EFFECT OF GENERIC STRATEGIES ON THE PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN NAIROBI COUNTY

BY

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UNITED STATES INTERNATIONAL UNIVERSITY- AFRICA

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STUDENTS 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-Africa for academic credit**.**

Signed:______________________________ Date:__________________________

Joseph O. Abwodha (ID No: 626493)

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

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Dr. Paul Katuse

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ABSTRACT

This study focused the effect of generic strategies on the performance of small and medium enterprises. The study was guided by the following research questions: what is the effect of cost leadership strategy on the performance of family owned businesses? What is the effect of differentiation strategy on the performance of family owned businesses? What is the effect of focus strategy on the performance of family owned businesses?

This study used descriptive research design and a target population of 300 Small and Medium Enterprises (SMEs) was used and total sample size of 75 was picked. Probability and non- probability sampling techniques were used to create a sampling frame. Simple random sampling method was used in this study. The data was collected using self-administered questionnaires; the collected data was analysed using Statistical Package for Social Sciences (SPSS) software. The results of the study were analysed using descriptive statistics and the results were presented using tables and figures.

The study showed that the family businesses always charged lower price than their competitors and they heavily invested in sales promotions. These businesses frequently sourced supplies from those suppliers who provided discounts, while vigorously pursuing cost reductions through outsourcing functions to control costs. The study indicated that family businesses identified underperforming areas in order to cut costs.

The study showed that family businesses in Nairobi focused on product design techniques that economized on cost of materials while offering a broad range of products. These businesses made conscious effort to differentiate their products from those of competitors by offering a narrower range of products than competitors. Family businesses in Nairobi continuously developed new products that were developed through strong brand identification.

The study showed that family businesses in Nairobi County served specific geographical markets as well as diverse market segments. These businesses emphasized on marketing specialty products that dealt with broad products serving wider markets. Family businesses sought to provide products/services in different geographical locations, and

they produced products/services for higher price segments that were focused on meeting their customer needs more than their competitors.

The study concludes that family businesses continuously exercised tight cost controls and paid attention to detail like focusing on product design techniques that economized on cost of materials, while they strived to build strong reputation within their respective industries where they were usually the first to introduce new products before their competitors. These businesses quickly responded to changes in demand of their customers, thus driving customer satisfaction.

The study recommends the family business owners/managers to ensure that they identify and monitor the various strategic drivers of their various businesses and ensure that they constantly monitor these strategic drivers and how they influence their value chains. This will facilitate their ability to ensure that their firms gain economies of scale in terms of generic strategies.

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I wish to express my gratitude to everyone who supported me throughout my Master of Business Administration (MBA) course. I extend my special gratitude to my supervisor Dr. Paul Katuse for his encouragement, friendly advice and inspiring professional arming me with knowledge of research.

DEDICATION

I dedicate this research project report to my family and friends.

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LIST OF ABBREVIATIONS

KNBS: Kenya National Bureau of Statistics.

NCBD: Nairobi Central Business District

RBV: Resource-Based View

R&D: Research and Development

ROA: Return on Assets

SMEs: Small and Medium Enterprises

SPSS: Statistical Package for Social Sciences

SSA: Sub-Saharan Africa

TQM: Total Quality Management

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

For any organization to operate successfully, it must establish itself and match between itself and the environment in which it is operating. The environmental forces could either be the internal multifaceted activities, a firm's immediate external environment or even the remote external environment all of which contribute to making the business environment complex (Porter & Millar 2012). Therefore all the environmental factors must be anticipated, monitored, assessed and incorporated in top level decisions making. This complexity and sophistication of the environment necessitates strategic management (Brandt, 2013). Therefore, the success and survival of any organization depends on how well it is able to relate and competitively position itself in the environment.

According to Economic Times (2016), generic Strategies can be defined as the strategies that were developed by Michael Porter that companies can use to achieve competitive advantage. These strategies include; cost leadership strategy, differentiation strategy and focus strategy. Subsequently, Tanwar (2013) states that, the three generic strategies as originally envisioned by Michael Porter represent the context in which the overall generic strategy of firms is pursued to achieve their strategic options and ultimately achieving competitive advantage. According to Okwach (2012), how a company competes in their business environment represents their competitive strategy that helps them gain competitive advantage in a unique way. Achieving competitive advantage gives organizations better position, strengthening the organization in the business environment. Porter and Millar (2012) add that competitive strategies result in a strategic positioning giving a firm the competitive edge, and eventually, above industry performance.

Arasa and Gathanji (2014), explain that use of generic strategy typologies gained dominance in the late 1970s and early 1980s. In the mid to late 1980s, research shifted towards the resource-based view (RBV), thereby placing a greater emphasis on organisational factors. Resources can be viewed as anything that could be thought of as strength or weakness of a given firm. According to Parnell (2016), however, the usefulness and applicability of generic strategies still remain. Differences between generic strategy perspectives and RBV may not be empirically very different as they are conceptually due to the assumption of level resource consistency across firms, an assumption that is the basis for strategic group perspectives found in generic strategy typologies. Further and especially for small firms, the focus of this study, RBV may not be generally applicable, but better suited for larger firms who can exercise better control over their resources (Ogot & Mungai, 2012).

In Sub-Saharan Africa (SSA), it is estimated that the informal sector accounts for approximately 90% of all new jobs and up to 85% of total employment. The sector consists mainly of small and medium enterprises (SMEs) that 'typically operate at a low level of organisation, with little or no division between labour and capital, and on a small scale' (ILO 2000). The importance of the informal sector in the development of these economies is backed by empirical evidence supporting countries' development, employment, wealth creation and poverty reduction objectives (Akpalu & Bhasin, 2011). In Kenya, for example, informal sector employment was estimated at 80% of total recorded employment in 2011 (KNBS, 2012), mainly in the areas of manufacturing, building and construction; wholesale and retail trade; hotels and restaurants; transport and communications (mainly support services to transport activity); and community, social and personal services.

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

Okwach (2012), states that within emergent industries or mature industries undergoing technological change, differentiation may be a means to overall low cost leadership. Other studies in support of hybrid, mixed, integrated or combination strategies include Kim,Nam and Stimpert (2014), Spanos, Zaralis and Lioukas (2014), Gopalakrishna and

Subramanian (2011), and Proff (2010), all arguing that the pursuit of a single generic strategy may lead to lower performance.

Other researchers have developed Porter-based typologies of their own, and shown that firms' adoption of the generic strategies contained therein, leads to better performance. For example, Ogot and Mungai (2012), carried out an empirical study of large firms in Spain, and concluded that firms that engage in more generic strategies defined within the typology perform better. Their study was based on a three dimensional typology of innovation differentiation, marketing differentiation and low cost.

According to Lester (2014), these strategies allow a firm to stand out and conduct daily business hence are important in defining the markets or industries to compete in. Firms that can plan adequately and execute their competitive strategies appropriately are seen to have improved performance than their competitors. As Atikiya (2015) states, firms having appropriate competitive strategies stand a good chance of exploiting available opportunities which guarantee them a ready market over their rivals.

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

The heart and the soul of any strategy are the actions and moves in the market place that managers are taking to improve the company's financial performance, strengthen its long term competitive position and gain a competitive edge over its rivals. Johnson and Scholes (2012), say that competitive strategy is the basis on which a business might achieve competitive advantage in its market place. Thompson (2014) adds that competitive advantage is the key to above average profitability and financial performance.

Many firms continue to struggle to achieve or remain competitive because of the limited market and scarce opportunities. However, this game is taking a different turn in term of how new ways of doing business are devised. Firms are engaging in Porter's competitive strategies to lower cost, differentiate products and diversify markets. Barney (2012) who took part in trying the correlation between competitive strategies and firm performance where performers are differentiated from non-performer by constructing and enhancing the competitive essence over and above that of competitors.

According to Jonsson and Devonish (2012), findings, firms that adopt Porter's competitive strategies for competition has been found to outperform the market. More and more studies are being carried out to try and establish the linkage between Porter's generic strategies and performance. In the Austrian case of SMEs, Leitner and Guldenberg (2013) established that firms applying hybrid strategies performed better than those with no generic strategy when profitability and growth of these firms are compared. A case in a Czech Republic business environment failed to prove whether low-cost; differentiation and stuck-in-the-middle strategies have any effect on companies' performance even though domestic companies gave preference to the low-cost strategy and differentiation strategy (Stanislav & Petr, 2013).

