BOC Kenya Annual Report, 2015)
1.3 Purpose of the Study

The purpose of this study is to determine the influence of cost leadership, differentiation and focus strategies on the competitiveness of BOC Kenya.

1.4 Research Questions

1.4.1 What is the influence of cost leadership on the competitiveness of BOC Kenya?

1.4.2 What is the influence of differentiation on the competitiveness of BOC Kenya?

1.4.3 What is the influence of focus strategy on the competitiveness of BOC Kenya?

1.5 Significance of the Study

The study findings are beneficial to various stakeholders as follows:

1.5.1 BOC Kenya Ltd management

The findings of this study will inform the managers of BOC Kenya on the specific strategies that they need to adopt in order to enhance their competitiveness hence increase their chances of survival in the market. The findings of this study will enlighten the BOC management on the strategies they should adopt in order to cope with market pressures such as competition to increase their productivity and survive in the market.

1.5.2 Scholars

These study findings might also be useful to students, educators, and researchers. The study will be useful to those who may use the findings presented as reference material as ground for further research on the relationship between competitive strategies and firm competitiveness among the Oil and Gas companies in Kenya.

1.5.3 Investors

The investors will be able to gain understanding of the competitiveness of BOC. This will guide the investors on the ways of establishing long term relationships with the firm so as to enable it increase its market share and gain strong brand reputation.
1.6 Scope of the Study

The study will concentrate on the influence of cost leadership, differentiation and focus strategies on BOC Kenya’s competitiveness with the population being their customers.

1.7 Definition of Key Terms

1.7.1 Firm Competitiveness

This is the ability of a firm to implement processes of efficiency improvement, gain strong brand reputation and achieve a large market share (Wright et al., 2004).

1.7.1 Cost Leadership Strategy

Cost leadership involves becoming the low cost firm in an activity that can be operationalized as low input costs, economies of scale, experience, products/process design and low pricing (Johnson, 2011).

1.7.2 Differentiation Strategy

This entails tailoring a product to perfect suit the need of the customer (McCracken, 2002)

1.7.3 Focus Strategy

This comprises of production of goods aimed for a particular market segment to the exclusion of others. (Lahtinen & Toppinen, 2006)

1.8 Chapter Summary

This study is organized into five chapters. This chapter introduces the case company, background to the study, statement of the problem, significance of this study and the scope within which the study was conducted. In chapter two a review of existing literature on cost leadership, differentiation and focus strategies is done. Chapter Three focuses on research methodology adopted for this study; population and sampling design, data collection procedures, research procedures and data analysis methods to be used. Chapter Four captures the findings while Chapter Five will contain summary of the findings with the conclusion and recommendations.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature on existing studies that have been done in relation to the influence of cost leadership, differentiation and focus strategies on firm competitiveness. It is divided into sections based on the research questions that include: What is the influence of cost leadership on the competitiveness of BOC Kenya? What is the influence of differentiation on the competitiveness of BOC Kenya? What is the influence of focus strategy on the competitiveness of BOC Kenya? before summarizing the chapter.

2.2 Firm Competitiveness

Competitiveness is a multidimensional concept that can be looked at from three different levels: country, industry, and firm level. Competitiveness originated from the Latin word, competer, which means involvement in a business rivalry for markets. It has become common to describe economic strength of an entity with respect to its competitors in the global market economy in which goods, services, people, skills, and ideas move freely across geographical borders (Murths, 2008). Firm level competitiveness can be defined as the ability of a firm to design, produce and or market products superior to those offered by competitors, considering the price and non-price qualities (D’Cruz, 2012). Competitiveness processes are those processes, which help identify the importance and current Competitiveness of core processes such as strategic management processes, human resources processes, operations management processes and technology management processes. The competitiveness process as a focused integrating mechanism can be viewed as a business balancing process that complements traditional functional processes such as operations management and human resources management.

2.3 Influence of Cost Leadership on Firm Competitiveness

Cost leadership strategy refers to gaining competitive advantage through charging sustainably lower prices than other competitors (Porter, 2001). This is achieved by reducing costs incurred in production and distribution in order to lower the overall price of commodities. In markets where there is price control, this is still possible through automation, flexibility and improved
production thereby eliminating large percentage of inefficiencies in the production process. When a company keeps lowering prices without a reduction in operating costs, it runs the risk of depletion of resources and consequently becoming insolvent especially in a fiercely competitive market (Woodruff, 2014). A low cost strategy requires that the firm is the lowest cost producer in that industry and not among several vying for that position (Porter, 1985). This strategy requires “aggressive construction of efficient-scale facilities, vigorous pursuit of cost reduction from experience, tight cost and overhead control, avoidance of marginal customer accounts and cost minimization in areas like research and development, service, sales force and advertising. Low cost, relative to competitors becomes the running theme through the entire strategy, though quality, service, and other areas cannot be ignored (Porter, 1980).

Strickland (2014) observes that in cost leadership, a firm sets out to become the low cost producer in its industry for a given level of quality. This can be at an average industry price to earn a profit higher than the competition or below the average price to grow market share. This becomes handy in a price war environment where the firm may retain some profits and the competition booking loses. Porter (1980) advises that cost leadership requires aggressive construction of efficient scale facilities, vigorous cost reductions from experience, tight cost curve control and cost maximization in various functions. While pursuing low cost leadership, the firms must ensure to include features and services that the consumers consider essential. This strategy benefits the firm in withstanding intense price competition.

New entrants are also deterred by low cost capabilities (Lina, 2013). It is important to note that generic strategies pose risks and the low cost strategy is no exception. Other firms may be able to lower their costs as well through economies of scale, proprietary technology, and preferential access to raw materials among other factors. In light of this, the competitive advantage will be eliminated. Other firms may opt for a focus strategy targeting narrow markets and may be able to achieve even lower costs within these segments and grow their market share. Lynch (2015) highlights that a company may be a cost leader but that does not necessarily imply that that the firm’s products will have a low price. In some instances, the firm can charge an average price while following the low cost leadership strategy and reinvest the extra profits into the business.
Hitt (2011) observes that low cost producers typically sell a standard or “no frills” product and place a considerable emphasis on reaping scale or absolute cost advantages from all sources. Risks of cost leadership include the following: the low cost leaders could become obsolete because of competitors’ technological innovation; due to too much concentration on implementing cost leadership firms may fail to detect changes in customer needs or competitors’ efforts to differentiate; and finally there is risk of imitation by competitors. Another risk according to Porter (1998) is that inflation in costs may narrow the firm’s ability to maintain enough of the price differential to offset the competitors’ brand images or other approaches to differentiation.

Literature presents conflicting findings on the influence of cost leadership on firm competitiveness. For example, Anderson (2012) in his study of Asian markets affirms that since bottom of the pyramid consumers have low disposable incomes, products may need to match the cash flow of consumers who frequently receive their income on a daily rather than weekly or monthly basis. Miyagawa and Yoshida (2015) found that Japanese businesses are currently making major moves into the burgeoning Chinese marketplace. These opportunities are very much cost-leadership in nature, based on China's low-wage workforce.

Continuous, incremental improvements in quality and efficiency are needed in Chinese products to build the Chinese market into a manufacturing base able to compete in the Japanese marketplace. Relying on the low wage workforce alone may not help if the process and operational costs are not minimized hence this study failed to adequately address the factors that enables cost leadership. Amir (2010) did a study on competitive strategies adopted by petroleum retail stations in Kenya. The findings showed that all stations are applying some strategies for competition but most of them combine both the cost leadership and differentiation strategies at the same time, most of which are the multinationals due to their favorable financial capabilities.

George (2010) examined the relationship of competitive strategies and firm Competitiveness in the mobile telecommunication service industry. The findings revealed that the strategies adopted by Safaricom Kenya Limited so as to cope with 34 the competitive environment included vigorous pursuits of cost reduction; providing outstanding customer service; improving operational efficiency; controlling quality of products/services; intense supervision
of frontline personnel; developing brand or company name identification; targeting a specific market niche or segment; and providing specialty products/services. The findings also revealed a significant relationship between the strategies adopted by Safaricom Kenya Limited and its Competitiveness with respect to the following objective Competitiveness indicators used: total revenue growth, total asset growth, net income growth and market share growth.

On the contrary, according to Alamdari and Fagan (2005), low cost operation has been a very successful business model in the airline industry. Over the past 5 years, there has been a widespread departure from the original low cost model introduced by Southwest Airlines. The low cost carriers tended to follow a differentiation strategy as opposed to cost leadership on which the original low cost model was based. The objective of their research paper was to assess the degree by which the original low cost model has been modified over the years, and to ascertain whether the degree of adherence to the original model has any impact on the profit level of low cost airlines. The Competitiveness and business models of ten longer established US and European low cost carriers were analyzed and evaluated against the original model of Southwest Airlines. Analysis indicated that although an increasing number of ‘hybrid’ low cost models achieved low operating costs, offering low fares and returning attractive operating profit margins, there is a case for recommending adherence to the original low cost model to ensure greater profitability. Therefore, the study sought to determine the influence of cost leadership on competitiveness of BOC Kenya.

2.3.1 Economies of Scale

Economies of scale exist when the costs of performing an activity decrease as the scale of the activity increases. Economies of scale arises by increases in outputs that do not require proportionate increases in inputs (technical input-output relationships); many resources are unavailable in small sizes and therefore offer economies of scale. In that sense, firms can spread the costs of these items over larger volumes of output. An example is the units that are available only above a certain minimum size; these are capital equipment, research facilities, advertising campaigns, and distributions systems; and specialization by expanding the number of inputs (Sanchez & Heene, 2004).
A larger number of companies have been successful using the strategy of low prices to attract customers (Scilly, 2011). The idea of everyday low prices is to offer products at a cheaper rate than competitors on a consistent basis, rather than relying on sales. A company is able to achieve this when it has a large scale and efficient supply chain. They source products from cheap domestic suppliers and from low-wage foreign markets. This allows the company to sell their items at low prices and to profit off thin margins at a high volume (Scumberg, 2014).

2.3.2 Economies of Learning

Some companies have been extremely successful with this strategy by offering their products at low prices. They are able to keep prices low through a division of labor that allows them to hire and train inexperienced employees rather than the expensive highly skilled human resource in labour market. Firms may also rely on few managers who typically earn higher wages. These staff savings may allow the companies to offer their products for bargain prices.

The focus of firms implementing a cost leadership strategy is on stringent cost control and efficiency in all areas of operation (Porter, 1980). A company that decides to follow a cost leadership strategy has the objective of being able to realize its offer at lowest possible cost. The competitive advantage of cost leadership is achieved by performing important value chain activities at lower cost than competitors (Porter, 1985). Cost Leadership tends to be more competitors oriented rather than customer oriented (Frambach, 2013).

2.3.3 Value Chain Management

Cost leadership strategy seeks to improve efficiency and control costs throughout the organization supply chain (El-Kelety, 2011). The strategy further requires management to focus its attention on competing on cost (Cheah 2010). A low cost position gives a firm a defense against rivalry from competitors, because its lower costs means that it can still earn returns after its competitors have exhausted their profits through rivalry (Porter 1980). Firms adopting cost leadership strategy try to be the low-cost producers in the markets. Sources of cost advantages depend on industrial structure. Cost advantages may come from economies of scale, economies of scope, propriety technology, preferential access to materials and other factors. With cost advantages, firms are able to have above-average return or can command price.
The cost leadership strategy is the basis for the long-run, sustainable competitive strategy compared to the price competition strategy. The price competition strategy is easily duplicated (Porter, 1980; Ellis & Kelley, 2012). In any industry, companies strive for cost leadership strategy; all sources related to cost reduction must be exploited. A business company must minimize cost throughout its value chain (and possible intercompany chain) activities (Pegg, 2015). Therefore, the most important issue for the retail business company is to pinpoint the sources which are related to the Cost of Goods Sold (COGS).

Cost leadership requires a strong focus on the supply side as opposed to the demand side of the market, as this requires a high level of competitor orientation (Day & Wendley, 2015). Therefore, firms pursuing a cost leadership strategy must continuously benchmark themselves against other competing firms in order to assess their relative cost (and therefore profitability) position in market place (Robach, 2013).

2.3.4 Differential Low-Cost Access to Productive Inputs

Cost leadership involves becoming the low cost firm in an activity and can operationalized as low input costs, economies of scale, experience, products/process design and low pricing (Johnson, 2011). Low input costs involve locating operations close to materials and cheap labour; economies of scale require large scale operations and experience is where more experience leads to efficiency (Porter, 1985). Products/process design influence efficiency by making products from cheap standard materials while low pricing is made possible by having products that are close to competitors in terms of features. The firm can then make small price cuts to compensate the slightly lower quality (Johnson, 2011). The low cost strategy should translate to a profit margin that is higher than the industry average.

Large business companies usually achieve cost leadership more easily than smaller companies, because large business companies usually have power over suppliers which enable them to secure low procurement prices for purchased goods (Ellis & Kelley, 2012; Anderer, 2010). As Fernandez (2009) opines that before a business can grow, it needs to have its costs under control. This is to say that a company must be cost-efficient, reliable and profitable, and it must create value.
2.3.5 Capability Management

Competitiveness involves “a combination of assets and processes, where assets are inherited (natural resources) or created (infrastructure) and processes transform assets to achieve economic gains from sales to customers” (DC, 2011). Outcomes can be achieved through competitive potentials through the competitiveness process (Berkely, 2008), similar to the Asset-ProcessCompetitiveness (APP) framework (Momaya, 2010). Some authors view competitiveness with the competency approach. They emphasize the role of factors internal to the firms such as firm strategy, structures, competencies, capabilities to innovate, and other tangible and intangible resources for their competitive success (Bartlett & Ghoshal, 2009).

This view is particularly among the resource-based approach towards competitiveness (Prahalaad& Hamel, 2010). Ability to develop and deploy capabilities and talents far more effectively than competitors can help in achieving world-class competitiveness (Smith, 2015).

2.4 Influence of Differentiation Strategy on Firm Competitiveness

In a differentiation strategy, a firm seeks to be unique in its industry along dimensions that are widely valued by buyers (Mackenzy, 2011). Under the strategy, a firm selects one or more attributes that many buyers in an industry perceive to be important, and uniquely positions it to meet those needs. The firm may be rewarded for that uniqueness with a premium price. A differentiation strategy does not allow a firm to ignore costs but rather they are not the primary strategic target (Porter, 1980). A firm that can achieve and sustain differentiation becomes the above average performer in an industry if its price premium exceeds the extra cost incurred in being unique. Robinson (2015) emphasizes that a successful differentiation strategy allows a business to provide a product or service of perceived higher value to buyers at a “differentiation cost” below the “value premium” to buyers.

The buyer may feel that the additional cost to buy a product or service is well below its worth compared with other available alternatives (Pearce, 2010). While marketers select a best segment to target their product on, firms create more fine-tuned products or services offerings and price them appropriately for the target segment. The company can easily select the best distribution and communication channels, and it will also have a clearer picture of its competitors who are the other companies going after the same segment (Borren, 2013). In
other words differentiation is driven by uniqueness. A firm’s uniqueness in a value activity is determined by a series of basic drivers which are the underlying reasons why an activity is unique and without which a firm cannot fully develop means of creating new forms of differentiation or diagnose how sustainable the existing differentiation is (Porter, 1985).

This strategy involves uniqueness in doing something that is sufficiently valued by customers to allow a price premium (Johnson, 2011). The emphasis can be on brand image, proprietary technology, special features, superior service, a strong distributor network or other aspects that might be specific to an industry. The uniqueness should also translate to profit margin that is higher than the industries average (Porter, 1985). In the differentiation strategy, the firm creates a differential competitive advantage through specific features or services that sets it apart from the others in the industry or the market. Conrad (2014) asserts that the essence of differentiation is to be unique in ways that are valuable to customers and that can be sustained by the firm. It needs a critical study of buyer needs and preferences to consider what is important to them and what value are they willing to pay for this. Porter (1980) strengthens the position by indicating that the advantage of uniqueness may be in the form of customer service, design, brand image or technology. He further advises that differentiation extends beyond the characteristics of the product or service, to include every possible interaction between the firm and its customers. However, Grant (2013) adds that differentiation strategies are not about pursuing uniqueness for the sake of being different but is about understanding the product or service and the customer.

Differentiation insulates loyalty by customers and gives lower sensitivity to price. Strickland (2010) advises that differentiation strategies tend to work best in the market circumstances where there are many ways to differentiate the product or service and many buyers perceive the difference as having value. Firms can differentiate their products or services by altering or modifying the product features, linking different functions within the firm, introducing the product at the right time, exploring location advantages, mixing products and linking with other firms (Porter, 1980).

Risks associated with a differentiation strategy include imitation by competitors and changes in customer tastes. Additionally, various firms pursuing focus strategies may be able to achieve even greater differentiation in their market segments. The emphasis can be on brand
image, proprietary technology, special features, superior service, a strong distributor network or other aspects that might be specific to an industry. Lynch (2015) intimates that differentiation strategy has many advantages for the firm which makes use of the strategy. Challenges are experienced by the firms in estimating if the extra cost entailed in the differentiation can actually be recovered from the customer through premium pricing.

Risks of differentiation include the following: a firm may offer differentiated features that exceed the customer needs; when the differentiation no longer provides value which the customers are willing to pay; imitation by rivals and finally, learning can narrow customers’ perceptions of the value of the differentiated products (Hitt, 2010). Another risk by Porter (1998) is that the cost differential between the low cost competitor and the differentiated firm becomes too great for differentiation to hold brand loyalty; buyers will thus sacrifice some of the features, services or image possessed by the differentiated firm for large cost savings. There are conflicting findings regarding the influence of differentiation strategy on firm competitiveness.

One school of thought is of the view that differentiation strategy promotes firm competitiveness. For example; Thompson (2014) found that successful differentiation has three aspects: command a premium price for its product, increase sales because of additional buyers are won over by the differentiating features and gain buyer loyalty to its brand.

Haarla (2003) concludes from the sample represented by four Finnish paper industry companies, its customers(publishers, printers, merchants), its suppliers (both machine and chemical), as well as consultancy companies, the Finnish Technology Agency and a bank that product differentiation in the context of printing papers is rather a product proliferation, a wasted opportunity, than a real value-adding action. Other important drivers for product differentiation were found to be customer needs based reasons: a new end-use application, and price. New paper manufacturing technologies, new minerals and chemicals function rather as the strategic means to enable product differentiation than as real drivers.

Murphy (2010) also opines that a product is differentiated if consumers perceive it to have properties, which make it distinct from rival products or services, and ideally unique in some particular way and difficult to emulate (Hence competitors will distinguish their brand, product or service in some way, perhaps by size, quality or style, to give it stronger brand
reputation hence greater appeal for certain customers. Hingley (2012) asserts that differentiation recognizes that customers are too numerous and widely scattered, and with heterogeneous needs and adequate spending power, for them all to prefer the same product or service. Hence a firm needs to differentiate its products so as to create customer loyalty. On the same note Thomas and Ofobike (2010) state that a successful product differentiation strategy will move a product from competing based primarily on price to competing on non-price factors, or promotional variables.

On the other hand Vlachvei, Notta and Demiri (2010) established that cost leadership only worked best for larger firms in terms of growth of sales, brand reputation and efficiency as compared to smaller firms. The conflicting findings may be attributed to the differences in geographic locations that create distinct micro and macro-economic conditions. Hence the current study seeks to determine the Influences of differentiation strategy on competitiveness in BOC Kenya.

2.4.1 Product and Services Quality

Quality management can be considered to have four main components: quality assurance, quality planning, quality improvement and quality control. Quality management is focused not only on service or product quality, but also the means to achieve it. It therefore uses control of processes and quality assurance, as well as, products to achieve consistent quality (Nederpelt, 2012). Achieving high quality does not happen "by accident. The production process must be properly managed to achieve quality standards.

Quality management is concerned with controlling activities with the aim of ensuring that products and services are fit for their purpose and meets the specifications (Adrian, Tom & Ed, 2016). Organizations have quality management systems that help them deal with quality issues. These can be expressed as the organizational structure, procedures, processes and resources needed to implement quality management. Such systems contribute immensely to the quality Competitiveness of any organization (Hines, 2014). The purpose of quality management is to first understand the expectations of the client in terms of quality, and then put a proactive plan and process in place to meet or exceed those expectations.
According to Pearce and Robinson (2011), differentiation strategy is a business strategy that seeks to build competitive advantage with its product or service by having it different from other available competitive products based on features, Competitiveness, or other factors not directly related to cost and price. The difference would be one that would be hard to create and/or difficult to copy or imitate. A survey done by Kamau (2013) on operations strategies pursued by interurban public service vehicles (PSV) bus companies in Kenya established that, PSV bus firms acknowledge that operations based strategies enhance the competitive capability of the firms by contributing to the long term business Competitiveness and success. The study also found that, the competitive priorities on which PSV bus firms compete in their order of rank were: timeliness, cost, reliability, quality, customer care, service quality, flexibility and fare incentives.

The generic of differentiation strategy involves creating a market position that is perceived as being unique industry-wide and that is sustainable over the long run (Porter, 1980). Such differentiation can be based upon design or brand image, distribution, and so forth (Frambach, 2013). In particular, differentiator firms create customer value by offering high quality products supported by good service at premium prices (Walker & Ruekerts, 2011).

The effectiveness of differentiation strategy depends on how well the firm can balance product benefits and product costs for the customer, relative to competitive offerings (Slater & Olson, 2010). Companies following a differentiation strategy strive to create and market unique products for varied customer groups. They aim to create a superior fulfillment of customer needs in one or several product attributes in order to develop customer satisfaction and loyalty, which can often in turn be used to charge a minimum price for the products (Morshett, 2014).

A firm that pursues a differentiation strategy seeks to create a perception in the minds of customers that their products or services possess superior characteristics that are unique from those of its competitors in terms of image and reputation, reliability, design features and quality (Dean & Evans, 2014; Sashi & Stern, 2015). A firm creates this perception by incorporating real qualitative difference in its products and services, engaging in advertising programs, marketing techniques, and charging premium prices (Miller, 2010).
According to Acquaah and Ardekani (2015), through broad differentiation most firms are able to achieve competitive advantage over their rivals because of the perceived uniqueness of their products and services. Porter (1980) stated that, competitive strategies deal with the development of attributes that characterize a company and differentiate the value it creates and offers in comparison to its competitors in the market place.

2.4.2 Innovation and Technology

When managers identify fierce competition in the market, they are likely to come up with a plan to neutralize their competitors’ competitive advantage. One such way can be through adoption of the last technology in the industry so as to improve on their firms’ efficiency and effectiveness. They may then decide to implement the latest technology hence acquire a sustainable competitive edge. With evaluation the managers are able to tell whether the strategic plans are working or not. The plans that are not working are immediately replaced. In this case when technology that a company adopts does not meet its intended purpose or it has become out dated it gets replaced with better or superior technology.

Law and Jogaratnam (2015) showed that internet is an essential component of the strategic planning process for boosting business Competitiveness and improving customer service. Franko (2009) demonstrate the link between Research and Development expenditure and subsequent sales revenues of a firm. It was also shown by Geroski et al. (2012) that innovating firms are able to achieve larger market share and higher growth rates and profits.

A major research project, focusing on the relationship between technological factors (measured by R&D and patents) and economic indicators (productivity and stock market value), has shown that the technological Competitiveness of the firm is positively associated to its market value. Similarly a number of studies (Acs & Audretsch, 2012) using innovation counts; Simonetti, 2014 using patent indicators) have confirmed that technology and Competitiveness are associated; they also emphasized the fact that it is not easy to establish a causal link from the former to the latter variable (Archibugi et al. 2014).
2.4.3 Financial Competitiveness

Financial Competitiveness is a measure of how well a firm can use assets from its primary mode of business to generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry (Oluch, 2013). A firm’s Competitiveness is measured in terms of accounting and market-based measures. The three financial firm Competitiveness measures used are return on equity (ROE), return on assets (ROA) and Tobin’s Q, are considered as proxies for accounting returns and market returns. ROE is an accounting measure used to assess rates of return on shareholder equity and has been used in previous studies to measure firm Competitiveness (Epps & Cereola, 2008), whereas ROA which is also an accounting measure is used to assess the efficiency of assets employed to measure firm Competitiveness in prior studies (Haniffa & Hudaib, 2016). Tobin’s Q is a measure of market Competitiveness, which compares the value of a company as given by financial markets with the value of the company’s assets (Tobin, 2009).

A firm’s financial Competitiveness is a measure of how well a firm uses its assets from its core operations and generates revenues over a given period of time. This measure is thus compared to some given industrial average standard of similar firms in the same industry. Brealey et al (2009) indicate that financial Competitiveness can be measured in terms of profitability, liquidity, solvency, financial efficiency and repayment capacity. Profitability is the measures of the profit generated by a firm through the use of its productive assets; liquidity measures the ability of a firm to meet its obligations when they fall due; solvency measures a firm ability to pay all its financial obligations if all of its assets are sold. Therefore, a firm financial Competitiveness can be measured using net income or net operating income, its assets Competitiveness or even its cash flows.

2.5 Influence of Focus Strategy on Firm Competitiveness

Cost focus aims at achieving cost advantage while differentiation focus is about seeking differentiation in a target segment. Cost focus exploits differences in cost behavior in some segments, while differentiation focus exploits the special needs of buyers in certain segments (Porter, 1980). This strategy targets a narrow segment of a market not served well by cost leadership strategy and tailors its products to the needs of that specific segment to the
exclusion of others (Johnson, 2011). It is also employed when it is not appropriate to apply the broad cost leadership (Porter, 1985), by offering a limited range of services/products, serving specific markets only or having special product/service for specific type of customers (Allen & Helms, 2016; Hahn & Powers, 2010).

According to Pearce and Robinson (2012), focused differentiation is the second of two focus strategies. A focused differentiation strategy requires offering unique features that fulfill the demands of a narrow market. As with a focused low-cost strategy, narrow markets are defined in different ways in different settings. Some firms using a focused differentiation strategy concentrate their efforts on a particular sales channel, such as selling over the Internet only. Others target particular demographic groups. One example is Breezes Resorts, a company that caters to couples without children. The firm operates seven tropical resorts where vacationers are guaranteed that they will not be annoyed by loud and disruptive children.

2.5.1 Market Share and Customer Loyalty
Focused cost leadership describes the ability of a company to offer a product to a niche group of customers or niche market at the lowest price in the market. This strategy concentrates on a narrow segment and attempts to achieve either a cost advantage within the segment (Porter, 1980). Hussey (2011) advises that the target segment may be defined by geographical uniqueness, specialized requirements in using the product or by special attributes that only appeal to the segment members. This is based on the assumption that by focusing entirely on a specific segment, the firm will be able to serve it better. This usually results in customer loyalty which blocks competing firms from venturing into the segment.

A focused cost leadership strategy requires competing based on price to target a narrow market. A firm that follows this strategy does not necessarily charge the lowest prices in the industry. Instead, it charges low prices relative to other firms that compete within the target market thereby adopting generic business approaches that involve targeting a relatively narrow niche of potential customers (Thompson, 2011). Another important point is that the nature of the narrow target market varies across firms that use a focused cost leadership strategy. In some cases, the target market is defined by demographics. For example, a business may seek to appeal to young women by selling inexpensive jewelry, accessories, and ear piercings. This type of business use of focused cost leadership strategy may be very successful.
In other cases, the target market is defined by the sales channel used to reach customers. Most pizza shops in Nairobi offer sit-down service, delivery, or both. In contrast, a pizza business may decide to sell pizzas that customers cook at home. Because these inexpensive pizzas are baked at home rather than in the store, the law may allow the entity to accept food stamps as payment. This allows the entity to attract customers that might not otherwise be able to afford a prepared pizza. These savings allow the firm to operate their business at very low prices and still remain profitable.

2.5.2 Niche Market
While a differentiation strategy involves offering unique features that appeal to a variety of customers, the need to satisfy the desires of a narrow market means that the pursuit of uniqueness is often taken to the proverbial “next level” by firms using a focused differentiation strategy. Thus the unique features provided by firms following a focused differentiation strategy are often specialized. Through the differentiation focus strategy, the firm may pass higher costs to its customers due to lack of close substitutes. Firms employ this strategy in segments in the market that have less competition (Newman, 2011).

Thompson (2013) argues that a firm’s strategy based on two variants becomes increasingly attractive as more of the following areas are observed. The target niche will be big enough and profitable. Secondly, the competition will have challenges in establishing capabilities to meet specialized needs of the target niche while satisfying the expectation of their mainstream customers. Finally, the firm may pick a competitively attractive niche from the many different niches in the industry based on its resources, strengths, and capabilities. The firm will compete effectively against challenges based on its capabilities and resources it has to serve the target niche and thus build customer goodwill (Gordy, 2010). On the flip side, some of the risks in employing the focus strategy include imitation and changes in target segments. Additionally, it may be easier for a broad market cost leader to adopt its products in order to compete directly. The bigger challenge is other firms may carve out sub segments that they can focus on much better. Porter (1980) cautions that firms cannot solely focus on a cost leadership or differentiation strategy to the exclusion of other strategies. He advises that cost leaders must devote some resources to differentiation activity while those firms pursuing a differentiation strategy should not overlook their cost structure. Prior studies have identified hybrid strategies which emphasize both cost and differentiation strategies. Wagner and Digman (2014) caution
that a “stuck in the middle position” is difficult to achieve and prior research may have incorrectly classified “hybrid generic strategies” and the “stuck-in-the-middle” as equivalent to each other which is not.