Power and Hahn (2014) established that US banking industry is unlikely to produce superior returns by only relying on differentiation and focus strategy. Recently, a comparative case of US manufacturing firms done by Hansen, Nybakk, and Panwar (2015) asserted that there exists no evidence to support that hybrid strategy improve firm performance more effectively than only one strategy. Even so, the same findings revealed that differentiation strategy alone had an association with superior performance when compared to other strategies.

1.2 Statement of the Problem

All business firms exist in an open system. This means they impact and are impacted by the external conditions largely beyond their control. This requires managers to look beyond the limits of the firm’s own operations (Hasen, 2015). It thus calls for all organizations regardless of the sector in which they are to formulate competitive strategies in response to this turbulent environment. This will enable them to cope with competition

It is vital for firms to perform better than their competitors in the industry. In a growing economy, many firms wish to gain the largest market share to ensure they can generate enough profit to serve purpose for their existence (Sumer & Bayraktar, 2012). To facilitate sustainable growth and take up new opportunities, innovation, and differentiation become an important function.

According to Deloitte and Touche (2015), small business enterprises in Kenya are facing challenges which include: changing customer needs and tastes, rising demand for highly qualified staff, very high staff turnover rates and also increasing demand for more professional services. Due to this demands family owned businesses owners and managers devise competitive strategies to enable competitive positioning of their businesses.

Studies have been carried out on competitive strategies adopted by Kenyan firms from various sectors. These studies include; Ndubai (2013), who studied competitive strategies in the retail sector of the pharmaceutical industry in Nairobi. The study revealed that strategies used included strategic choice of location, stocking other items like cosmetics, mobile phones, surgical and diagnostic items, attractive counter displays, staff uniforms and road signboards. These varied findings and opinions reveal there is need for evaluating the generic strategies affecting competitive advantage in the small and medium enterprises in Nairobi County and how the SMEs can understand and improve their enterprises to attain competitive advantage. This study aimed to identify the effect of generic strategies on the performance of SMEs in Nairobi County.

1.3 Purpose of the Study

The purpose of the study was to determine the effect of generic strategies on the performance of SMEs in Nairobi County.

1.4 Research Questions

1.4.1 What is the effect of cost leadership strategy on the performance of family owned businesses?

1.4.2 What is the effect of differentiation strategy on the performance of family owned businesses?

1.4.3 What is the effect of focus strategy on the performance of family owned businesses?

1.5 Significance of the Study

Findings from this study would benefit the following stakeholders:

1.5.1 Owner/Managers of Family Businesses

The findings from this study may benefit owner/managers of family businesses by using the information to develop strategies for firm performance. The outcome of the study of may also give insight to owners/ managers of family businesses on how to manage a succession to ensure growth and sustainability of family businesses. The study may help to identify and analyze the prevalent challenges that hinder performance of family businesses, thereby enabling mitigating measures to be initiated.

1.5.2 Government of Kenya

The findings of this study may also give insight to the Government of Kenya on the factors affecting performance of Micro-Small and Medium Enterprises (MSMEs) in Nairobi County and suggest ways on how to deal with these challenges. Using these insights, the County and National Government may be able to develop appropriate strategies that promote the development, growth and maturity of MSMEs.

1.5.3 Upcoming and Future Entrepreneurs

Most entrepreneurs in Kenya engage in business without carrying out sufficient research in the field that they want to get involved in. This study serves as a reference tool to new and upcoming businessmen as it outlines the way businesses conduct their affairs. The entrepreneurs may be better informed about the ventures and the way they can manage their businesses in a more efficient manner.

1.5.4 Researchers and Academicians

In addition, these findings may also enhance understanding of the family businesses enabling business schools to create suitable assistance programs and the government to create policies that support growth and sustainability of the family businesses.

1.6 Scope of the Study

The scope of this study was SMEs in Nairobi County. The study targeted SMEs trading within Nairobi County and had been registered with the Nairobi County Government by way of trading license. Therefore, this study used these registered SMEs as the population of the study. The target population was business owners in this region. The study was conducted within a period of three months.

1.7 Definition of Terms

1.7.1 Performance

Pearce and Robinson (2012), defined performance as the act of performing; of doing something successfully; using knowledge as distinguished from merely possessing it. However, performance seems to be conceptualised, operationalized and measured in different ways thus making cross-comparison difficult.

1.7.2 Strategy

Strategy is the process of determining the long-term goals and objectives of an organization, by adopting a specific course of action and by allocating sufficient resources (Holmes, 2011).

1.7.3 Generic Strategies

These are basic approaches to strategic planning that can be adopted by any firm in any market or industry to improve its competitive performance (Porter & Millar 2012).

1.7.4 Cost Leadership Strategies

Cost leadership strategies are defined as the attempt to become the lowest-cost producers in an industry (Lynch, 2016).

1.7.5 Differentiation Strategy

These are gains which are yielded from specific firm positioning in a particular sector in relation to product pricing and specification. It can only be attained if a firm is innovative in relation to the product or services development as such to remain relevant (Leitner Atikiya 2015).

1.7.6 Focus Strategy

This is a niche or segmentation strategy that involves concentrating on a particular customer, product line, geographical area, and channel of distribution, and stage in the production process or market niche (Thomas & Walters, 2016).

1.8 Chapter Summary

Chapter one presents the background information on generic strategies and performance of family owned businesses. The chapter has also presented the statement of the problem, general objective of the study, specific objectives, significance of the study where different stakeholders who will benefit from the study has been outlined. The study has also presented the scope of the study, definition of key terms in the study and the chapter summary. Chapter two presents the literature review on studies conducted in the past related to this study in relation to the research questions. Chapter three reviews the research methodology that was used to achieve the objectives of the study. Chapter four covers the results and findings of the study and chapter five presents the study's discussions, conclusions and recommendations.

CHAPTER TWO

2.0 REVIEW OF LITERATURE

2.1 Introduction

This chapter discusses that literature in line with the objectives of this study. This was guided by the research question of the study which were; What is the effect of cost leadership strategy on the performance of family owned businesses? What is the effect of differentiation strategy on the performance of family owned businesses?; and What is the effect focus strategy on the performance of family owned businesses?

2.2 Cost Leadership Strategy and Family Business Performance

Cost leadership as a strategy allows the firm to be a low-cost producer and thus making more profits than rivals due to low costs of production and economies of scale (Barney, 2015). Cost leadership strategy occurs in a firm through use of experience as a result of investment in production, conservation and careful monitoring of operating costs so as to optimise organizational performance. Cost leadership enables firms to establish a sales promotion strategy that can generate superior profitability for the firm except it is used up in aggressive price-cutting efforts to win sales from rivals (Zekiri & Nedelea, 2011).

2.2.1 Cost-Leadership Strategy

Cost-leadership technique endeavors to supply a standard, no-frills, high-volume item and no more aggressive cost to clients. Cost leadership techniques are preferred in creating nations, for example, Indonesia, Malaysia, India and China where they have bring down work cost, and thus, a lower generation cost. A separation procedure is to make esteem to clients by giving prevalent quality, inventive items, brand image, and good services. This will differentiate the item which implies the item will be more competitive than others (Porter & Millar 2012).

Cost Leadership has a tendency to be a larger number of competitors oriented as opposed to client situated. Cost Leadership requires a solid concentrate on the supply side instead of the request side of the market, as this requires an abnormal state of contender introduction (Rouse, 2016). Consequently, firms seeking after a cost initiative methodology should ceaselessly benchmark themselves against other contending firms with a specific end goal to survey their relative cost (and therefore profitability) position in commercial center. A firm that seeks after cost initiative system accomplishes an ease position by underlining on forceful development of effective scale offices, energetic quest for cost diminishments for a fact, tight cost and overhead control, shirking of negligible client records, and cost minimization in ranges like innovative work (R&D), administrations, deals drive, publicizing, and some more (Porter, 2012).

Tanwar (2013), found that cost-leadership procedure has been effectively actualized in Japan. For instance, the Toyota organization framework - Its prevalent aggressiveness in cost diminishment, quality and conveyance time, has given the impulse to an overall move toward expanding proficiency through cost-cutting techniques. In Japan, client administration is characterized to some degree uniquely in contrast to in the West, which may clarify its nearness in this Cost-leadership consider cosmetics.