Newman (2011) adds that beside market and supply factors, financial strength of the firm, community and government relations and the ability coupled with the values of company executives are factors to consider too. Research on generic strategies has identified a weak link between a firm’s attention to one of the Porter (1980) generic strategy types and Competitiveness. Some studies have found support for a single strategy Competitiveness benefit. Other research has shown that it is possible to pursue a strategy that includes both cost and differentiation competitive methods (Porter, 2001) although a Competitiveness benefit is not always evident. In a service industry, Kumar (2011) found that hospitals follow generic strategy groups and concluded that a focused cost leadership strategy is the best route to superior Competitiveness.

Focus strategy is quite different from others in that it aims at a narrow competitive scope within the industry. Focus is about segmenting the industry and serving the narrow niche to the exclusion of others (Porter, 1985). Focus strategy has two variants- cost focus and differentiation focus.

Kolding (2013) asserts that small companies usually thrive because they serve narrow market niches. Market focus allows some businesses to compete on the basis of low cost, differentiation and rapid response against much larger businesses with greater resources because focus lets a business “learn” its target customers, their needs, special considerations they want accommodated and establish personal relationships in ways that “differentiate” the smaller firm or make it more valuable to the target customer.

According to Roxy (2010), focus strategy implies that a firm concentrates on a particular buyer group, segment of product line or geographic market. The focus strategy can be based on broad or narrow market scope, where broad refers to the overall market and narrow refers to one market segment only.

Competitive risks of focus strategies are the same as for cost leadership plus the following: Competitors may “out focus” the focuser by focusing on a narrower segment; competitor may
pursue the same market and the needs for customers being focused may become similar to those in the market at large (Hitt, 2010).

According to Masela (2011), the risks of focus are many and include the following: The chance that competitors will find ways to match the focused firm in serving the narrow target market, the potential for the niche buyer’s preferences and needs to shift toward the product attribute desired by the market as a whole; such erosion opens the way for rivals with broad market appeal and the chance that the segment will become so attractive that it becomes inundated with competitors, causing profits to be splintered.

The generic strategy of focus rests on the choice of a narrow competitive scope within an industry. The focuser selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others (Porter, 1985). The focus strategy has two variants: in cost focus a firm seeks a cost advantage in its target segment, while in differentiation focus a firm seeks differentiation in its target segment. Both variants of the focus strategy rest on differences between a focuser's target segment and other segments in the industry (Porter, 1980; Hazel, 2013).

The target segments must either have buyers with unusual needs or else the production and delivery system that best serves the target segment must differ from that of other industry segments (Porter, 1985). Cost focus exploits differences in cost behavior in some segments, while differentiation focus exploits the special needs of buyers in certain segments (Porter, 1985). According to Porter (1985), the firm focuses its marketing effort on serving a defined, focused market segments with a narrow scope by tailoring its marketing mix to these specialized markets, it can better meet the needs of that target market. The firm typically looks to gain a competitive advantage through product innovation and/or brand marketing rather than efficiency (Hazel, 2013). It is most suitable for relatively small firms but can be used by any company.

A focused strategy should target market segments that are less vulnerable to substitutes or where a competition is weakest to earn above-average return on investment. According to Kogo (2013), the focus strategy has two variants: In cost focus, a firm seeks a cost advantage in its target segment. It exploits differences in cost behavior in some segments. For instance, Southwest Airlines, famous for its low cost focus follows basically a linear route structure. It
only flies one type of airplane and it wants to stay in high-density markets and has been highly efficient. Differentiation focus a firm seeks differentiation in its target segment. It exploits the special needs of buyers in certain segments. Ferrari targets high Competitiveness sports car segment and due to differentiation based on design, high Competitiveness and in addition grand prix records which allows it to charge a premium price.

There are markedly varied findings on the influence of focus strategy on firm competitiveness. For example, Obado (2015) did a study on competitive strategies employed by the sugar BOC Kenya and found out that the sugar manufacturing firms have formalized vision and mission statements. They employed competitive strategies of cost leadership, differentiation and focus to different degrees. Kapto and Njeru (2014) also carried out a study on the strategies adopted by mobile phone companies in Kenya to gain competitive advantage. The study found out that cost leadership, differentiation and focus also positively affected competitiveness.

Billow (2014) did a survey of strategies adopted by supermarkets in Nairobi and found out that supermarkets in Nairobi practice competitive strategies but mostly do it informally. Growth strategies, cost leadership, differentiation, location strategy, focus strategies, customer service and communication strategies were the most common competitive strategies supermarkets firms applied. Murage (2011) focused on the competitive strategies in the petroleum industry and found that service stations use differentiation and focus strategies as methods of obtaining competitive advantage over other service stations.

Dwamena (2011) carried out an evaluation of the competitive strategies in the banking industry in Ghana. A Case Study of Barclays Bank of Ghana Ltd. Barclays PLC has enjoyed a considerable financial success in the country since it commenced operations in the past nine decades. However, the overall direction of the banking industry has changed towards lower interest rates, quality customer service, tailored products, and there is also intensified competition. The paper sought to identify and evaluate the competitive strategies adopted by BBG and identify the areas of competition in the banking industry and the Influences of competitive strategies on the Competitiveness of the bank. Among others, the study revealed that, the environment in which BBG finds itself is highly competitive and that BBG operates in the area of pricing, products, and customer service as well as customer assets mobilization. BBG has adopted the niche or focus strategy to give more attention to its large corporate
clients. The research recommended that, BBG continues to find ways of differentiating itself by changing its strategic direction to also focus on the middle and low earning customers and incorporate a refocus on superior customer service.

On the contrary, Gathoga (2001) in his study, focused on competitive strategies adopted by commercial banks in Kenya. The study revealed that expansion into other areas by opening new branches has been used as a strategy. Focusing on a particular market for commercial banks may not be very profitable given the economic conditions in Kenya. Karanja (2012) also did a survey of competitive strategies of real estate firms in the perspective of Porter’s generic model. These studies reveal that firms in different industries adopt different competitive strategies which are unique in each context stating the least used among the Insurance companies is the focus strategy. Hence the current study seeks to determine the influence of focus strategy on the competitiveness of BOC Kenya.

In summarizing the literature surrounding porter’s generic strategies on a firm, we consider that a strategy is a long term plan of action designed to achieve a particular goal, most often “winning" Thompson et al, (2007). According to Earl et al., (2006), strategic management comprises of managerial decisions and actions that determine the long-term Competitiveness of an organization. In this regard, managers ought to ensure that the strategic plans are working in meeting their target goal. Plans that do not work as expected need to be replaced so as to achieve the intended overall objective of the firm. The strategic management process involves four main steps: environment scanning; strategy formulation; strategy implementation and; strategy evaluation.

To provide customers with greater value and satisfaction than their competitors, firms must be operationally efficient, cost effective and quality conscious (Johnson, 2011; Hammer & Champy, 2013). Also related to this condition are a number of studies focusing on particular aspects like marketing (Corbett & Wassenhove, 2013), information technology (Ross et al, 1996), quality of products (Swann & Tahhabi, 2014), and innovative capability of firms (Grupp, 2007). Productivity has often been termed as a surrogate of competitiveness and good indicator of long-term competitiveness of a firm by many authors. Porter defined competitiveness at the organizational level as productivity growth that is reflected in either lower costs or differentiated products that command premium prices. The generic strategies
given by Porter also emphasize these criteria (Porter, 1990). It has been said the company, industry, or nation with the highest productivity could be seen as the most competitive (McKee & Sessions-Robinson, 2011).

In today’s turbulent business environment, dynamic capabilities, flexibility, agility, speed, and adaptability are becoming more important sources of competitiveness (Sushil, 2010). O’Farell (2012) has conducted a number of studies on the relationship between sources of competitiveness and firm Competitiveness, with focus on price, quality, design, marketing, flexibility, and management. The importance of firm-level competitiveness is confirmed by a large number of studies discussed above. Recognizing the dynamic role processes play in enhancing competitiveness, the role of processes in firm-level competitiveness need to be examined.

2.6 Chapter Summary

This chapter has discussed the empirical and theoretical review of the study on Porter’s Generic Model; cost leadership, differentiation and focus strategy. In cost leadership economies of scale, economies of learning, value chain management and Differential low-cost access to production inputs was discussed. Under the differentiation strategy product quality, Innovation & Technology and Financial Competitiveness were reviewed, while in the focus strategy, market share, niche market and customer loyalty was discussed. The next chapter focuses on the research design and methodology used in collecting the data.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
This chapter discusses the methodological approach for the study. It presents the research design, the population of the study, sample and sampling techniques, data collection methods as well as data analysis and data presentation methods used in the study.

3.2 Research Design
Research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure (Kothari, 2004). The study adopted the descriptive research design to determine the influence of generic strategies on competitiveness of BOC Kenya. This design is suitable for this study as it permits analysis of the relationship between competitive strategies and competitiveness of BOC Kenya at a particular point in time (Saunder et al., 2007). The design was also used to determine the frequencies and percentages of the study variables in the defined population. The independent variable in this study is the firm competitiveness which is dependent on cost leadership, differentiation and focus strategies.

3.3 Population and Sampling Design

3.3.1 Population
Target population refers to the total number of subjects of interest to the researcher. Mugenda (2008) indicates that the target population refers to the population to which the researcher intends to generalize the results of the study. The target population of this study was 1500 strategic BOC customers from 7 different key economic sectors located in Nairobi and its surroundings as shown in Tables 3.1 below. The choice of the population was hinged on the fact that all the three strategies that are cost leadership, differentiation and focus are geared towards attracting and retaining customers for BOC to gain competitiveness in the market. Thus customers are at a much better place to give objective responses as to what exactly causes them to stick with BOC.
Table 3.1: Population size

<table>
<thead>
<tr>
<th>Sub-sector</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemical &amp; Allied</td>
<td>260</td>
</tr>
<tr>
<td>Food &amp; Beverages</td>
<td>233</td>
</tr>
<tr>
<td>Metal &amp; Allied</td>
<td>202</td>
</tr>
<tr>
<td>Motor vehicle &amp; accessories</td>
<td>168</td>
</tr>
<tr>
<td>Pharmaceutical &amp; Medical Equipment</td>
<td>348</td>
</tr>
<tr>
<td>Aircrafts and Travel</td>
<td>150</td>
</tr>
<tr>
<td>Plastics &amp; Rubber</td>
<td>135</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1500</strong></td>
</tr>
</tbody>
</table>

3.3.2 Sampling Design

A sample is the proportion of the population of interest to the researcher (Nesbary, 2007). A sample is a set of observations drawn from a population by a defined procedure. Samples are collected and statistics are calculated from the samples so that one can make inferences or extrapolations from the sample to the population.

3.3.2.1 Sampling Frame

According to Mugenda and Mugenda (2003) sampling frame means choosing the particular members of the target population that are to be interviewed in the survey. The sampling frame for this study was the entire list of BOC customers. Some of the sectors in which BOC Kenya serves include; building and construction, chemical and allied, energy, electrical and electronics, food and beverages, metal and allied, motor vehicle and accessories, pharmaceutical and medical equipment, plastics and rubber industries. The Customer master data was obtained from BOC Kenya sales department. It comprised of over 3000 customers and an analysis of their purchases in the period 2014 - 2016 used to sample the active customers who formed the basis of the 1500 unit of analysis selected for the purposes of this study.
3.3.2.2 Sampling Technique

A sample design shows how the participants are arrived at (Kothari, 2004). Sampling refers to the systematic selection of a limited number of elements out of a theoretically specified population of elements (Kothari, 2009). The justification for sampling will be to minimize the cost and reduce the time for data collection. This study will use stratified sampling method to group the customers in institutional and individual customers. Thereafter simple random sampling was be used to select the respondents into the study. Sampling involved drawing of a target population for observation. The sample of the study was identified using multi-stage sampling technique. This technique was chosen as it is said to reduce within-stratum variances (Kothari, 2007). The researcher first used stratified sampling technique to divide the population strata according to sectors with each sector forming a stratum. Stratified random sampling was found to be appropriate as it enables the researcher to represent not only the overall population but also key sub-groups of the population.

3.3.3.3 Sample Size

This study used stratified and simple random sampling to select the respondents.

A population size of 1500 customers and a sample size of 170 respondents were selected into the study. The sample size for the customers in this study was determined using the formula below:

\[
n = \frac{Z^2 N \pi (1-\pi)}{(N-1) \varepsilon^2 \pi^2 + Z^2 \pi (1-\pi)}
\]

\(n\) = minimum size of the sample.

\(N\) = is the total population in which the sample should be drawn (The population is 1500)

\(Z\) = is drawn from a normal rule of quantity, under the assumption of data that is normally distributed. For an interval of confidence up to 95% (it means that for one threshold \(\alpha = 5\%\)), \(Z\) is of 1.96.