Coca Cola also uses Cost Leadership strategy to set up its position on CSD market. There are several approaches that a company can apply to create cost advantages, for example: the product’s design or the use of cheaper raw materials. Economies of scale are the most effective way to reduce costs, especially for the firms which have a diversified portfolio of products like Coca Cola. Coca Cola’s cost leadership strategy is achieved not only through economies of scale in research, development and promotion, but through learning, knowledge and experience in production and operational processes. It is also achieved through efficient distribution networks and manufacturing systems.

Cost-leadership strategy seeks to offer the lowest priced offering in a product or service category to customers by continually lowering costs across the board. Striking a balance between price and quality is essential for cost leaders, as there comes a point where decreases in quality are no longer justified by lower prices in consumers' minds. A cost-leadership strategy is a broad approach to business whereby a significant aspect of a company's strategy is an effort to operate as the lowest-cost business in its industry (Ingram & Kokemuller, 2013).

2.2.2 Low Cost Leadership Strategy

The strategy of cost leadership also known as "low-cost", put emphasis on organizational absolute efficiency. Cost leadership strategy involves the process which the company utilizes to produce or distribute products and services at a lower cost than competitors in the same industry. Cost leadership strategy, as indicated by Porter (2012) means the strategy of trading with standard products together with aggressive pricing. As Porter (2015) proposes, cost leadership strategy is one of the most successful ways of achieving sustainable competitive advantage by being in a capacity to reduce and control costs, both production and non-production costs. Use of technology, economies of scale employing experienced and working toward minimizing or controlling administrative costs to realize their low-cost strategy that further translates to beating the targeted performance (Hansen 2015).

According to Sumer (2012), cost leadership targets to minimize and eliminate costs in fields including expenditure in research and development and additionally advertising. Like Hansen (2015), Sumer stresses that this strategy tends to follow certain concepts, namely economies of scale, cost saving efforts through the experience curve, strict control over costs and overhead costs. In this regard, a firm will be adopting the cost leadership strategy through creation of a low-cost position relative to their competitors. The motivation behind companies adopting different resource allocation methods is to achieve cost leadership, large-scale facilities, process improvements, benchmarking, cost minimization, total quality management (TQM), and indirect expense control (Banker 2014).

Unlike, companies adopting the differentiation strategy to gain a competitive advantage by investing in evolving products or services it allows the firm to command a better price. By innovating best-practice organizational processes, with careful monitoring on purchasing expenditures, application of computer and communications technology in a cost-effective way, trimming of overhead cost, and efficient operations, a firm can achieve the cost reduction. Sometimes, cost reduction can also be achieved by outsourcing manufacturing and services when outside providers offer lower-cost alternatives. With the same quality level but lower cost, the low-cost firm could be able to undermine the price of competing firms. The reason for applying the strategy on cost leadership is to obtain the advantage by reducing economic costs amongst its competitors (Sumer, 2012).

2.2.3 Low-Cost Advantage

The low-cost strategy is based on locating and leveraging every possible source of cost advantage in a firm's value chain of activities. Once a firm pursuing a low cost leadership strategy has discovered an important source of cost improvement and reduction, how, it must then seek new ways to lower its activity costs even further over time. In other words, the sources of low-cost advantage are not enduring or sustainable without continuous improvement and ongoing searches for improved process yields, streamlined product design, or more efficient means of delivering a service (Rouse, 2016).

Building a cost-based advantage thus requires the firm to find and exploit all the potential cost drivers that allow for greater efficiency in each value-adding activity (Aliqah, 2012). A cost driver is an economic or technological factor that determines the cost of performing some activity. According to Brandt (2013), important cost drivers that shape the low-cost leadership strategy include (1) economies of scale, (2) experience or learning curve effects, (3) degree of vertical integration, and even (4) location of activity performance. Firms can tailor their use of these cost drivers to build low-cost leadership across different value-adding activities.

Cost Leadership strategy creates a low-cost operation in their market niche with the core objective of attaining advantage over competitors; this is done by reducing operating costs below that of other players in the market. Cost leadership strategy is coined around organization-wide efficiency, therefore companies implementing the strategy need to maintain a strong competitive position so as to sustain their profit margin overtime; they therefore have to place a premium on operations efficiency in all the major functional areas (Porter, 2012).

According to Kamau (2013), cost leadership enables organizations to establish a competitive advantage in the market. This can help to increase sales and overall turnover and help in any expansion plans. Any cost leadership strategy has to be one in which you are able to achieve the lowest cost of operation per unit of production, compared to others in the same industry. An overall cost leadership strategy concentrates attention on a company's value chain resulting in low-cost products and services. Little attempt is made to differentiate products or services from those of competitors, and a wide net is cast over the entire potential market. By offering the lowest possible cost, these companies gain market share through price alone.

Firms that implement cost leadership strategy have the capability of securing a large market share due to their low cost in the industry or market. Thus, organizations implementing the strategy can obtain super profits as a result of their ability to lower prices to match or beat those of competitors and earn profits. By utilizing the strategy, the firm benefits from operation efficiency, effective price leadership, growth in the industry, lower prices, higher quality, or both (Aliqah, 2012).

In pursuing a cost-based advantage, Parnell (2016), states that no firm can obviously ignore such product attributes as quality, service, and reliability. If it does, its offering may become so unacceptable that consumers will refuse to buy it or will buy it only if the price is reduced to a level below what is needed to sustain profitability (Mooney, 2007). A firm pursuing a cost-based advantage must therefore strive to achieve some degree of quality parity or proximity with other firms that have defined the standards of product quality valued by customers.

Striving to be the low-cost producer is a powerful competitive approach in markets where many buyers are price-sensitive. The aim is to open up a sustainable cost advantage over competitors and then use lower cost as a basis for Rouse (2016) either underpricing competitors or gaining market share at their expense or earning a higher profit margin selling at the going price. A cost advantage will generate superior profitability unless it is used up in aggressive price-cutting efforts to win sales from rivals (Zekiri & Nedelea, 2011). Firms that achieve low-cost leadership typically make low cost relative to competitors the theme of their entire business strategy-though they must be careful not to pursue low cost so zealously that their products end up being too stripped down and cheaply made to generate buyer appeal (Kamau, 2013).

2.3 Differentiation Strategy and Family Business Performance

According to Porter and Millar (2012), as cited in Kamau (2013) differentiation strategy is a business strategy intended to increase the perceived value of the firm's products or services compared to competitors so as to create a customer preference due to its distinct features. The existence of product differentiation is always a matter of customer perception but firms can take a variety of actions to influence these perceptions. This implies that differentiation can be done specifically for a product to make them attractive, or for a service through utilization of after sales services like consideration of quality, incentive programs, increased operating hours and so on (Kamau, 2013). To add to this, Olegube (2014) states that differentiation also includes physical aspects which would cover location, space, design and display/layout and stores atmosphere.

Moreover, Parnell (2016), stress the importance of differentiation in a company image which increases the sensitivity of the buying process for customers. Through this Allen and Helms hopes that companies develop personalized products. All this confirms to the statement made by Thompson and Strickland (2014) that there are numerous ways and dimensions by which firms can differentiate themselves. Today's cut throat competition is the driving force describing why most companies are putting a lot of effort to strategize on differentiation.

Few studies have focused and investigated the association between differentiation strategy and organizational performance. However, out of the few studies most of them have been conducted in the developed Nations. Okwach (2012) under took a study to determine the benefits of executing cost leadership, differentiation, and multi strategy and they established no significant difference exist between performance of firms pursuing only the differentiation strategy and cost leadership. However, those in pursuit of a multi strategy (cost leadership combined with differentiation gained more performance related benefits. Prajogo and Sohal’s (2013) study indicated that Total Quality Management function was positively associated with differentiation strategy.

Companies that utilize a differentiation strategy consider the entry into the market first as a top priority. Being the first means that the company has the pleasure to set prices however they want, and exploit the wider market segment, this is done with the aim of achieving high profit and growth margins. For differentiation strategy to be a benefit to a firm there is a need for it to ensure good product quality and put emphasis on innovation at the fore front of the company (Olegube, 2014).

Tanwar (2013), states that corporation that use a differentiation strategy tend to establish intricate details to make buyers aware of the difference what they are offerings compared to the competition. Companies with this tactic also tends to offer their products at slightly higher prices than competitors as compensation for its unique features, the cost of the system prompt delivery, quality of service and distribution channels A company can differentiate itself by offering innovative features, providing superior service, launching effective promotions, and developing a strong brand.