\(\varepsilon\) is the error margins judged acceptable. Regarding this research, I consider \(\varepsilon\) as equal to 5%.
The summing up shows that the size is directly proportional to the quantity $\pi (1 - \pi)$

$\pi = 0.5$ (it means $1 - \pi = 0.5$) gives the most elevated variance consequently leading to the most elevated size).

$$n = \frac{1.96^2 (1500) 0.5(1-0.5)}{(1500-1) 0.05^2 0.5^2 + 1.96^2 0.5(1-0.5)} = 170$$

Table 3.2: Sample Size Distribution

<table>
<thead>
<tr>
<th>Sub-sector</th>
<th>Population</th>
<th>Sample size</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemical &amp; Allied</td>
<td>260</td>
<td>35</td>
<td>20</td>
</tr>
<tr>
<td>Food &amp; Beverages</td>
<td>233</td>
<td>23</td>
<td>14</td>
</tr>
<tr>
<td>Metal &amp; Allied</td>
<td>202</td>
<td>25</td>
<td>15</td>
</tr>
<tr>
<td>Motor vehicle &amp; accessories</td>
<td>168</td>
<td>15</td>
<td>9</td>
</tr>
<tr>
<td>Pharmaceutical &amp; Medical</td>
<td>348</td>
<td>45</td>
<td>26</td>
</tr>
<tr>
<td>Equipment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aircrafts and Travel</td>
<td>150</td>
<td>15</td>
<td>9</td>
</tr>
<tr>
<td>Plastics &amp; Rubber</td>
<td>135</td>
<td>12</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1500</strong></td>
<td><strong>170</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

3.4 Data Collection Procedure

The research involved detailed review of published and unpublished literature relevant to the study. Primary data were collected using semi-structured questionnaire. The questionnaires contained both closed-ended questions using the Likert scale rating i.e. strongly agree being the highest score with strongly disagree as the lowest score. There were also a few open-ended questions to encourage a higher response rate. Open-ended questions provided the respondents with a chance to express their own personal opinions beyond the researcher’s span of knowledge. These questions also aided in enriching the qualitative data analysis as it gives respondents freedom to express their unbiased views and opinion (Bryman and Bell, 2003). The questionnaires further provided anonymity as most respondents did not want their identity revealed. Since the data were collected from BOC customers it required booking appointments with them in some instances. Appointments were booked where necessary and
the questionnaires administered by the research assistant at agreed times. Sales team was also approached to assist with collection of the data by requesting for distribution of the questionnaires during their customer visits, this ensured that the questionnaires were completed during the visit and returned in good time. This approach also helped in clarifying any question that required some explanation to the respondents and helped reduce delayed response usually associated with unwilling respondents where there is no personal contact.

3.5 Research Procedure
Pilot study is the administration of research instruments before the actual study is conducted in order to identify and correct errors (Bryman, 2007). Pilot testing was carried out so as to determine question content, wording and sequencing problems, exploring ways to improve the overall quality of survey data and discovering target question groups where researcher training is required.

According to Mugenda and Mugenda (2003), one tenth of the sample size is sufficient for pilot testing. Therefore, 10 customers were randomly picked for the purposes of pilot study. Appropriate corrections were then made based on the results of the pilot study. For instance, some of the customers expressed concern about the confidentiality of their information but their concerns were allayed after they were explained the steps taken to protect their information. Similarly, there were customers who were hesitant to give factual information about their organization’s performance and their concerns addressed as well. The 10 customers were not included in the study sample.

3.5.1 Validity
The validity of the research instrument is the degree to which results obtained from the analysis of the data actually represents the phenomenon under study (Brinkmann, S. 2014). Both the questionnaire and the measurement process was be guided by the research questions in order to measure the key elements to ensure construct validity because they reflect the key components of the study variables.

3.5.2 Reliability
Reliability on the other hand refers to the measure of the degree to which a research instrument yields consistent results on across time and across the various items of the instrument (Robach, 2013). Reliability is the extent to which an instrument is predictable, stable, accurate and dependable to yield the same results every time it is administered. In
order to assess the reliability of the research instrument, a statistical test for Cronbach’s alpha coefficient was performed to determine how indicators correlate among themselves. That way, it was possible to conclude whether indicators on the questionnaire yielded consistent results or data after repeated trials (Robach, 2013).

In terms of the specific testing of internal reliability, the following scores were obtained; cost leadership strategy 0.68; differentiation strategy 0.77; focus strategy 0.69; competitive intensity 0.65 and firm Competitiveness 0.9. This indicates that the internal reliability of the instrument was reasonable as a Cronbach’s alpha of 0.60 as a minimum level was said to be acceptable (Orodho, 2003). Cronbach’s alpha is a general form of the Kunder-Richardson (K-R) 20 formula.

The formula is as follows;

\[
KR20 = \frac{(K)(S^2 - \Sigma s^2)}{(S^2)(K-1)}
\]

KR20 = Reliability coefficient of internal consistency

K = Number of items used to measure concept

S^2 = Variance of all scores

s^2 = Variance of individual items

3.6 Data Analysis Procedures

Descriptive statistical analysis was used to analyze data to show, for example, measures of distribution (e.g. frequency and percentage) and dispersion (e.g. standard deviation). Correlation analysis was used to analyze the strength of the relationship between generic strategies and firm competitiveness. A regression model was generated showing generic strategies and firm competitiveness. The regression coefficients were assessed for statistical significance using T-test. IBM SPSS version 23.0 was used as the tool for data analysis. The relationship between generic strategies and firm competitiveness was expected to follow a regression model of the nature:
\[ Y = \alpha_0 + \alpha_1 X_1 + \alpha_2 X_2 + \alpha_3 X_3 + \varepsilon \]

Where:

- \( Y \) = Firm competitiveness
- \( \alpha \) = Intercept term
- \( X_1 \) = Cost leadership
- \( X_2 \) = Differentiation
- \( X_3 \) = Focus strategy
- \( \varepsilon \) = Error term

3.7 Chapter Summary

Chapter three has discussed the process that was undertaken in carrying out the study. Research design, population and sampling design has been discussed and how relevant they are in determining the influence of cost leadership, differentiation and focus strategies on firm competitiveness at BOC Kenya. Questionnaires were used to collect data from the respondent sample of customers. SPSS Data Analysis tool was used for data analysis. The next chapter presents the results of study based on three research questions presented in chapter one.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter provides the results of the study performed to evaluate the research. First, it evaluates the response rate, reliability and validity of the survey constructs. Secondly, it collates the general background information of the respondents and descriptive analysis of the study variables. Finally, the chapter reviews the results of statistical analysis on the research questions as well as presenting discussions of the results and implication arising from the findings.

4.1.1 Reliability Analysis

In evaluating the survey constructs, reliability test was done. Reliability test is said to examine the degree to which individual items used in a construct are consistent with their measures (Nunnally, 1978). The widely used Cronbach’s coefficient alpha was employed to assess internal consistency. Bryman and Cramer (1997) stated that reliability of 0.70 is normally acceptable in basic research. Orodho (2003) also posits that a Cronbach alpha of 0.60 as a minimum is acceptable. All the alpha coefficients ranged between 0.65 and 0.9 as shown in Table 4.1. Based on the coefficient values, the items tested were deemed reliable for this study.

Table 4.1: Reliability Coefficient of the Study Variables

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Number of items</th>
<th>Reliability Cronbach’s Alpha</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost leadership strategy</td>
<td>9</td>
<td>0.68</td>
<td>Accepted</td>
</tr>
<tr>
<td>Differentiation strategy</td>
<td>12</td>
<td>0.77</td>
<td>Accepted</td>
</tr>
<tr>
<td>Focus strategy</td>
<td>11</td>
<td>0.69</td>
<td>Accepted</td>
</tr>
<tr>
<td>Competitiveness</td>
<td>21</td>
<td>0.65</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

4.1.2 Validity of the Research Instrument

Validity refers to the degree to which the research instrument measures correctly what it ought to measure. Validity is concerned with whether the findings are really about what they appear to be about (Balta, 2008). Content validity should be established prior to any
theoretical testing (Hair et al., 2007). In the current study, all of the measures are selected based on the existing scales for which validity was already established. In addition, the questionnaire was tested by discussions with experts during the questionnaire formulation stage to ensure that the measure included an adequate representative set of items that tapped the content. Construct validity was also ensured by anchoring the constructs to the theory and empirical review of data from which they were derived.

### 4.2 Response Rate

Response rate is the percentage of people who responded to a survey. According to Orodho (2003), response rate is the extent to which the final data sets include all sampled members and is calculated as the number of respondents with whom interviews are completed and divided by the total number of respondents of the entire sample including none respondents. The study sample consisted of 1500 BOC customers. The researcher distributed one hundred and seventy (170) questionnaires. Among the 170 questionnaires distributed, 130 were returned. The overall response rate was 76%. According to Kothari (2004), a response rate of 50% is considered average, 60-70% is considered adequate while anything above 70% is considered to be excellent response rate. This response rate was, therefore, considered good representative of the respondents to provide information for analysis and derive conclusions.

![Response Rate Chart](image)

**Figure 4.1: Response Rate.**
Before proceeding with the regression analysis of the research questions, it was worth examining the general descriptive statistics of this study sample data. In view of this, descriptive analysis was done to provide summaries through the use of frequencies, percentage, mean, standard deviation and graphical presentations.

### 4.2.1 Gender of Respondents

The researcher wanted to know the gender distribution of respondents and how it might affect the results. The results showed that 48.1% of respondents are female while 51.9% are male. The aim of researcher knowing the gender is avoid biased results in terms of taste since gender is perceived to have influence on product consumption.

![Figure 4.2: Gender.](image)

### 4.2.2 Size of Sampled Organizations

Size of the firm was measured using the number of full-time employees in the company. The findings of the study indicate that 38% had recruited above 100 employees in their organizations, followed by 28.2% who had employed less than 20 employees. Moreover, the findings revealed that 21.8% of the organizations had between 20 and 50 employees while 11.2% of the organizations had between 50 - 100 employees.

Eight firms did not indicate however their number of employees. The findings reflect a representation of all the three categories of firms that is, small, medium and large enterprises based on the number of employees held. However, majority of firms sampled had 100
employees with medium size firms being the minimal at 10.7%. This shows the huge disparity of firms operating in this sector. The distributions of employees of these firms are as shown in Figure 4.3

**Figure 4.3: Size of Sampled Organizations**

### 4.2.3 Age of the Organization.

Firm age was measured in terms of the number of years of operation of the sampled organizations. The results showed that 36.3% of the businesses had existed for more than 20 years, 28.1% of the businesses have been in operation for a period ranging between 10 to 20 years, followed by 25.2% which have been in operation for a period ranging between 5 to 10 years and 11.4% had operated for a period of 0 to 5 years.
The research also indicated that majority (57%) of respondents have been BOC customers and have consumed the products over 10 years giving a good representation of the research sample. 29% have been customers for a period of between 5-10 years while 14% for the period of less than 5 years. It is also an indication of the fact that BOC Kenya has adequate expertise and knowledge of the Kenyan markets and dynamism. The distribution of these firms for the years they have been in operation is as shown in Figure 4.5

**Figure 4.4: Age of the Study Sampled Organizations**

**Figure 4.5: Time of Consumption by Customers**
4.2.4 Company Status or Legal Structure
The respondents were asked to indicate the legal structure of their firms. The majority of the companies sampled indicated that they are private limited companies as represented by a valid percentage of (40%), public limited companies represented by (36%), government presented by (18%) while Sole/private use are represented by the remaining 6% as indicated in Figure 4.6. This is an indication of a fair distribution of the ownership structure thus giving all firms a fair playing ground.

![Figure 4.6: Company Legal Structure](image)

4.2.5 Composition of Management Levels
The researcher requested the respondents to indicate their positions or management levels they belonged to. From the research findings, most of the respondents as shown by 46.5 percent indicated that they belonged supervisors level, 34.8 percent of the respondents indicated they belonged middle management level, 9 percent belonged to top management level whereas 11.2 percent were generalized under operations and others as show I the Figure 4.7 below.
Influence of Cost Leadership Strategy on the Competitiveness of BOC Kenya

Using a five-point Likert scale, the study sought to know respondents’ level of agreement on various statements relating to cost leadership strategy in relation to firm Competitiveness adopted by BOC Kenya. Descriptive statistics such as frequency, percentage, mean and standard deviation were jointly used to summarize the responses as presented in Table 4.2. The study findings showed that 43.5% of the respondents agreed that BOC continuously seeks to reduce prices without sacrificing its products’ essential features or acceptable quality as indicated by a mean of 3.3. Moreover, research indicated that BOC Kenya reduce their labor cost through technological automation of their production process as accounted for by 38%. When asked to state how they charged for their product/services compared to other competing firms, the respondents agreed that BOC price is low because its products are own manufactured using a state of the art facility as accounted for by mean of 3.3 while 49.6% of respondents also agreed that BOC products are affordable/economical and of good value than their competitors. The rest of the analysis is shown in Table the Table 4.2 below.

From the findings of the study, it is further noted that responses to the statements used to measure cost leadership strategy ranged between the mean of 3.4 – 4.2 save for four items which had a mean of 2.7 –3.4 as reflected in Table 4.2. This shows that majority of the
respondents were in agreement with the statements that were used to measure cost leadership strategy. Similarly, the standard deviation of majority of the items is in the range of 1.0. It could then be deduced that the responses to the items were not deviating much from the expected responses. It is, however, important to note that two items had a standard deviation of 1.3 each. This is expected since some of the respondents may not have had access to crucial information on where the company sources its gases as well as cost cutting and efficiency program used within the organization.
Table 4.2: Cost Leadership Strategy and BOC Kenya Competitiveness.

<table>
<thead>
<tr>
<th>Cost Leadership Strategy</th>
<th>% SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
<th>Mean</th>
<th>S.D</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOC products are sold at lower prices in the market as compared to its competitors</td>
<td>4.6</td>
<td>6.1</td>
<td>22.1</td>
<td>43.5</td>
<td>23.7</td>
<td>3.8</td>
<td>1.0</td>
</tr>
<tr>
<td>BOC products are affordable /economical and of good value.</td>
<td>2.3</td>
<td>7.6</td>
<td>16.8</td>
<td>49.6</td>
<td>23.7</td>
<td>3.8</td>
<td>0.9</td>
</tr>
<tr>
<td>BOC product lines and services are consistent and standardized.</td>
<td>3.8</td>
<td>13.8</td>
<td>26.2</td>
<td>42.3</td>
<td>13.8</td>
<td>3.5</td>
<td>1.0</td>
</tr>
<tr>
<td>BOC embraces advanced technology in their production hence my/our institution/company’s loyalty.</td>
<td>3.9</td>
<td>6.2</td>
<td>26.4</td>
<td>38</td>
<td>25.6</td>
<td>3.8</td>
<td>1.0</td>
</tr>
<tr>
<td>BOC never runs out of stock.</td>
<td>11.5</td>
<td>7.7</td>
<td>12.3</td>
<td>35.4</td>
<td>33.1</td>
<td>3.7</td>
<td>1.3</td>
</tr>
<tr>
<td>BOC products are conveniently and easily accessible.</td>
<td>22.3</td>
<td>23.1</td>
<td>20</td>
<td>29.2</td>
<td>5.4</td>
<td>2.7</td>
<td>1.3</td>
</tr>
<tr>
<td>BOC always has the right quantity at the right time as per my/our institution/company’s needs</td>
<td>3.1</td>
<td>6.2</td>
<td>17.1</td>
<td>48.8</td>
<td>24.8</td>
<td>3.9</td>
<td>1.0</td>
</tr>
<tr>
<td>BOC price is low because its products are own manufactured using a state of the art facility.</td>
<td>4.6</td>
<td>16.2</td>
<td>35.4</td>
<td>30</td>
<td>13.8</td>
<td>3.3</td>
<td>1.1</td>
</tr>
<tr>
<td>BOC continuously seeks to reduce prices without sacrificing its products’ essential features or acceptable quality.</td>
<td>4.6</td>
<td>17.7</td>
<td>32.3</td>
<td>35.4</td>
<td>10</td>
<td>3.3</td>
<td>1.0</td>
</tr>
</tbody>
</table>

n=130

SD=Strongly disagree D=Disagree N=Neutral A=Agree SA= Strongly agree S.D=Standard deviation.

Regression analysis was carried out and the results indicated that the coefficient of determination (R squared) of 0.064 shows that 6.4% of firm Competitiveness can be explained by cost leadership strategy. The adjusted R-square of 5.7% indicates that cost leadership strategy in exclusion of the constant variable explained the change in firm
Competitiveness by 5.7%, the remaining percentage can be explained by other factors excluded from the model.

R of 0.253 shows that there is positive correlation between firm Competitiveness and cost leadership strategy. The standard error of estimate (0.70124) shows the average deviation of the independent variables from the line of best fit. These results are shown in Table 4.3.

### Table 4.3: Cost leadership Strategy and BOC Kenya Competitiveness Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.253</td>
<td>0.064</td>
<td>0.057</td>
<td>0.70124</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), X1

#### 4.3.1 Cost Leadership Strategy and BOC Kenya Competitiveness ANOVA

The result of Analysis of Variance (ANOVA) for regression coefficient as shown in Table 4.4 revealed (F=8.557, p value = 0.004). Since the p-value is less than 0.05 it means that there exists a significant relationship between cost leadership strategy and Competitiveness of BOC Kenya.

### Table 4.4 Cost Leadership Strategy and BOC Kenya Competitiveness ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>4.208</td>
<td>1</td>
<td>4.208</td>
<td>8.557</td>
<td>.004a</td>
</tr>
<tr>
<td></td>
<td>61.468</td>
<td>125</td>
<td>.492</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>65.676</td>
<td>126</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), X1

#### 4.3.2 Cost Leadership Strategy and the Firm’s Competitiveness Regression Weights

The study questioned if cost leadership strategy has Influence on the competitiveness of BOC Kenya. The study findings indicated that there was a positive significant relationship between cost leadership strategy and Competitiveness of gas production firm (β=0.338 and p value=0.004).
Therefore, a unit increase in use of cost leadership strategy index led to an increase in gas BOC Kenya Competitiveness index by 0.338. Since the p-value was less than 0.05 as shown in Table 4.5, It can then be concluded that cost leadership strategy influences Competitiveness of BOC Kenya.

Table 4.5 Cost Leadership Strategy and BOC Kenya Competitiveness Regression Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2.648</td>
<td>0.421</td>
<td>6.286</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>0.338</td>
<td>0.116</td>
<td>2.925</td>
<td>0.00</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Y

The regression analysis on Table 4.5 revealed that cost leadership strategy had an influence on firm Competitiveness of BOC Kenya. For every unit increase in cost leadership strategy, there was a corresponding increase by 0.338 in gas BOC Kenya Competitiveness. The Pearson product moment correlation coefficient revealed a moderate, positive and significant correlation between cost leadership strategy and firm Competitiveness (r = 0.253, p-value = 0.004) significant at 0.05 level of significance.


The study sought to find out the Influence of differentiation strategy on the competitiveness of BOC Kenya. Table 4.6 shows that 51.2% agreed that BOC offers products/services that are different from its competitors while 38.4% agreed that BOC offer customer friendly packaging for its products. 35.7% concurred that BOC Kenya offer standardized products than their competitors while 45.7% agreed all of the BOC departments that they deals with are properly coordinated and efficient. 44.2% of the respondents agreed that BOC offers unique products features that am/our institution/company is willing to paying a higher price for.

The rest of the analysis is shown in Table the Table 4.6 below. Looking at the mean of the items used to measure differentiation strategy and firm Competitiveness, it is important to
note that the mean of the items ranged between 3.4 – 4.2 as indicated in Table 4.6 meaning that majority of the respondents were in agreement with the statements. One of the items had a mean of 3.2; this may be as a result of the respondents not being sure whether the company followed action of their competitors as there may be no such information available to them to respond sufficiently to the question. The standard deviation of all the items are within the range of 0.8 – 1.0 meaning that the responses are not much dispersed from each other hence converging towards the expected feedback as also seen in Table 4.6 below.
Table 4.6: Differentiation Strategy and BOC Kenya Competitiveness

<table>
<thead>
<tr>
<th>Differentiation Strategy</th>
<th>%</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
<th>Mean</th>
<th>S.D</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOC offers products/services that are different from its competitors</td>
<td>1.6</td>
<td>5.4</td>
<td>14</td>
<td>51.2</td>
<td>27.9</td>
<td>4.0</td>
<td>0.9</td>
<td></td>
</tr>
<tr>
<td>BOC offer customer friendly packaging for its products</td>
<td>2.3</td>
<td>27.1</td>
<td>16.3</td>
<td>35.7</td>
<td>18.6</td>
<td>3.4</td>
<td>1.1</td>
<td></td>
</tr>
<tr>
<td>All of the BOC departments that I/our institution/company deals with are properly coordinated and efficient</td>
<td>3.1</td>
<td>9.3</td>
<td>24.8</td>
<td>45.7</td>
<td>17.1</td>
<td>3.6</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>BOC offers unique products features that am/our institution/company is willing to paying a higher price for.</td>
<td>1.6</td>
<td>7</td>
<td>18.6</td>
<td>44.2</td>
<td>28.7</td>
<td>3.9</td>
<td>0.9</td>
<td></td>
</tr>
<tr>
<td>BOC ensures that there is a close relationship between the customers and the marketing team</td>
<td>5.4</td>
<td>17.1</td>
<td>22.5</td>
<td>41.1</td>
<td>14</td>
<td>3.4</td>
<td>1.1</td>
<td></td>
</tr>
<tr>
<td>BOC is creative and consistent in their product development</td>
<td>3.8</td>
<td>12.3</td>
<td>23.8</td>
<td>36.2</td>
<td>23.8</td>
<td>3.6</td>
<td>1.1</td>
<td></td>
</tr>
<tr>
<td>BOC offers many product variations &amp; a wide selection of products to cater for my/our institution/company’s varied needs</td>
<td>3.1</td>
<td>10.1</td>
<td>33.3</td>
<td>39.5</td>
<td>14</td>
<td>3.5</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>BOC ensures constant improvement and use of innovation to stay ahead of imitative competitors.</td>
<td>3.8</td>
<td>10</td>
<td>22.3</td>
<td>42.3</td>
<td>21.5</td>
<td>3.7</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>BOC is a strong brand in the market</td>
<td>1.5</td>
<td>3.1</td>
<td>10.8</td>
<td>52.3</td>
<td>32.3</td>
<td>4.1</td>
<td>0.8</td>
<td></td>
</tr>
<tr>
<td>BOC constantly invents ways to create value for customers</td>
<td>0.8</td>
<td>2.3</td>
<td>11.5</td>
<td>50</td>
<td>35.4</td>
<td>4.2</td>
<td>0.8</td>
<td></td>
</tr>
<tr>
<td>The BOC plant/premises is well equipped with modern facilities</td>
<td>8.7</td>
<td>16.5</td>
<td>29.9</td>
<td>33.1</td>
<td>11.8</td>
<td>3.2</td>
<td>1.1</td>
<td></td>
</tr>
</tbody>
</table>

n=130

SD=Strongly disagree  D=Disagree  N=Neutral  A=Agree  SA= Strongly agree
S.D=Standard deviation.
From Table 4.7, the coefficient of determination (R-squared) of 0.14 on regression analysis shows that 14% of BOC Kenya Competitiveness can be explained by differentiation strategy. The adjusted R-square of 13.3% depicts that differentiation strategy in exclusion of the constant variable explained the change in BOC Kenya Competitiveness by 13.3%, the remaining percentage can be explained by other factors excluded from the model. An R of 0.374 implies that there was a positive relationship between differentiation strategy and Competitiveness of manufacturing firms’ in Kenya.

Table 4.7: Differentiation Strategy and BOC Kenya Competitiveness Model

Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.374a</td>
<td>0.14</td>
<td>0.133</td>
<td>0.65977</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Differentiation

4.4.1 Differentiation Strategy and BOC Kenya Competitiveness ANOVA

Table 4.8 displays the Analysis of Variance (ANOVA) for regression coefficients. The results revealed that differentiation strategy is statistically significant in explaining Competitiveness of BOC Kenya. An F statistics of (20.182) indicate that the model is significant. This was supported by a probability value of (0.000). The reported probability of (0.000) is less than the conventional of (0.005) hence significant.

Table 4.8: Differentiation Strategy and BOC Kenya Competitiveness ANOVA

ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>8.785</td>
<td>1</td>
<td>8.785</td>
<td>20.182</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>53.977</td>
<td>124</td>
<td>0.435</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>62.763</td>
<td>125</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a Dependent Variable: Firm Competitiveness

b Predictors: (Constant), Differentiation
4.4.2 Differentiation Strategy and BOC Kenya Competitiveness Regression Weights

The study questioned if differentiation strategy has any influence on the competitiveness of BOC Kenya. However, the study findings showed that there was a positive significant relationship between differentiation strategy and BOC Kenya Competitiveness (β=0.48 and p-value<0.001). Therefore, a unit increase in differentiation strategy index led to an increase in BOC Kenya Competitiveness index by 0.48. Since the p-value was less than 0.05 as indicated on Table 4.13. Therefore, it can be concluded that differentiation strategy had a significant affect BOC Kenya Competitiveness.

Table 4.9: Differentiation Strategy and BOC Kenya Competitiveness Regression Weights

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>(Constant)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>B Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.069</td>
<td>0.407</td>
<td>0.374</td>
<td>5.077</td>
<td>0.00</td>
</tr>
<tr>
<td>0.48</td>
<td>0.107</td>
<td>0.374</td>
<td>4.492</td>
<td>0.00</td>
</tr>
</tbody>
</table>

The findings on Table 4.9 indicate that differentiation strategy positively and significantly influences Competitiveness of BOC Kenya (β = 0.48, p-value <0.001). For every unit increase in the use of differentiation strategy, there was a corresponding increase in firm Competitiveness by 0.48. The Pearson product moment correlation coefficient revealed a moderate positive and significant correlation between firm Competitiveness of the firm and differentiation strategy (r = 0.374, p-value <0.001) as shown in Table 4.9.

4.5 Influence of Focus Strategy on the Competitiveness of BOC Kenya.

The third objective of the study sought to find out the influence of focus strategy on the competitiveness of BOC Kenya. Study respondents were asked to indicate on a five-point Likert scale their level of agreement on several statements describing the focus strategy in relation to firm Competitiveness.
The findings revealed that 53.5% agreed that they served a diverse market segment, while majority strongly disagreed 1.6% that they served specific market and emphasized on distinct customer needs and preferences.

Forty three percent (53%) agreed that BOC is reputable for quality and technical capabilities of its products/services while 32.8% disagreed. 47.7% agreed that BOC have a strong customer relationship while 51% further concurred that Customer complaints at BOC are resolved on a timely basis. Further, 42.6% that by serving segmented markets BOC minimizes their cost of product as prices match the different segments, while majority also agreed that they met their customer needs more than their competitors as reflected by a mean of 4.1. Further analysis shows that 43.3% agreed that BOC endeavors to produce at low cost hence fair prices but high quality. The rest of the analysis is shown in Table 4.5 below.

From the analysis of the means, it can also be noted that the means of all the items used to measure focus strategy are in the range of 3.4 – 4.1 as shown in Table 4.5. This implies that the items used were appropriate in measuring the variable since the respondents are all in agreement with the statements given. The standard deviation similarly ranged between 0.8 – 1.0 with only one item having a standard deviation of 1.2 meaning that the responses were not much dispersed from the expected feedback.
Table 4.10: Focus Strategy and BOC Kenya Competitiveness

<table>
<thead>
<tr>
<th>Focus Strategy</th>
<th>%</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
<th>Mean</th>
<th>S.D</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOC has products that serve me/our institution/company’s distinct needs and preferences</td>
<td>1.6</td>
<td>8.5</td>
<td>14.7</td>
<td>53.5</td>
<td>21.7</td>
<td>3.9</td>
<td>0.9</td>
<td></td>
</tr>
<tr>
<td>BOC adopts and responds fast to my/our institution/company’s changing needs</td>
<td>17.7</td>
<td>29.2</td>
<td>26.2</td>
<td>20</td>
<td>6.9</td>
<td>2.7</td>
<td>1.2</td>
<td></td>
</tr>
<tr>
<td>BOC is reputable for quality and technical capabilities of its products/services</td>
<td>3.1</td>
<td>21.3</td>
<td>20.5</td>
<td>43.3</td>
<td>11.8</td>
<td>3.4</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>BOC have a strong customer relationship</td>
<td>4.7</td>
<td>10.9</td>
<td>28.9</td>
<td>43</td>
<td>12.5</td>
<td>3.5</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>Customer complaints at BOC are resolved on a timely basis</td>
<td>10.9</td>
<td>32.8</td>
<td>26.6</td>
<td>22.7</td>
<td>7</td>
<td>2.8</td>
<td>1.1</td>
<td></td>
</tr>
<tr>
<td>It is easy to do business with BOC as their processes are simple and easily understood</td>
<td>1.5</td>
<td>10.8</td>
<td>17.7</td>
<td>47.7</td>
<td>22.3</td>
<td>3.8</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>BOC offers price sensitive solutions towards my/our institution/company’s specific needs.</td>
<td>3.9</td>
<td>14.7</td>
<td>32.6</td>
<td>27.1</td>
<td>21.7</td>
<td>3.5</td>
<td>1.1</td>
<td></td>
</tr>
<tr>
<td>By serving segmented markets BOC minimizes their cost of product as prices match the different segments</td>
<td>0.8</td>
<td>3.1</td>
<td>14.6</td>
<td>50.8</td>
<td>30.8</td>
<td>4.1</td>
<td>0.8</td>
<td></td>
</tr>
<tr>
<td>BOC endeavors to produce at low cost hence fair prices but high quality products</td>
<td>5.4</td>
<td>6.2</td>
<td>8.5</td>
<td>48.1</td>
<td>31.8</td>
<td>3.9</td>
<td>1.1</td>
<td></td>
</tr>
<tr>
<td>BOC attracts more customers using competitive prices</td>
<td>0.8</td>
<td>3.1</td>
<td>15.4</td>
<td>49.2</td>
<td>31.5</td>
<td>4.1</td>
<td>0.8</td>
<td></td>
</tr>
<tr>
<td>BOC is well known in the market due to the affordability of its products and services compared to its competitors</td>
<td>3.1</td>
<td>9.2</td>
<td>36.2</td>
<td>37.7</td>
<td>13.8</td>
<td>3.5</td>
<td>1.0</td>
<td></td>
</tr>
</tbody>
</table>

n=130

SD=Strongly disagree  D=Disagree  N=Neutral  A=Agree  SA= Strongly agree
S.D=Standard deviation.
Results of regression analysis showed significant association between focus strategy and firm Competitiveness. The coefficient of determination (R-squared) of 0.063 shows that 6.3% of BOC Kenya Competitiveness can be explained by focus strategy. The adjusted R-square of 0.055 depicts that focus strategy in exclusion of the constant variable explained the change in BOC Kenya Competitiveness by 5.5%. The remaining percentage can be explained by other factors excluded from the model. These results are indicated in Table 4.11.