According to Porter (2012) firms that are able to implement a differentiation strategy have the following internal strengths; access to best scientific research, highly skilled and creative product development team, shrewd sales team with the ability to successfully communicate the perceived strengths of the product, corporate reputation for quality and innovation.

2.3.1 Generic of Differentiation Strategy

The generic of differentiation strategy includes coming up with a market rank that is perceived as being unique industry-wide and that is maintainable over the long run. This can be based on the design or brand image, distribution, and any other feature. Generally, differentiation firms build customer value by offering high-quality products and services at affordable prices. The successfulness of differentiation strategy relays on how the firm can ensure equality of its product gain and product costs for their consumers, in relation to their competitiveness (Slater & Olson, 2011). Firms practicing differentiation strategy aim to achieve and market unique products for a specific target group. They strive to come up with better ways of meeting customer needs in general in order to ensure that customer needs are catered for and loyalty, which can be used to determine a minimum price for the products (Parnell, 2016).

Firm’s that practice differentiation strategy come up with ways to convince customers that their products or services bear unique characteristics that are extraordinary from those of its competitors in terms of image and reputation, reliability, design features and quality. An organization builds this perception by involving qualitative difference in its products and services, through getting involved in advertisement programs, marketing techniques, and charging affordable prices. According to Okwach (2012), differentiation firms are able to attain a competitive advantage over their rivals because of the uniqueness their products and services bear. Porter (2012) stated that, competitive strategies deal with the growth of quality that represent a company and differentiate the value it creates and offers different to that of its competitors. Additionally, "the main idea is about how the firm can uniquely compete in the market place (Pearce & Robinson, 2012).

Pearce and Robinson (2005) aver that differentiation strategies are based on providing buyers with something that is different or unique, that makes the company's strategic positioning, product or service distinct from that of its rivals. Superior value is created because the product is of higher quality, is technically superior in some way, comes with superior service, or has a special appeal in some perceived way. In effect, differentiation builds competitive advantage by making customers more loyal - and less price-sensitive to a given firms product/service. Additionally, consumers are less likely to search for other alternative products once they are satisfied (Hernant, Mikael and Thomas, 2007).

Some of the differentiation strategies adopted by organizations to foster sales performance evolve around interplay of various elements of the retail mix. These include: offering quality products, wide selection, assortment, strategic positioning, after-sales service, quality service, convenient location, parking space, attractive design and layout, conducive atmosphere, sales incentives, convenient operating hours, own branding/value addition and a one-stop-shop (Carpenter and Moore, 2006). Economically valuable bases of product differentiation can enable a firm to increase its revenues, neutralize threats and exploit opportunities.

2.3.2 Advantages of Differentiation

The advantage of differentiation strategy is that the perceived quality insulates a company from threats from any of the five forces that determine the state of competition in an industry. Again, firms using differentiation strategy have some internal strength including high research and development capabilities, strong sales team and corporate reputation for quality and innovation. Brand loyalty protects a firm from threats of substitute products. Gathoga (2011), contends that differentiation is often the secret to extending the life cycle of business and making it more expensive to enter and follow. The risks associated with differentiation strategy include imitation by competition and changing customer tastes and preferences. The shelf life of differentiation strategy is getting shorter and shorter.

According to Barney (2012) differentiating the product offering of a firm means creating something that is perceived at the industry wide view, as being unique. It is a means of creating your own market to some extent. There are several approaches to differentiation: Different design, brand image, number of features, new technology. A differentiation strategy may mean differentiating along two or more of these dimensions. Differentiation is a defendable strategy for earning above average returns because: It insulates a firm from competitive rivalry by creating brand loyalty; it lowers the price elasticity of demand by making customers less sensitive to price changes in your products. Uniqueness, almost by definition, creates barriers and reduces substitutes. This leads to higher margins, which reduces the need for a low-cost advantage. Higher margins give the firm room to deal with powerful suppliers. Differentiation also mitigates buyer power since buyers now have fewer alternatives.

A big advantage behind the differentiation strategy is that it allows firms to insulate themselves partially from competitive rivalry in the industry. When firms produce highly sought-after, distinctive products, they do not have to engage in destructive price wars with their competitors. In effect, successful pursuit of high differentiation along some key product attribute or buyer need may allow a firm to carve its own strategic group within the industry (Hokisson, & Hitt, 2011). This has been particularly the case in the food preparations industry, where large manufacturers try to avoid direct price-base competition with one another through frequent product differentiation and new product introductions.

A major advantage behind differentiation is that customers of differentiated products are less sensitive to prices. In practical this attitude means that firms may be able to pass along price increases to their customers. Although the price lf Lexus automobiles have risen steadily over the past several years, demand for these cars also continues to rise, as does buyer loyalty. The high degree of customer satisfaction with Lexus cars has translated over to the sport utility vehicle segment, where vehicles command a far higher price and profit. Buyer loyalty means that successful firms may see a substantial increase in repeat purchases for the firm's products (Ramayah, 2011).

Achieving a successful strategy of differentiation usually requires the following: Exclusivity, which unfortunately also precludes market share and low cost advantage, strong marketing skills, product innovation as opposed to process innovation, applied R&D, customer support and less emphasis on incentive based pay structure. David (2011), who studied branded fast food outlets, found that the fast food chains served specific target markets. They also offered variety of products and services besides ensuring high quality in their products and service. Another advantage is that strategies based on high quality may, up to a point, actually increase the potential market share that a firm can gain. One landmark study noted, in fact, that competitive strategies based on high product quality actually increased market share resulted in significantly increased profitability. Product quality often leads to higher reputation and demand that translate into higher market share (Rahman, 2011).

Finally, differentiation processes substantial loyalty barriers that firms contemplating entry must overcome. Highly distinctive or unique products make it difficult for new entrants to compete with the reputation and skills that existing firms already possess. Nordstrom's ability to woo and retain customers in the cutthroat fashion and clothing retailing industry enabled the leading-edge store chain to anticipate its customer's needs and to offer them special promotions before they become available to the general buying public. Nordstrom's focus on superior customer service has, until recently, allowed the form to sell top-of-the line brands that offer a much higher margin than brands targeted to the middle market (Hokisson, & Hitt, 2011).

Murage (2011), avers that in differentiation strategy, a firm seeks to differentiate its product or service by creating something that is perceived industry-wide as being unique (Porter, 1980). Differentiation approach seeks appropriate and most suitable ways of aligning services and products to meet unique customer requirements and unlike cost leadership strategy, it deals mostly with the external business environment. With this strategy, regardless of price being an important factor, it is not the primary concern of consumers when deciding on the purchase even though customers are willing to pay a premium price. With more sales volume and value on differentiated products, a firm is able to attain a higher market share than its competitors. Therefore, there is a positive relationship between differentiation and market share.

2.4 Focus Strategy and Family Business Performance

Focus strategies, according to Rahman (2011), are assigned to help a firm target a specific niche within an industry. Unlike both low-cost leadership and differentiation strategies that are designed to target a broader or industry-wide market, focus strategies aim at s specific and typically small niche. These niches could be a particular buyer group, a narrow segment of a given product line, a geographic or regional market, or a niche with distinctive, special tastes and preference. The basic idea behind a focus strategy is to specialize the firm’s activities in ways that other broader-line (low-cost or differentiation) firms cannot performs as well, Superior value, and thus higher profitability, are generated when other broader-line firms cannot specialize or conduct their activities as well as a focused firm. If a niche or segment has characteristics that are distinctive and lasting, then a firm can develop its own set of barriers to entry in much the same way that large established firms do in broader markets (Okwach, 2012).

Parnell (2016), states that focusing starts by choosing a market niche where buyers have distinctive preferences or requirements. The niche can be defined by geographic uniqueness, by specialized requirements in using the product, or by special product attributes that appeal only to niche members. A focuser's reason for competitive advantage is either lower costs than rivals in serving the market specialty or a capacity to offer specialty individuals something other than what's expected from other competitors. A focus strategy based on low cost depends on there being a buyer segment whose needs are less costly to satisfy compared to the rest of the market. A focus strategy based on differentiation depends on there being a buyer segment that demands unique product attributes.

Examples of firms employing a focus strategy include Tandem Computers (a specialist in "nonstop" computers for customers who need a "fail-safe" system), Rolls Royce (in super luxury automobiles, Apple Computer in desktop publishing (Apple computers produce typeset-quality reports and graphics), Fort Howard Paper (specializing in paper products for industrial and commercial enterprises only) (Wiersema, 2010), commuter airlines like SkyWest and Atlantic Southeast (specializing in low-traffic, short-haul flights linking major airports with smaller cities 50 to 250 miles away), and Bandag (a specialist in truck tire recapping that promotes its recaps aggressively at over 1,000 truck stops) (Ireland, Hokisson, & Hitt, 2011).