**Table 4.11: Focus Strategy and BOC Kenya Competitiveness Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.251a</td>
<td>0.063</td>
<td>0.055</td>
<td>0.68872</td>
</tr>
</tbody>
</table>

a Predictors: (Constant), Focus

**4.5.1 Focus Strategy and BOC Kenya Competitiveness ANOVA**

F-statistics were used as a measure of model validity. Table 4.21 shows that there is a significant relationship between focus strategy and BOC Kenya Competitiveness (F=8.319, p value =0.005) and at least the slope (β coefficient) is not zero. Therefore, it can be concluded that the model was valid.

**Table 4.12: Focus strategy and BOC Kenya Competitiveness ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>3.946</td>
<td>1</td>
<td>3.946</td>
<td>8.319</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>53.977</td>
<td>124</td>
<td>0.435</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>62.763</td>
<td>125</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a Dependent Variable: Firm Competitiveness

b Predictors: (Constant), Focus

**4.5.2 Focus Strategy and BOC Kenya Competitiveness Regression Weights**

The study also questioned if focus strategy has significant Influence on the competitiveness of BOC Kenya. The study findings revealed that there was a positive significant relationship between focus strategy and BOC Kenya Competitiveness (β=0.306 and p-value=0.005) as indicated in Table 4.22. Therefore, a unit increase in focus strategy index led to an increase
in company’s Competitiveness index by 0.306. Since the p-value was less than 0.05. Therefore, it can be concluded that focus strategy had a significant Influence on BOC Kenya Competitiveness.

Table 4.13: Focus Strategy and BOC Kenya Competitiveness Regression Weights.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Constant)</td>
<td>B 2.693</td>
<td>Std. Error 0.416</td>
<td>Beta 0.251</td>
<td>6.471</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Firm Competitiveness

The results of regression analysis showed that focus strategy had a positive significant relationship with firm Competitiveness as reflected by (β=0.306 and p-value=0.005) in Table 4.22. Pearson product moment correlation coefficient (r = 0.253, p-value = 0.04) in Table 4.13 showed that there is a positive significant correlation between focus strategy and BOC Kenya Competitiveness. This means that an increase in use of focus strategy improved BOC Kenya Competitiveness.

4.6 Firm Competitiveness

The study findings on firm’s competitiveness revealed that 93.2% either agreed or strongly agreed that BOC products are of high quality in the Kenyan market. 35.1% of the respondents agreed that the quality of BOC products meets their expectations and 51.1% agreed that The Distribution Channels used by BOC are efficient and reliable. Majority of respondents supported the fact that BOC offers products that are user friendly as show by 63.6% and that its distribution team is knowledgeable and highly experienced on dealing with the products and customers as indicated by 52.8%.

The rest of the analysis is shown in Table 4.6 below. From the results of the means of the items, it can be noted that all the means fall within the range of 3.8 – 4.0 apart from one item which had a mean of 2.7 as shown in Table 4.6. This implies that majority of the respondents
agreed with the statements hence implying that the items well captured the element of competitiveness. Moreover, the standard deviation also falls within the range of 0.8 -1.0 meaning that the responses are not very much dispersed from each other. However, one item had a standard deviation of 1.5 which is expected for this particular item, based on the results shown in Table 4.6, competition in manufacturing firms in Kenya is high therefore the quest to develop and sustain competitive strategies y BOC Kenya can be attributed to the high level of competitive intensity in the industry.
<table>
<thead>
<tr>
<th>Firm competitiveness</th>
<th>%</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
<th>M</th>
<th>S.D</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOC products are of high quality in the Kenyan market</td>
<td>1.5</td>
<td>0.8</td>
<td>4.6</td>
<td>44.3</td>
<td>48.9</td>
<td>4.4</td>
<td>0.7</td>
<td></td>
</tr>
<tr>
<td>The quality of BOC products meet our Institution/Company/ my expectations</td>
<td>4.6</td>
<td>8.4</td>
<td>27.5</td>
<td>35.1</td>
<td>24.4</td>
<td>3.7</td>
<td>1.1</td>
<td></td>
</tr>
<tr>
<td>BOC products are customized to suit our Institution/Company/my needs</td>
<td>0.8</td>
<td>2.3</td>
<td>15.6</td>
<td>58.6</td>
<td>22.7</td>
<td>4.0</td>
<td>0.7</td>
<td></td>
</tr>
<tr>
<td>BOC products are safe to use</td>
<td>3.8</td>
<td>8.5</td>
<td>14.6</td>
<td>56.9</td>
<td>16.2</td>
<td>3.7</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>BOC uses superior technology in its processes leading to efficiency</td>
<td>1.5</td>
<td>17.6</td>
<td>20.6</td>
<td>41.2</td>
<td>19.1</td>
<td>3.6</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>BOC products are unique in the market and not easily imitated</td>
<td>6.9</td>
<td>24.6</td>
<td>23.8</td>
<td>34.4</td>
<td>9.2</td>
<td>2.7</td>
<td>1.2</td>
<td></td>
</tr>
<tr>
<td>BOC seeks to continuously improve its products to meet my/our institution/company’s varied needs</td>
<td>3.1</td>
<td>22.3</td>
<td>26.2</td>
<td>36.2</td>
<td>12.3</td>
<td>3.3</td>
<td>1.1</td>
<td></td>
</tr>
<tr>
<td>BOC offers products that are user friendly</td>
<td>0.0</td>
<td>3.8</td>
<td>6.9</td>
<td>63.8</td>
<td>25.4</td>
<td>4.1</td>
<td>0.7</td>
<td></td>
</tr>
<tr>
<td>BOC is located in a convenient location that is easily accessible</td>
<td>3.8</td>
<td>8.5</td>
<td>14.6</td>
<td>56.9</td>
<td>16.2</td>
<td>3.7</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>BOC delivers orders placed on a timely basis and on schedule</td>
<td>0.8</td>
<td>13</td>
<td>20.6</td>
<td>47.3</td>
<td>18.3</td>
<td>3.7</td>
<td>0.9</td>
<td></td>
</tr>
<tr>
<td>The Distribution Channels used by BOC are efficient and reliable</td>
<td>0.8</td>
<td>6.9</td>
<td>19.1</td>
<td>51.1</td>
<td>22.1</td>
<td>3.9</td>
<td>0.9</td>
<td></td>
</tr>
<tr>
<td>BOC distribution team is knowledgeable and highly experienced on dealing with the products and customers.</td>
<td>7.6</td>
<td>9.9</td>
<td>16</td>
<td>52.7</td>
<td>13.7</td>
<td>3.5</td>
<td>1.1</td>
<td></td>
</tr>
<tr>
<td>Our Institution/Company/ I always recommend others to use BOC products and services</td>
<td>8.4</td>
<td>13</td>
<td>31.3</td>
<td>32.1</td>
<td>15.3</td>
<td>3.3</td>
<td>1.1</td>
<td></td>
</tr>
<tr>
<td>Our Institution/Company/ I make repeated purchases at BOC.</td>
<td>0.8</td>
<td>2.3</td>
<td>15.6</td>
<td>58.6</td>
<td>22.7</td>
<td>4.0</td>
<td>0.7</td>
<td></td>
</tr>
<tr>
<td>Our Institution/Company/ I wait for a long time whenever my/our order is being processed at BOC.</td>
<td>4.3</td>
<td>8.2</td>
<td>28.5</td>
<td>36.1</td>
<td>24.4</td>
<td>3.7</td>
<td>1.1</td>
<td></td>
</tr>
<tr>
<td>BOC has nurtured long term relationship with me/our institution /Company.</td>
<td>0.8</td>
<td>2.3</td>
<td>15.6</td>
<td>58.6</td>
<td>22.7</td>
<td>4.0</td>
<td>0.7</td>
<td></td>
</tr>
</tbody>
</table>
4.6.1 Strategy Adopted

The study sought to establish the competitive strategies employed by BOC Kenya. The findings of the study revealed that BOC Kenya embraces combined strategies of cost leadership, differentiation and focus simultaneously as shown in previous analysis. The findings are consistent with the work of Waweru (2008) which showed that firms employed duo strategies for diversification and survival. The findings were further consistent with that of Aosa (1992) who observed that low cost and differentiation were practiced in many companies under focus. The finding further supports the work of Spanos, Zaralis and Lioukas (2004) done in Greek manufacturing firms and found that hybrid strategies were preferable to pure strategies.

From the analysis of the findings, differentiation strategy was the most preferred among the three competitive strategies employed by BOC Kenya as indicated by a positive response of 41%. This is in line with the work of Murage (2011), which established that service stations used differentiation as a method of obtaining competitive advantage over other service stations. This is followed by focus strategy are represented by 39.9% positive response. This means that there is a segment of market not served well by cost leadership strategy or differentiation strategy hence the need for BOC Kenya to adopt focus strategy strongly to meet the needs of this gas consumer market segment. Finally, cost leadership strategy is represented by 20.4%. The finding is congruent with Porter’s (1980) assertion that cost leadership strategy has a positive impact on market share. These findings are shown in Table 4.15.

Table 4.15: Competitive Strategies Pursued by BOC Kenya

<table>
<thead>
<tr>
<th>Strategies</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost leadership strategy</td>
<td>53</td>
<td>20</td>
</tr>
<tr>
<td>Differentiation strategy</td>
<td>50</td>
<td>41</td>
</tr>
<tr>
<td>Focus strategy</td>
<td>27</td>
<td>39</td>
</tr>
<tr>
<td>Total</td>
<td>130</td>
<td>100.0</td>
</tr>
</tbody>
</table>
4.6.2: Optimal Model

Reviewing on the regression model used i.e. \( Y = \alpha_0 + \alpha_1 X_1 + \alpha_2 X_2 + \alpha_3 X_3 + \varepsilon \), multiple regression analysis was used to determine whether independent variables, Cost leadership strategy (X1), differentiation strategy (X2) and focus strategy (X3) simultaneously affect the dependent variable firm Competitiveness (Y) which is Competitiveness of BOC Kenya. From Table 4.23, the coefficient of determination (R-squared) of 0.143 shows that 14.3% of BOC Kenya Competitiveness can be explained by cost leadership, differentiation and focus strategies. The adjusted R of 0.122% indicates that the cost leadership, differentiation and focus strategies in exclusion of the constant variable explained the change in firm Competitiveness by 12.2%, the remaining percentage can be explained by other factors not included in the model. An R of 0.379 shows that there is a positive correlation between cost leadership, differentiation and focus strategies on the competitiveness of BOC Kenya. These results are shown in Table 4.16.

**Table 4.16 Optimal Model**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.379(^a)</td>
<td>.143</td>
<td>.122</td>
<td>.66388</td>
</tr>
</tbody>
</table>

\(^a\) Predictors: (Constant), Cost leadership, Differentiation, Focus

The analysis of variance (ANOVA) as shown in Table 4.24 tests the significance of the model at 5% level of significance.

The value of \( p = 0.000 \) that is where \( p \)-value is less than 0.05; This implies that cost leadership (X1), differentiation (X2) and focus (X3) strategies are significant predictors at explaining the manufacturing firms Competitiveness and that the model is significantly fit at 5% level of significance.

**Table 4.17: Optimal Model ANOVA\(^b\)**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>8.993</td>
<td>3</td>
<td>2.998</td>
<td>6.802</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>53.769</td>
<td>122</td>
<td>.441</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>62.763</td>
<td>125</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^a\) Predictors: (Constant), X3, X1, X2

\(^b\) Dependent Variable: Y
Further analysis as shown in Table 4.25 shows the beta coefficients $X_1 (\beta = 0.044, \text{p-value } 0.747)$, $X_2 (\beta = 0.412, \text{p-value } 0.007)$ and $X_3 (\beta = 0.075, \text{p-value } 0.545)$ implies a positive insignificant relationship between cost leadership, differentiation and focus strategies and BOC Kenya Competitiveness. Since the p-values are all more than 0.05, it can be concluded that cost leadership, differentiation and focus strategies have insignificant influence on BOC Kenya Competitiveness.

Table 4.18: Optimal Model Coefficients$^a$

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized coefficient</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.880</td>
<td>.500</td>
<td>3.761</td>
</tr>
<tr>
<td></td>
<td>$X_1$</td>
<td>.044</td>
<td>.135</td>
<td>.033</td>
</tr>
<tr>
<td></td>
<td>$X_2$</td>
<td>.412</td>
<td>.150</td>
<td>.321</td>
</tr>
<tr>
<td></td>
<td>$X_3$</td>
<td>.075</td>
<td>.123</td>
<td>.061</td>
</tr>
</tbody>
</table>

a. Dependent Variable: $Y$

The overall objective of this study was to determine the Influence of competitive strategies i.e. cost leadership, differentiation and focus strategies on the Competitiveness of BOC Kenya. The expectation was that if a firm chooses to implement competitive strategies of cost leadership, differentiation and focus, it will achieve superior Competitiveness and stay ahead of competition. The results of regression analysis showed that cost leadership, differentiation and focus strategies combined had insignificant positive relationship with manufacturing firms Competitiveness $X_1 (\beta = 0.044, \text{p-value } 0.747)$, $X_2 (\beta = 0.412, \text{p-value } 0.007)$ and $X_3 (\beta = 0.075, \text{p-value } 0.545)$ as shown in Table 4.25. Therefore, following our statistical analysis regression model $Y=\alpha_0+\alpha_1X_1+\alpha_2X_2+\alpha_3X_3+\varepsilon$, we can deduce as follows:

$Y=\alpha_0+0.044X_1+0.0412X_2+0.075X_3+1.880$

This finding supports Porter’s (1980) assertion that strategy selection by itself does not necessarily lead to improved firm Competitiveness. Similar conclusions were also drawn by Kwasi and Moses (2007) in their study examining the relationship between manufacturing strategy, competitive strategy and firm Competitiveness of Ghanian manufacturing firms which found no direct relationship between competitive strategies and firm Competitiveness.
This means that manufacturing firms wanting to achieve superior Competitiveness should align their strategies to changes happening in larger environment and look for other ways to cope with competition as competitiveness of a firm is not only determined by the choice of competitive strategies as revealed by the study findings.