Using a focus strategy to achieve a cost breakthrough is a fairly common technique. Budget-priced motel chains like Days Inn, Motel 6, and LaQuinta have lowered their investment and operating cost per room by using a no-frills approach and catering to price-conscious travelers (Abu & Aliqah, 2012). Discount stock brokerage houses have lowered costs by focusing on customers mainly interested in buy-sell transactions who are willing to forgo the investment research, investment advice, and financial services offered by full-service firms like Merrill Lynch. Pursuing cost advantage through focusing works well when a firm can find ways to lower costs by limiting its customer base to a well-defined buyer segment (Ramayah, 2011).

2.4.1 Low-Cost Focus

Porter (2012) describes focus strategy as strategies that pursue specific market segments through overall cost leadership and differentiation as opposed to engaging in the whole market. This strategy first involves segmentation of the market followed by specialization on a certain segment that would help the firm achieve competitive advantage. In a bid to specialize firms choose to focus on a selected product range, customer group, geographical area or service line. Operating in a niche market, this strategy advocates for a growing market share where markets seem unattractive or are overlooked by larger competitors.

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 (Atikiya, 2015). Focus strategy is seen as favorite and most efficient when customers have distinct preferences and when the position has not been pursued by rival firms. However, focus strategy threatens an organization growth when the market segment is too small to be economical, or if the segment starts to declines. This strategy is unique than the other two since, while differentiation and cost leadership strategies targets wide fractions of customers, focus strategy prefer to appeal to a section of the geographical area and specified a group of customers (Saif, 2015).

As it has been noted by Waiyaki (2014) different cost structures in different market segments allow a firm to use cost focus strategy. Due to the differences in the market segment the need and wants also remain different and hence companies should take advantage of the differences to design products and services to be offered to the customers so as to fulfill their need and wants. In an industry where economies of scale play an important role, the focus strategy on cost may be hard to evaluate. Empirical evidence too has shown that there exists a danger if a niche disappears over time since the preference and taste of customer keeps on changing with the business environment (Lynch, 2003).

In this strategy the firm concentrates on a select few target markets. It is also called a focus strategy or niche strategy. It is hoped that by focusing your marketing efforts on one or two narrow market segments and tailoring your marketing mix to these specialized markets, you can better meet the needs of that target market (Atikiya, 2015).

2.4.2 Differentiated Focus

The differentiated focus is one of the main ways that a firm may use focus strategy. Variations that exists in the different market segment are met by directing firm's capabilities emphasized in the areas that they target to serve. By doing so, the firm aims to enjoy a competitive advantage in a given market niche even if not in the market as a whole. Past study serves as the best example to illustrate how the differentiated focus strategy and firm performance has been assessed and the result thereof. Yasar (2010) examined the effect of competitive strategies on firm performance in the manufacturing sector. The study hypothesized that firm performance is influenced by cost leadership, differentiation and focus leadership strategies. Firm performance was measured as the average change in return on assets (ROA) while the importance of focus leadership strategy was measured using a five-point Likert scale. Focus leadership was assumed to be of importance in the various departments such as marketing, procurement, marketing, research, and development. Results of the study revealed that there was a positive significant relationship between firm infrastructure, marketing, procurement, human resources, research and development and firm performance.

Atikiya (2015), examined the critical competitive strategies used by commercial banks to enhance their performance. The critical strategies adopted were general differentiation strategy, focus strategy, stuck in the middle strategy, cost leadership strategy and customer differentiation strategy. Based on this study focus strategy was operationalized as a narrow range of services/products from a company, continued and renewed emphasis on marketing the product/service, have geographical focused products/services and continuously develops products to retain the market share it commands. Results of the study revealed that there was a significant relationship between focus leadership attribute and firm performance.

Arasa and Gathanji (2014) examined the relationship between focus leadership and firm performance in the telecommunication industry in Kenya. Both correlation and regression analysis revealed a positive and significant relationship between focus leadership and firm performance. Aykan and Aksoylu (2013) examined the effect of competitive strategies and strategic management accounting techniques on perceived performance of business. The study grouped competitive strategies into three; cost leadership, focus leadership and differentiation strategy from manufacturing firms in Turkey. Regression analysis revealed that there was a positive and significant relationship between focus leadership and firm performance.

In China, Saif (2015) studied how marketing strategy influence firm success in its operations. The study's focus on marketing strategy, involved promotion, pricing, distribution and those that standardize products and their impact on the firm success as measured by sales changes, customer satisfaction, and other financial ratios. Without a doubt, it was found that marketing strategy focusing on customer had a great impact on firm performance. Apart from examining focus strategy, the study negated other competitive strategies. The current research aims to fill this gap by looking at the holistic competitive environment. Further, Abidin (2011) challenge this finding citing that focused strategy limits firm when in need to internationalize.

2.4.3 Market Focus Strategy

The focuser's basis for competitive advantage is either lower costs than competitors serving that market segment or an ability to offer niche members something different from competitors. Focusing is based on selecting a market niche where buyers have distinctive preferences. The niche is defined by geographical uniqueness, specialized requirements in using the services based on a certain physiological aspects or by special attributes that appeal to members of a certain social class (Miller & Dess 2010). A focus strategy based on low cost depends on there being a buyer segment whose needs are less costly to satisfy than the rest of the market based on their income levels. On the other hand, a focus strategy based on differentiation depends on there being a buyer segment that demands unique services and products attributes. In the focus strategy, a public university targets a specific segment of the market. The public university can choose to focus on a select customer group, services and products range, geographical area, or service line. Focus also is based on adopting a narrow competitive scope within an industry (Kimotho, 2012).

Focus aims at growing market share through operating in a niche market or in markets either not attractive to, or overlooked by, larger competitors. These niches arise from a number of factors including geography, buyer characteristics, and services and products specifications or requirements. A successful focus strategy Brooks (2010), depends upon an industry segment large enough to have good growth potential but not of key importance to other major competitors. Market penetration or market development can be an important focus strategy. Midsize and large public universities use focus-based strategies but only in conjunction with differentiation or cost leadership generic strategies.

2.5 Chapter Summary

This chapter examined the effects of generic strategies on performance. It discussed the cost leadership strategy affecting performance, differentiation strategy on performance, and focus strategy on performance. The next chapter, research methodology, explores the best methodology the research used to reach to the solution of the problem.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology and design that was used in the study. The chapter discusses the research design, the target population, the sample size and sampling techniques that will be used. The chapter also provides details on the data collection methods used, research procedure and the data analysis methods.

3.2 Research Design

According to Maxwell, (2012), research design constitutes the blue print for the collection, measurement and analysis of data. They also define research design as the plan and structure of investigation so conceived as to obtain answers to research questions. Kothari (2007) states that a research design constitutes decisions taken by a researcher regarding what, where, by how much and by what means concerning an enquiry or a research study. The research design for this study was descriptive. A descriptive study tries to discover answers to the questions: who, what, when, where and sometimes, how Gardner, and Haeffele (2012). The research attempts to describe or define a subject, often by creating a profile of a group of problems, people or events.

3.3 Population and Sampling Design

3.3.1 Population

According to Cooper and Schindler (2014) a population is the total collection of elements about which we wish to make some inferences. Tulland and Hawkins (2008) define a population as group the researcher wants to generalize or learn about whereas the population is the larger set of observations while the smaller set is referred to as the sample. The population of the study comprised of SMEs that operated in Nairobi County. The target population of this study was 300 SMEs, registered in Nairobi County Government as of 2018 obtained from the Nairobi County business Licensing department.

3.3.2 Sampling Design

3.3.2.1 Sample Frame

Maxwell (2012), defines a sampling frame as the list of elements from which the sample is actually drawn. It is a complete and correct list of population members only. With regards to this study, the sampling frame was a list of SMEs in Nairobi County. The nature of SMEs in Nairobi County was mainly commercial, trade, retail, service and hospitality. The sampling frame was obtained through officials the Nairobi County, Business Licensing Department.

3.3.2.2 Sampling Technique

Sampling techniques are the methods used in drawing samples from a population usually in such a manner that the sample facilitates determination of some hypothesis concerning the population (Cooper & Schindler, 2014). To conduct this study probability sampling technique used was based on simple random sampling. A probability sampling method is any method of sampling that utilizes some form of random selection. In order to have a random selection method, one must set up some process or procedure that assures that the different units in the population have equal probabilities of being chosen (Saunders, Lewis & Thornhill, 2012).

Simple random sampling technique was employed to select the respondents. Simple random sampling statistically measures a subset of individuals selected from a larger group or population to approximate a response from the entire group (Saunders, Lewis, & Thornhill, 2012). Unlike other forms of surveying techniques, simple random sampling is an unbiased approach to garner the responses from a large group. Individuals who make up the subset are chosen at random, each individual in the large population set has the same probability of being selected (Cooper & Schindler, 2014). This creates, in most cases, a balanced subset that carries the greatest potential for representing the larger group as a whole (Lohr, 2013).

3.3.2.3 Sample Size

Cooper and Schindler (2014) articulate that the extent of how large a sample should be is a function of the variation in the population parameters under study and the estimating precision needed by the researcher. As such, the sample size ensures that the information is detailed and comprehensive. However, due to limitations especially associated with time and cost, the whole population was not studied.

Target population size was 300 SMEs. Number of SMEs for the sample size was derived from Yamane (1967) formula. This formula provides a simplified formula to calculate sample sizes (Saunders, Lewis & Thornhill, 2012). The formula also gives a sample size with known confidence and risk levels. Yamane (1967) provides a simplified formula to calculate sample sizes as:

$n = (N) / (1+Ne^2)$

Where n = Sample Size

N= the size of the population

e = the error of 10%

Therefore $n = \{(300) / [1 + (300*0.10^2)]\} = 75$

The sample size for this study will be 75.

3.4 Data Collection Methods

This research was conducted using questionnaires to collect the main data and observations were made to verify some of the gathered primary data. The questionnaires included open and closed ended questions, with the respondents having the liberty to answer appropriately. The likert scale was used such that it provided room for the respondents to indicate the degree to which they agree/disagree with various statements.

Questionnaires are preferred because they are effective data collection instruments that allow respondents to give much of their opinions pertaining to the researched problem (Maxwell 2012). The information obtained from questionnaires was free from bias and researchers influence and thus accurate and valid data was gathered. The first part of the questionnaire was on the background information of the respondents. The second and subsequent sections were questions regarding research questions for the study which included cost leadership strategy, differentiation strategy and focus strategy in SMEs in relation to performance.

3.5 Research Procedures

The study employed quantitative data collection approach; the data was collected using the questionnaires which were used to develop the main data collection and observations were made to verify some of the gathered primary data. However the content of validity of the data collection instruments was determined through discussing the stated questions in the instruments with the managers or owners of SMEs. This helped in obtaining the correct data required for the studies furthermore improve the questionnaire.

According to Corbin and Strauss (2014) the accuracy of data to be collected largely depends on the data collection instruments in terms of validity and reliability. Validity as noted by Robinson (2002) is the degree to which result obtained from the analysis of the data actually represents the phenomenon under study. Reliability refers to a measure of the degree to which research instruments yield consistent results after every repeated trial Corbin and Strauss, (2014). In this study, validity and reliability was done by pre-testing the questionnaire with a selected sample from the sampling frame. The selected sample for piloting was not used in the actual study. The pre-test was conducted to enhance clarity of the questionnaires. The data collected from the pilot survey was used to analyze and establish the reliability coefficient. These respondents were not included in the analysis of the study.

The participant of the research received the questionnaire via email and hard copy depending on the accessibility. This approach enabled to reach different sectors faster and gather data in time. The respondents were given an option to complete the questionnaire immediately for those who were given the hard copy and at a later time for those participants who got the questionnaire via email, based on their convenience, after which the researcher collected them for data analysis.

3.6 Data Analysis Methods

The data analysis methods that was used in this study was descriptive analysis and inferential analysis. These methods was used because Saunders, Lewis and Thornhill (2012) state that descriptive and inferential analysis indicate the frequency of occurrence through establishing statistical relationships between variables. According to Cooper and Schindler (2014), data analysis is the process of editing and reducing accumulated data to a manageable size, developing summaries, looking for patterns and applying statistical techniques.

In this study, the first step involved reviewing all the questions to see if the respondents answered all the questions. Incomplete questionnaires were discarded. The second step involved data coding onto the analysis software tool which was the Statistical Package for Social Sciences (SPSS) for analysis. The descriptive analysis involved measures of central tendency (percentages, means and standard deviations). Inferential analysis involved correlation and regression analysis. The study used the Pearson's correlation analysis which according to O'Gorman and MacIntosh (2014) is a measure of the strength of the association between the two variables. The study used the correlation to study the relationship between strategy orientation and performance of clearing and forwarding SMEs. Simple linear regression model was also used to determine how the dependent variable (performance of clearing and forwarding SMEs) is influenced by the independent variables (entrepreneurial orientation, market orientation and learning orientation). This helped in establishing the weight of each independent variable on the dependent variable. The results was presented in the form of tables and figures. The simple linear regression model was in the form of: $Y= \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \varepsilon$

Where:

Y = Dependent Variable

$\beta 0$ = Population Y Intercept

$\beta 1,2,3$ = Population Slope Coefficient

$X1$ = Entrepreneurial Orientation

$X2$ = Market Orientation

$X3$ = Learning Orientation

ε = Random Error Term

3.7 Chapter Summary

This chapter described how the study was conducted. The chapter discussed the research methodology and design used in this study including the population, sampling design and size, data collection and analysis methods. In the data analysis and presentation, both quantitative and qualitative methods of analysis were used. The population consisted of owners of family owned SMEs that operated in Nairobi CBD. The data was collected using a structured questionnaire. The next chapter presents the results and findings of the study.

CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter presents the results and findings of this study. This was guided by the research question of the study. The chapter provides quantitative analysis for responses received from the collected questionnaires. Analysis follow the research questions that set to examine the effect of cost leadership strategy, differentiation strategy and focus strategy on the performance of family owned businesses in Nairobi.

4.1.1 Response Rate

The researcher collected all the 75 questionnaires that were distributed and used 64 that were completely filled, while 11 were omitted due to incompleteness. This meant that the study had a response rate of 85.3% as shown in Figure 4.1.

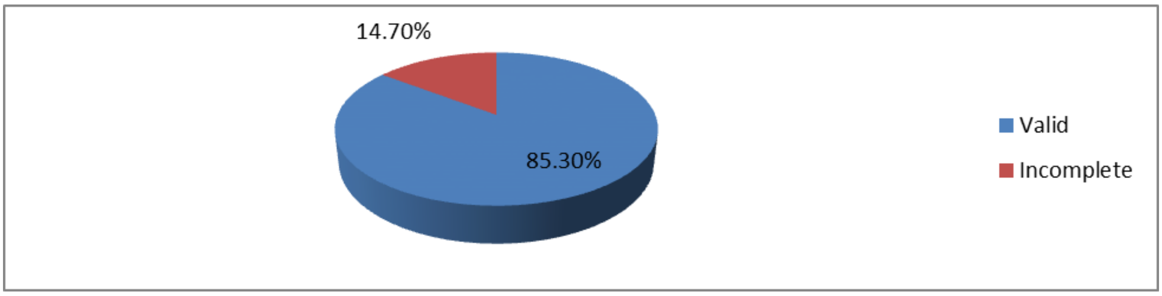

Figure 4.1: Response Rate

4.1.2 Reliability Results

The questionnaire's validity and reliability was tested using the SPSS's Cronbach's Alpha and Table 4.1 shows that the Cronbach coefficient for cost leadership strategy, differentiation strategy and focus strategy were all >0.7 indicating they were reliable for the study.

Table 4.1: Reliability Results

Questionnaire	No. of Items	Coefficient
Cost leadership strategy questions	8	.820
Differentiation strategy questions	8	.714
Focus strategy questions	8	.838

4.2 Background Information

4.2.1 Gender

Figure 4.2 shows that 68.8% of the respondents were male while 31.2% were female. This indicates that males are the majority of the people running, managing or own most of the family businesses in Nairobi. This could be explained by the nature of family businesses and the composition of most families in Kenya that focus on leaving family businesses to the male child.