4.7 Chapter Summary
This chapter has discussed the findings and analysis of the data collected. The information gathered from the analyzed data confirmed that the three competitive strategies were applied by BOC Kenya in developing competitive edge as well as in increasing its competitiveness in terms of profitability and sales growth. The next chapter captures the summary, discussions, conclusion and recommendations deduced from the analyzed data.
CHAPTER FIVE
5.0 DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
This chapter presents the summary of the study findings as guided by the specific objectives (research questions) and also the conclusion. Recommendations as well as direction for future research as per the findings are also presented.

The study sought to establish the influence of competitive strategies on the Competitiveness of BOC Kenya. Specifically, the study sought to determine the Influence of cost leadership strategy on the competitiveness of the firm, to assess the Influence of differentiation strategy on the competitiveness of the firm and to find out the Influence of focus strategy on the competitiveness of BOC Kenya as a manufacturing and distribution firm.

5.2 Summary
The overall goal of this study was to determine the Influence of competitive strategies i.e. cost leadership, differentiation and focus strategies on the Competitiveness of BOC Kenya. The expectation was that if a firm chooses to implement competitive strategies of cost leadership, differentiation and focus, it will achieve superior Competitiveness and stay ahead of competition.

The results of regression analysis showed that cost leadership, differentiation and focus strategies combined had insignificant positive relationship with firms Competitiveness. This finding supports Porter’s generic Model assertion that strategy selection by itself does not necessarily lead to improved firm Competitiveness. Similar conclusions were also drawn by a study examining the relationship between manufacturing strategy, competitive strategy and firm Competitiveness of Ghanaian manufacturing firms which found no direct relationship between competitive strategies and firm Competitiveness. This means that manufacturing firms wanting to achieve superior Competitiveness should align their strategies to changes happening in larger environment and look for other ways to cope with competition as competitiveness of a firm is not only determined by the choice of competitive strategies as revealed by the study findings.

Questionnaires were used to collect primary data from the BOC Kenya customers and the data was analyzed using both descriptive and inferential statistical analysis. This study was be guided by Porter’s Generic Model on competitive advantage adopted by firms. Survey research design was used covering a stratified sample of 1500 BOC Kenya drawn from the 7 key industrial sub-sectors.
Multi-stage sampling technique was used in the data collection where in the first instance, stratified sampling technique was used to classify each of the 7 sub-sectors into individual strata. The sample was then selected using simple random sampling technique from each of the stratum. Descriptive statistics such as percentage, mean, standard deviation and inferential statistics, namely; correlation analysis and regression analysis were further used to analyze the research questions to examine the influence of generic strategies on competitiveness of BOC Kenya. Quantitative approach was use in this study. The dependent variable in the study was firm competitiveness while the independent variables are Cost Leadership, Differentiation and Focus Strategies. The results indicated that BOC Kenya has largely adopted competitive strategies in order to compete in the market place. The findings of the study revealed that cost leadership, differentiation and focus strategies have positive significant influence on the firm’s competitiveness in the market. However, differentiation strategy had a higher coefficient of determination meaning that, it had the greatest effect on firm performance. Moreover, as opposed to Porter’s argument that a firm can achieve a higher level of performance over its rival by either being a cost leader or by supplying differentiated product or service, BOC Kenya combined their strategies into cost minimization, product differentiation and focus simultaneously to achieve a higher competitive edge. In a summary, the findings of this study confirm that BOC Kenya employed cost leadership, differentiation and focus strategies either simultaneously or at the exclusion of others in order to be competitive and improve its performance. The finding of this study thus adds to the existing literature on critic of Porter’s assertion that the generic strategies are mutually exclusive hence partially supporting the notion of Porters’ exclusive application of competitive strategies in order to achieve superior performance.

In analyzing the question on whether Cost Leadership strategy has influence on the Competitiveness of BOC Kenya, the findings of the study affirmed through responses to the statements used to measure cost leadership strategy which ranged between the mean of 3.4 and 4.2 which was further also supported by four questions which had a mean of 2.6 -3.4 as reflected in the analysis. This shows that majority of the respondents were in agreement with the statements that were used to measure cost leadership strategy. Similarly, the standard deviation of majority of the items was in the range of 1.0. It could then be deduced that the responses to the items were not deviating much from the expected results.
In responding to the research question to find out if the Differentiation strategy has influence on the Competitive of BOC Kenya, the answer was positive. Analysis of survey data depicted that the mean of questions used to measure differentiation strategy and firm performance ranged between 3.4 and 4.2 meaning that majority of the respondents were in agreement with the statements. The standard deviation of all the items were within the range of 0.8 and 1.0 meaning that the responses are not much dispersed from each other hence converging towards the expected feedback in analyzing the differentiation strategy of firm’s competitiveness.

Finally in finding out whether Focus strategy has influence on the Competitive of BOC Kenya, the results were found to be true. From the analysis of the means, it can be noted that the means of all the items used to measure focus strategy ranged 3.4 and 4.1. The standard deviation similarly ranged between 0.8 and 1.0 with only one item having a standard deviation of 1.2 meaning that the responses were also not much dispersed from the expected feedback.

5.3 Discussions
5.3.1 Influence of Cost Leadership on the Competitiveness of BOC Kenya.
The findings of a study conducted by Marques et al (2000) who surveyed 12 large manufacturing firms from Portugal’s glass industry and found that companies that had a higher return on equity pursued a cost leadership strategy based on efficiency production and a cost leadership strategy derived from product innovation and that of Shah et al (2000) which found that Japanese firms applying low cost performed better than US and German companies that applied a “Stuck in the middle” strategy. The study findings also support the work of Thathi (2008) which focused on competitive strategies used by advertising firms in Kenya and found that discounts, competitive pricing and quality of service provision were major strategies applied by advertising firms in Kenya. The findings are also consistent with the findings of Murimiri (2008) who found that the cost reduction, outstanding customer service and operational efficiency were utilized by commercial banks in Kenya as a means of attaining competitiveness.

The study results also concur with the work of Powers and Hahn (2004) which looked into whether or not there were links between competitive methods, generic strategies and firm Competitiveness and found that a cost leadership strategy did perform better than differentiators and focus strategies and that of Gitonga (2003), which found that cost leadership is one of the strategies applied by hospitality establishments in Nairobi. It is, therefore, evident from the foregoing discussion that
BOC Kenya vigorously pursued cost reduction mechanism by focusing on product design technique that economized on cost of materials, lowering prices than that of their competitors, investing in sales promotion, reduction of administration cost and investing in technology-based delivery system to lower their costs among others.

The study findings are thus congruent with Porter’s (1980) assertion that cost leadership strategy has a positive impact on market share in general since a firm that manages to sustain a competitive advantage in cost structure can offer the prices to customers. Based on its cost advantage, the firm produces and sells higher volumes than competitors which in turn increase its cost leadership. The study findings led to the acceptance that cost leadership has a significant Influence on the competitiveness of BOC Kenya.

Cost leadership strategy seeks to improve efficiency and control costs throughout the organization supply chain (El-Kelety, 2006). The strategy further requires management to focus its attention on competing on cost (Cheah et al., 2007). A low-cost position gives a firm a defense against rivalry from competitors, because its lower costs means that it can still earn returns after its competitors have exhausted their profits through rivalry (Porter 1980). Firms adopting cost leadership strategy try to be the low-cost producers in the markets. Sources of cost advantages depend on industrial structure. Cost advantages may come from economies of scale, economies of scope, propriety technology, preferential access to materials and other factors. With cost advantages, firms are able to have above-average return or can command price.

Grant (2005) argues that common to the success of Japanese companies in consumer goods industries such as cars, motorcycles, consumer electronics, and musical instruments has been the ability to reconcile low cost with high quality and technological progressiveness. This position is further supplemented by Barney and Hesterley (2006) who affirm that few layers in the reporting structure; simple reporting relationships, small corporate staff, and focus on narrow range of business functions are elements of organizational structure that allow firms to realize the full potential of cost leadership strategies.

Li and Li (2008) posit that cost leadership strives to supply a standard, high-volume product at the most competitive price to customers. It is important to note that a company might be a cost leader but that does not necessarily imply that the company products would have a low price. In certain
instances, the company can for instance, charge an average price while following the low-cost leadership strategy and reinvest the extra profits into the business Lynch (2003). The risk of following the cost leadership strategy, however, is that the company's focus on reducing costs even sometimes at the expense of other vital factors may become so dominant that the company loses vision.

5.3.2 Influence of Differentiation on the Competitiveness of BOC Kenya

The findings of analysis indicate that differentiation strategy positively and significantly influences Competitiveness of BOC. For every unit increase in the use of differentiation strategy, there was a corresponding increase in firm Competitiveness by 0.48. These results are consistent with previous researches, for instance, Allen and Helms (2002) found a positive and significant relationship between product differentiation strategy and organizational Competitiveness. These findings also support the works of Marques et. al., (2000), Silva et. al., (2000) and Jacome et. al., (2002) which showed that organizations following a differentiation strategic choice tended to achieve higher Competitiveness relative to those organizations which did not. Similarly, Murage (2011) in his study on the competitive strategies used in the petroleum industry found that service stations used differentiation as a way of obtaining competitive advantage over other service stations. The results of the study also concur with that of Kimotho (2012) which studied competitive strategies on the financial Competitiveness of CFC Stanbic Bank Limited and found that the companies that are Influenceive at rapidly innovating new products gained a competitive edge over their rivals.

Similarly, the study findings of a significant positive relationship between differentiation strategy and Competitiveness of BOC Kenya confirms the assertion by Asdemir, Fernando and Tripathy (2013) that a differentiation strategy is harder to imitate since it is built on product and services that are perceived to be different from the competitors hence leading to more sustainable Competitiveness. The study results further revealed that differentiation strategy was the most preferred strategy by the BOC Kenya compared to cost leadership strategy and focus strategy as shown by R-square of 0.14 compared to that of cost leadership strategy (R-square of 0.064) and focus strategy (R-square of 0.063) respectively. These findings support the notion that many manufacturing firms view a strategy of differentiation as a more important and distinct means to achieve competitive advantage than a low-cost strategy (Kotha & Vadlamani, 1995). The study findings thus led to the acceptance that differentiation strategy has significant Influence on the
A firm adopting differentiation strategy tries to differentiate its products or services from competitors by using unique attributes which are widely valued by buyers. Uniqueness can be achieved through service/product innovations, superior service, creative advertising, better supplier relationships leading to better services, or in an almost unlimited number of ways. With unique attributes, a firm can charge premium prices for the products and services. Differentiation has been adopted in an increasing numbers of industries, specifically in industries that need quality for success Bacanu (2010). A differentiation strategy is also based upon persuading customers that a product is superior in some way to that offered by competitors. In differentiation strategies, the emphasis is on creating value through uniqueness, as opposed to lowest cost.

A differentiation strategy occurs when a firm gains an unprecedented position within the sector of operation by differentiating its products or services. Barney and Hesterley (2006) assert that the rarity of a differentiation strategy depends on the ability of individual firms to be creative in finding new ways to differentiate their products. As rivals try to imitate these firms’ last differentiation move, creative firm will already be working on new moves and therefore, remain one step ahead of competition. Baum, Locke and Smith (2001) also suggest that firms implementing differentiation strategies like innovative and high quality products achieve the highest growth. Some problematic areas of differentiation include the difficulty on the part of the firm to estimate if the extra costs entailed in differentiation can actually be recovered from the customer through premium pricing.

Moreover, successful differentiation strategy of a firm may attract competitors to enter the company's market segment and copy the differentiated product Lynch (2003). Mosey (2009) posits that manufacturing 24 firms which repeatedly introduce innovative new products end up openings up new market niches, which is essential to their survival. Slater and Olson (2001) lament that the effectiveness of differentiation strategy depends on how well the firm can balance product benefits and product costs for the customer relative to competitive offering. Moreover, Acquaah and Ardekani (2006) avers that differentiating firms are able to achieve competitive advantage over their rivals because of the perceived uniqueness of their products and services.
5.3.3 Influence of Focus Strategy on the Competitiveness of BOC Kenya

The results of regression analysis showed that focus strategy had a positive significant relationship with firm Competitiveness. Pearson product moment correlation showed that there is a positive significant correlation between focus strategy and BOC Kenya Competitiveness. This means that an increase in use of focus strategy improved BOC Kenya Competitiveness.

These findings concur with some earlier studies and researches on the use of generic strategies which indicated that business strategies of cost leadership, differentiation; cost leadership with focus and differentiation with focus lead an organization to higher Competitiveness (Campbell-Hunt, 2005; Cater & Pucko, 2005; Porter, 1980a; Porter 1985b; Projogo & Sohal 2006b; Spanos & Lioukas 2001 and Yamin et al., 1999). The results of this study are also consistent with that of Dess and Devis (1984) which examined the Competitiveness Influence of generic strategies based on a sample of non-diversified manufacturing firms in which they found that those firms could be classified into four clusters based on the strategies they adopted namely; cost leadership, stuck in the middle, focus and differentiation strategies. In terms of sales growth the four groups were significantly found to be different from one another and that focus strategy was found to have the highest sales growth.

A successful focus strategy depends upon an industry segment large enough to have good growth potential but not of key importance to other major competitors. Focus strategies are most efficient when customers have distinct preferences and when the niche has not been pursued by rival firms (David, 2000). The disadvantage of this strategy is that it may put an organization in danger if the focused segment is too small to be economical, or if it declines. The focus strategy differs from the other strategies in one aspect. While in the differentiation and cost strategies wide fractions of customers are being appealed to, the firms that follow a focus strategy prefer to appeal to a certain geographical area or a certain fraction of customers. To capture those markets, firms may use cost focus or differentiation focus strategy. Different cost structures in different market segments allow a firm to use cost focus strategy. Meanwhile, different market segments also have different wants and needs; therefore, a firm takes the opportunity by designing products or services to satisfy customer wants and needs in a specific market segments. The focus on costs can be difficult in industries where economies of scale play an important role.
5.4 Conclusion

5.4.1 Influence of Cost Leadership on the Competitiveness of BOC Kenya

The goal of the firm pursuing cost leadership strategy is to become the low cost producer in the industry. A low cost position gives a firm a defense against rivalry from competitors because its lower costs mean that it can still earn returns after its competitors have competed away their profits through rivalry. Cost leaders seek to improve efficiency and control costs throughout the organizations supply chain. This study sought to determine if these implications are held true for firms’ pursuing cost leadership strategy. Based on the results of this study, cost leadership strategy affects the BOC Kenya’s Competitiveness.