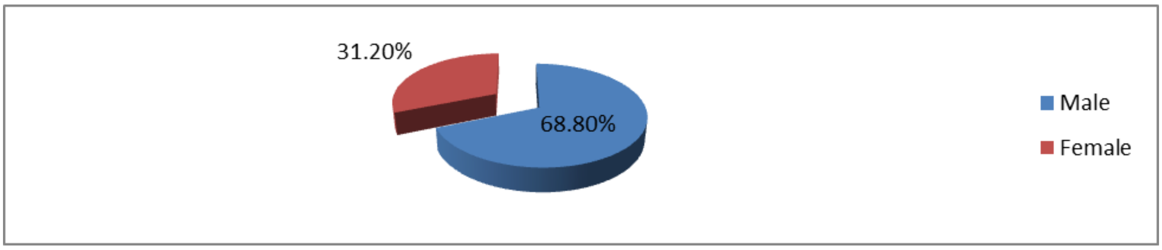

Figure 4.2: Gender

4.2.2 Age

Figure 4.3 shows that 37.5% of the respondents were aged between 31-40 years, 32.8% were aged between 41-50 years, 15.6% were aged between 21-30 years and 14.1% were over the age of 51 years. This shows that most of the people working in family businesses were over the age of 31 years, meaning they were experienced in running the businesses.

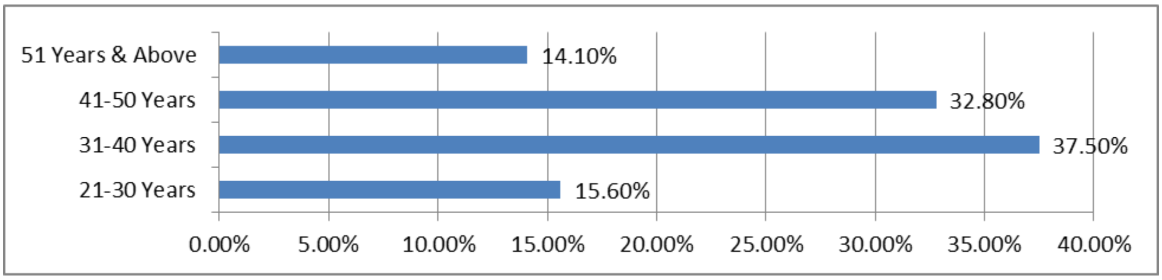

Figure 4.3: Age

4.2.3 Education

Figure 4.4 shows that 59.4% of the respondents had attained their university degrees, 35.9% had attained college diplomas and 4.7% had secondary certificates. This is indicative of the fact that the respondents were well educated and could understand the research questions. This also shows that majority of the people running family businesses have a solid educational background.

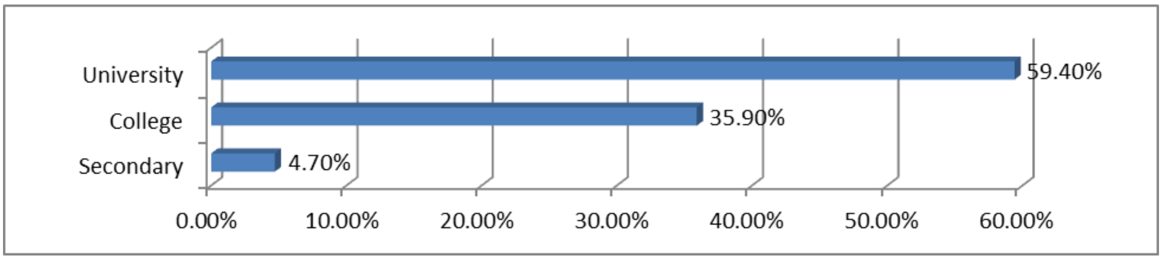

Figure 4.4: Education

4.2.4 Position

Figure 4.5 shows that 46.9% of the respondents were general staff, 40.6% were supervisors, 9.4% were middle level managers and 3.1% were top level managers. This is indicative of the fact that all levels of staff were considered in the study although a majority of them were general staff and supervisors who were easily accessible during the data collection period.

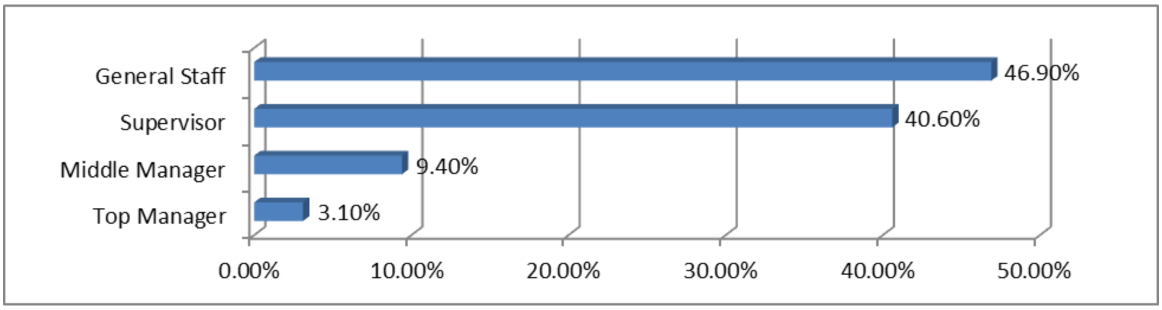

Figure 4.5: Position

4.2.5 Years of Service

Figure 4.6 shows that 45.3% of the respondents had been in the business for 4-5 years, 21.9% for 1-3 years, 18.8% for 6-9 years, 9.4% for more than 10 years and 4.7% for less than a year. This shows that the respondents were well experienced in running family businesses and thus a good representation for the study.

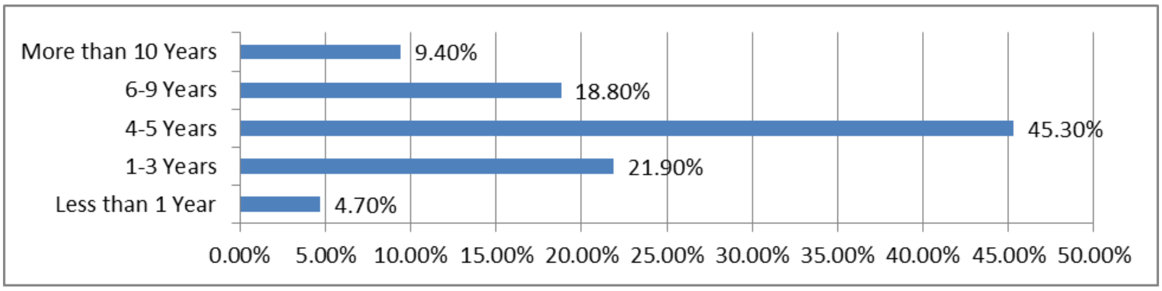

Figure 4.6: Years of Service

4.3 Cost Leadership Strategy and Family Business Performance

4.3.1 Rating of Cost Leadership Strategy and Family Business Performance

Table 4.2 shows that the family businesses always charge lower price than their competitors as agreed to by 98.4% and 1.6% were neutral with a resulting mean of 4.37 and a standard deviation of 0.519. Family businesses heavily invest in sales promotion as agreed to by 93.8% and 6.2% were neutral with a resulting mean of 4.30 and a standard deviation of 0.582. The businesses frequently source supplies from those suppliers who provide discount as agreed to by 62.5% and 37.5% were neutral with a resulting mean of 3.83 and a standard deviation of 0.747. The businesses vigorously pursue cost reduction as agreed to by 82.8% and 17.2% were neutral with a resulting mean of 4.14 and a standard deviation of 0.687.

Table 4.2: Rating of Cost Leadership Strategy and Family Business Performance

	SD	D	N	A	SA		Std
	%	%	%	%	%	Mean	Dev
We always charge lower price than our competitors	0	0	1.6	59.4	39.1	4.37	.519
We heavily invest in sales promotion.	0	0	6.2	57.8	35.9	4.30	.582
We frequently source supplies from those suppliers who provide discount	0	0	37.5	42.2	20.3	3.83	.747
We vigorously pursue cost reduction	0	0	17.2	51.6	31.2	4.14	.687
We outsource functions to control costs	0	0	7.8	57.8	34.4	4.27	.597
We identify underperforming areas in order to cut costs	0	0	25	48.4	26.6	4.02	.724
We continuously exercise tight cost control and pay attention to details	0	0	10.9	51.6	37.5	4.27	.648
We focus on product design technique that economizes on cost of materials	0	0	15.6	46.9	37.5	4.22	.701

Table 4.2 shows that family businesses outsource functions to control costs as agreed to by 92.2% and 7.8% were neutral with a resulting mean of 4.27 and a standard deviation of 0.597. The businesses identify underperforming areas in order to cut costs as agreed to

by 75% and 25% were neutral with a resulting mean of 4.02 and a standard deviation of 0.724. Family businesses continuously exercise tight cost control and pay attention to details as agreed to by 89.1% and 10.9% were neutral with a resulting mean of 4.27 and a standard deviation of 0.648. These businesses focus on product design technique that economizes on cost of materials as agreed to by 84.4% and 15.6% were neutral with a resulting mean of 4.22 and a standard deviation of 0.701.