5.4.2 Influence of Differentiation on the Competitiveness of BOC Kenya

The focus of differentiation strategy is creating something that is perceived as unique by buyers. It involves development of strengths that can give a firm a differential Competitiveness advantage above other competitors. A firm pursuing differentiation strategy is likely to offer unique products and services. This research sought to determine if this assertion is held true.

Based on the findings of this study, there is enough evidence that differentiation strategy has significant influence on the competitiveness of BOC Kenya. The study found that differentiation strategy affects the Competitiveness of BOC Kenya. Moreover, the findings (39.9%) revealed that BOC Kenya pursue differentiation strategy exclusively. In comparison to the other two competitive strategies of cost leadership and focus strategy, manufacturing firms largely adopt differentiation strategy BOC being among them. This finding confirms the assertion that differentiation strategy is harder to imitate since it is built on product/services that are perceived to be different from the competitors hence leading to more sustainable Competitiveness. In their effort to differentiate its product/services, BOC Kenya pay more emphasis on building strong reputation, developing strong brand identification, offering broad range of product as well as introducing innovative products.

5.4.3 Influence of Focus Strategy on the Competitiveness of BOC Kenya

The study established that focus strategy was concerned with pursuing specific market segments through overall cost leadership and or differentiation as opposed to engaging in the whole market. It involves market segmentation and specialization in the chosen segment which is useful in gaining competitive advantage. Firms following focus strategy prefer to appeal to a certain geographical area or a certain fraction of customers. This study sought to determine whether this assertion is held
true. The results of regression analysis between focus strategy and Competitiveness of BOC Kenya showed that focus strategy had a positive significant relationship with firm Competitiveness. This means that an increase in use of focus strategy index improves BOC Kenya Competitiveness index. The study findings (23%) further revealed BOC Kenya pursued focus strategy. This means that some of BOC Kenya focus on narrow competitive scope within their industries and tailors its strategy to serving them to the exclusion of others.

5.5 Recommendations

5.5.1 Recommendation for Improvement

5.5.1.1 Influence of Cost Leadership on the Competitiveness of BOC Kenya

Based on the findings of the study, the researcher recommends that the manufacturing firms adopt cost leadership strategy. The empirical evidence from this study infers that cost leadership has significant Influence on the competitiveness of manufacturing firms. The results of this study thus provides a valuable reference from BOC Kenya in terms of implementing cost leadership strategy as this would help them achieve competiveness and improve their Competitiveness.

It is evident from the literature also that cost saving mechanism is a major consideration in industries in Kenya due to higher cost of raw materials and energy and for this reason, the study recommends that the managers of BOC Kenya allied companies deepen their engagement into more cost-Influencing methods of running a business. It is further recommended that the manufacturing firms pay attention to cheap sources of raw materials and other value chain management practices that result in reduction of cost.

5.5.1.2 Influence of Differentiation on the Competitiveness of BOC Kenya.

Similarly, based on the findings of this study, manufacturing firms’ managers should utilize much of differentiation strategy as it has been proven to have the highest significant Influence on BOC Kenya Competitiveness. Differentiating firms also need to further look deeper into how to make uniqueness less costly in order to make differentiation a significant practice in the sector.

There is also an evident danger that the niche may disappear over time, as the business environment and customer preferences change. One problem with Porter’s framework is that it tends to view industries as being in equilibrium and competitive advantage as sustainable. However, today’s environment is fast changing and dynamic.
Companies need constantly to reassess their strategic position and adapt their strategies. Thus, some scholars have also argued that using Porter’s framework with the purpose of committing in the longer term may lead firms to a poor position with lower than average performance.

5.5.1.3 Influence of Focus strategy on the Competitiveness of BOC Kenya.

The study also recommends that manufacturing firms also utilize focus strategy as well. In order to gain from this strategy, the manufacturing firms should pay attention to the market segment which is sustainable so as to avoid the dangers encountered when pursuing focus strategy such as focusing on a segment that is too small or pursuing a segment that is declining. Similarly, these firms should scan the environment fully to identify the best segment to target and adopt focus strategy to satisfy customer wants and needs in market segments that are sustainable. Scholars have also warned that focus strategy will hinder the firm movement if they have a vision to internationalize their firms.

Finally, it is important that the managers of the BOC Kenya and allied firms in the industry to continuously assess their competitive strategies in terms of appropriateness albeit changing environment. They should be aware that achieving strategic fit between their competitive strategy and competitor’s competitive strategies help to gain a competitive edge. A focus on more ways of dealing with the other challenges faced is also imperative for a maximum profitability of the firms other than just use of competitive strategies.

5.5.2 Recommendation for Further Research

Although this study provides insight into competitive strategies and its influence on the competitiveness of BOC Kenya, several areas remain unclear and require to be addressed by future research. First, the study employed a cross sectional research design but the researcher is also aware that there are other research designs and therefore, suggest that other researchers employ designs and framework in varying conditions of internal and external environment of the manufacturing firms in plenty of time.

In addition, the sampled firms in this study were drawn from firms within one geographical region mostly Nairobi. Future research may consider expanding the scope to include firms in other geographical regions to confirm the findings of this study and establish whether there is significant difference in strategies employed by these firms based on their geographical scope. The current study was undertaken in Kenyan, there is need to replicate the findings of this study in other
developing economies to see whether there is difference in application of these competitive strategies. The study also focused only on manufacturing sector; other researchers may look at other sectors of the economy.

The current study also limited itself to establishing which of the competitive strategies were applied by BOC Kenya and how that impacted on their Competitiveness without due consideration on different categories of firms within the sector that is small, medium and large. Future studies should be undertaken to do a comparative study to check if there is difference in choice of strategy based on these categories.

Finally, this study used perceptual measures of Competitiveness which are sometimes biased. Different results could be obtained by using financial measures as well as non-financial measures such as customer satisfaction surveys, marketing or the use of a balanced score card which has also been recommended by some scholars (Jusoh & Parnell, 2008). Future research may be conducted in other sectors where direct data are available to confirm the findings of this study.
REFERENCES


APPENDICES

Appendix I: Letter of Introduction

JANET J. ONYANGO
UNITED STATES INTERNATIONAL UNIVERSITY AFRICA
P.O BOX 14634, 00800.
NAIROBI

Dear Valued Customer,

RE: RESEARCH DATA COLLECTION ON INFLUENCE OF COST, DIFFERENTIATION AND FOCUS STRATEGIES ON BOC KENYA LTD.

I am an MBA student at the United States International University (USIU) - Africa. I am conducting a research study titled: Influence of Cost leadership, Differentiation and Focus Strategies on Firm Competitiveness; The case of BOC Kenya Ltd. The study seeks to examine the influence of generic strategies on the competitiveness of BOC Kenya

Due to the significance of the topic, I consider you to be very important in achieving the study objectives. The information obtained from you shall be treated with ultimate confidentiality and shall not be used in any other way other than for the stated purposes only. I would be grateful if you could spare some time by answering the attached questionnaire.

Your assistance and response will be highly appreciated.

Thank you,

Janet Joan Onyango
Email: jonyango254@gmail.com
Appendix II: Questionnaire

Section A : General Information (Please tick as appropriate)

1) Gender: Male □ Female □

2) How many full time employees are in your company?
   Below 20 Years □
   20 - 50 Years □
   50 -100 Years □
   Over 100 Years □

3) How long have your organization been in business?
   0 - 5 Years □
   5 - 10 Years □
   10 -20 Years □
   Over 20 Years □

4) How long have your company consumed BOC products?
   0 - 5 Years □
   5 - 10 Years □
   Over 10 Years □
   None of the above □

5) Status of your Organization
   Public Limited Company □
   Private Limited Company □
   Government Institution □
   Sole/ Private Use □

6) Position in the Organization
   Top Management □
   Middle Management □
   Supervisor □
   Other □
**Section B: Firm competitiveness**

Kindly indicate your extent of agreement or disagreement with the following statements by ticking (√) where appropriate

*(Key: 1-very small extent, 2-small extent, 3-moderate, 4-large extent, 5-very large extent)*

<table>
<thead>
<tr>
<th>Firm competitiveness</th>
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<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>a) Quality</strong></td>
<td></td>
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<tr>
<td>1 BOC products are of high quality in the Kenyan market</td>
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<tr>
<td>2 The quality of BOC products meet our Institution/Company/my expectations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>3 BOC products are customized to suit our Institution/Company/my needs</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 BOC products are safe to use</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>b) Innovation</strong></td>
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<tr>
<td>1 BOC uses superior technology in its processes leading to efficiency</td>
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<tr>
<td>2 BOC products are unique in the market and not easily imitated</td>
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<tr>
<td>3 BOC seeks to continuously improve its products to meet my/our institution/company’s varied needs</td>
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<td>4 BOC offers products that are user friendly</td>
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<tr>
<td><strong>c) Distribution channels</strong></td>
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<tr>
<td>1 BOC is located in a convenient location that is easily accessible</td>
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<tr>
<td>2 BOC delivers orders placed on a timely basis and on schedule</td>
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<tr>
<td>3 The Distribution Channels used by BOC are efficient and reliable</td>
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<tr>
<td>4 BOC distribution team is knowledgeable and highly</td>
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</tbody>
</table>
experienced on dealing with the products and customers.

d) Customer Relationship

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<tr>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Our Institution/Company/ I always recommend others to use BOC products and services</td>
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<tr>
<td>2</td>
<td>Our Institution/Company/ I make repeated purchases at BOC</td>
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<td>3</td>
<td>Our Institution/Company/ I wait for a long time whenever my/our order is being processed at BOC</td>
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<tr>
<td>4</td>
<td>BOC has nurtured long term relationship with me/our institution/Company</td>
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<tr>
<td>5</td>
<td>My/our business is secure when in a partnership with BOC</td>
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</tbody>
</table>

**Section C: Cost leadership strategies**

Kindly indicate your level of agreement or disagreement with the following statements by ticking (√) where appropriately.

*(Key: 5-strongly agree, 4-agree 3-undecided, 2-disagree, 1-strong disagree)*

<table>
<thead>
<tr>
<th>Cost leadership strategy</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>i) Economies of scale</td>
<td></td>
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<tr>
<td>1 BOC products are sold at lower prices in the market as compared to its competitors</td>
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<tr>
<td>2 BOC products are affordable/economical and of good value</td>
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<tr>
<td>ii) Economies of Learning</td>
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<tr>
<td>3 BOC product lines and services are consistent and standardized</td>
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<tr>
<td>4 BOC embraces advanced technology in their production hence my/our institution/company’s loyalty</td>
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<tr>
<td>5 BOC never runs out of stock</td>
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</tbody>
</table>
### iii) Value Chain Management

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<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>6</td>
<td>BOC products are conveniently and easily accessible</td>
</tr>
<tr>
<td>7</td>
<td>BOC always has the right quantity at the right time as per my/our institution/company’s needs</td>
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</table>

### iv) Low cost Production Inputs

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<table>
<thead>
<tr>
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<tbody>
<tr>
<td>8</td>
<td>BOC price is low because its products are own manufactured using a state of the art facility</td>
</tr>
<tr>
<td>9</td>
<td>BOC continuously seeks to reduce prices without sacrificing its products’ essential features or acceptable quality</td>
</tr>
</tbody>
</table>

### Section D: Differentiation Strategy

Kindly indicate your level of agreement or disagreement with the following statements by ticking (√) where appropriately.

(Key: 5-strongly agree, 4-agree 3-undecided, 2-disagree, 1-strong disagree)

<table>
<thead>
<tr>
<th>Differentiation strategy</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>i) Product/Service Quality</td>
<td></td>
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</tr>
<tr>
<td>1</td>
<td>BOC offers products/services that are different from its competitors</td>
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<tr>
<td>2</td>
<td>BOC offer customer friendly packaging for its products</td>
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<tr>
<td>3</td>
<td>All of the BOC departments that I/our institution/company deals with are properly coordinated and efficient</td>
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<tr>
<td>4</td>
<td>BOC offers unique products features that am/our institution/company is willing to paying a higher price for.</td>
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<tr>
<td>5</td>
<td>BOC ensures that there is a close relationship between the customers and the marketing team</td>
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<tr>
<td>6</td>
<td>BOC communicates the points of difference in their products/services it offers in credible ways</td>
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### ii) Innovation

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<tbody>
<tr>
<td>7</td>
<td>BOC is creative and consistent in their product development</td>
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<tr>
<td>8</td>
<td>BOC offers many product variations &amp; a wide selection of products to cater for my/our institution/company’s varied needs</td>
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<td>9</td>
<td>BOC ensures constant improvement and use of innovation to stay ahead of imitative competitors.</td>
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<tr>
<td>10</td>
<td>BOC is a strong brand in the market</td>
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<tr>
<td>11</td>
<td>BOC constantly invents ways to create value for customers</td>
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<tr>
<td>12</td>
<td>The BOC plant/premises is well equipped with modern facilities</td>
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</table>

**Section E: Focus Strategy**

Kindly indicate your level of agreement or disagreement with the following statements by ticking (√) where appropriately.

*(Key: 5-strongly agree, 4-agree 3-undecided, 2-disagree, 1-strong disagree)*

<table>
<thead>
<tr>
<th>Focus – Differentiation Strategy</th>
<th>1</th>
<th>2</th>
<th>3</th>
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</thead>
<tbody>
<tr>
<td>1 BOC has products that serve me/our institution/company’s distinct needs and preferences</td>
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<tr>
<td>2 BOC adopts and responds fast to my/our institution/company’s changing needs</td>
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<tr>
<td>3 BOC is reputable for quality and technical capabilities of its products/services</td>
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<tr>
<td>4 BOC have a strong customer relationship</td>
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<tr>
<td>5 Customer complaints at BOC are resolved on a timely basis</td>
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<tr>
<td>6 It is easy to do business with BOC as their processes are simple and easily understood</td>
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</tbody>
</table>
8) Which among the three competitive strategies listed below you think is mostly utilized by BOC Kenya?
   a) Cost leadership strategy
   b) Differentiation strategy
   c) Focus cost strategy

   Thank you for taking part in the survey