4.3.2 Correlations for Cost Leadership Strategy and Family Business Performance

4.3.2.1 Correlations for Cost Leadership Items and Family Business Performance

Table 4.3 shows that a business always charging lower prices than competitors was essential to family business performance ($r=0.469$, $p<0.01$). Businesses heavily investing in sales promotion was essential to family business performance ($r=0.544$, $p<0.01$). Businesses frequently sourcing supplies from those suppliers who provide discounts was essential to family business performance ($r=0.611$, $p<0.01$). Businesses vigorously pursuing cost reduction was essential to family business performance ($r=0.493$, $p<0.01$).

Table 4.3: Correlations for Cost Leadership Items and Family Business Performance

Cost Leadership Strategy	Correlations
We always charge lower price than our competitors	.469** .000
We heavily invest in sales promotion.	.544** .000
We frequently source supplies from those suppliers who provide discount	.611** .000
We vigorously pursue cost reduction	.493** .000
We outsource functions to control costs	.479** .000
We identify underperforming areas in order to cut costs	.482** .000
We continuously exercise tight cost control and pay attention to details	.364** .003
We focus on product design technique that economizes on cost of materials	.176 .164

** Correlation is significant at the 0.01 level (2-tailed)
* Correlation is significant at the 0.05 level (2-tailed)

Businesses outsourcing functions to control costs was essential to family business performance ($r=0.479$, $p<0.01$). Businesses identifying underperforming areas in order to cut costs was essential to family business performance ($r=0.482$, $p<0.01$). Businesses continuously exercising tight cost control and pay attention to details was essential to family business performance ($r=0.364$, $p<0.01$). Businesses focusing on product design technique that economized on cost of materials was irrelevant to family business performance ($r=0.176$, $p>0.05$).

4.3.2.2 Correlations for Cost Leadership Factors and Family Business Performance

Table 4.4 shows that cost leadership strategy was essential to family business performance ($r=0.731$, $p<0.01$). Low-cost leadership strategy was essential to family business performance ($r=0.654$, $p<0.01$). Low-cost advantage was essential to family business performance ($r=0.341$, $p<0.01$).

Table 4.4: Correlations for Cost Leadership Factors and Family Business Performance

	Business Performance	Cost Leadership Strategy	Low-Cost Leadership Strategy	Low-Cost Advantage
Business Performance	1			
Cost Leadership Strategy	.731** .000	1		
Low-Cost Leadership Strategy	.654** .000	.755** .000	1	
Low-Cost Advantage	.341** .006	.406** .001	.323** .009	1

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

4.3.3 Regressions for Cost Leadership Strategy and Family Business Performance

The model summary representation in Table 4.5 shows that the adjusted R square coefficient for cost leadership strategy was 0.527, thus, this is indicative that cost leadership strategy influences family business performance by 52.7%.

Table 4.5: Model Summary: Cost Leadership Strategy and Family Business Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.731	.534	.527	.21837
a. Predictors: (Constant), Cost Leadership Strategy				

Table 4.6 offers the ANOVA for cost leadership strategy and family business performance. The table is indicative of a perfect regression model fit between the study variables provided by the significant relationship between the F value and the df values i.e. df (1, 62) 71.065 = 0.000.

Table 4.6: ANOVA: Cost Leadership Strategy and Family Business Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.389	1	3.389	71.065	.000
	Residual	2.957	62	.048		
	Total	6.345	63			
a. Predictors: (Constant), Cost Leadership Strategy						
b. Dependent Variable: Family Business Performance						

Table 4.7 offers the coefficients for cost leadership strategy and family business performance. The table indicates that a significant relationship exists between cost leadership strategy and family business performance since the sig value is at 0.000. The B values present the results of the regression equation as: Family Business Performance = 2.276 + 0.500 Cost Leadership Strategy + ε. This equation means that there is a positive relationship between cost leadership strategy and family business performance, where a unit increase in cost leadership strategy results in a 50% increase in family business performance.

Table 4.7: Coefficients: Cost Leadership Strategy and Family Business Performance

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.276	.249		9.154	.000
	Cost Leadership Strategy	.500	.059	.731	8.430	.000

a. Dependent Variable: Family Business Performance

4.4 Differentiation Strategy and Family Business Performance

4.4.1 Rating of Differentiation Strategy and Family Business Performance

Table 4.8 shows that family businesses focus on product design technique that economize on cost of materials as agreed to by 89.1% and 10.9% were neutral with a resulting mean of 4.41 and a standard deviation of 0.684. Family businesses always offer a broad range of product as agreed to by 90.6% and 9.4% were neutral with a resulting mean of 4.45 and a standard deviation of 0.665.

Family businesses make conscious effort to differentiate our product from those of competitors as agreed to by 82.8% and 17.2% were neutral with a resulting mean of 4.05 and a standard deviation of 0.628. The businesses offer a narrower range of product than our competitors as agreed to by 89.1% and 10.9% were neutral with a resulting mean of 4.42 and a standard deviation of 0.686.

Family businesses continuously develop new products as agreed to by 85.9% and 14.1% were neutral with a resulting mean of 4.20 and a standard deviation of 0.671. Family business product/services have developed strong brand identification as agreed to by 75% and 25% were neutral with a resulting mean of 3.95 and a standard deviation of 0.677.

Family businesses strive to build strong reputation within the industry as agreed to by 89.1% and 10.9% were neutral with a resulting mean of 3.98 and a standard deviation of 0.454. Family businesses are always the first to introduce new products before competitors as agreed to by 90.6% and 9.4% were neutral with a resulting mean of 4.38 and a standard deviation of 0.655.

Table 4.8: Rating of Differentiation Strategy and Family Business Performance

	SD %	D %	N %	A %	SA %	Mean	Std Dev
We focus on product design technique that economize on cost of materials	0	0	10.9	37.5	51.6	4.41	.684
We always offer a broad range of product	0	0	9.4	35.9	54.7	4.45	.665
We make conscious effort to differentiate our product from those of competitors	0	0	17.2	60.9	21.9	4.05	.628
We offer a narrower range of product than our competitors	0	0	10.9	35.9	53.1	4.42	.686
We continuously develop new products	0	0	14.1	51.6	34.4	4.20	.671
Our product/services have developed strong brand identification	0	0	25	54.7	20.3	3.95	.677
We strive to build strong reputation within the industry	0	0	10.9	79.7	9.4	3.98	.454
We are always the first to introduce new products before our competitors	0	0	9.4	43.8	46.9	4.38	.655

4.4.2 Correlations for Differentiation Strategy and Family Business Performance

4.4.2.1 Correlations for Differentiation Items and Family Business Performance

Table 4.9 shows that family businesses focusing on product design technique that economize on cost of materials was essential to family business performance ($r=0.585$, $p<0.01$). Family businesses always offering a broad range of products was essential to family business performance ($r=0.670$, $p<0.01$). Family businesses making conscious effort to differentiate their product from those of competitors was irrelevant to family business performance ($r=0.179$, $p>0.05$). Family businesses offering a narrower range of product than their competitors was irrelevant to family business performance ($r=0.063$, $p>0.05$).

Family businesses continuously developing new products was essential to family business performance (r=0.248, p<0.05). Family businesses' product/services having developed strong brand identification was irrelevant to family business performance (r=0.117, p>0.05). Family businesses striving to build strong reputation within the industry was essential to family business performance (r=0.480, p<0.01). Family businesses are always the first to introduce new products before their competitors was irrelevant to family business performance (r=0.041, p>0.05).

Table 4.9: Correlations for Differentiation Items and Family Business Performance

Differentiation Strategy Items	Correlations
We focus on product design technique that economize on cost of materials	.585** .000
We always offer a broad range of product	.670** .000
We make conscious effort to differentiate our product from those of competitors	.179 .158
We offer a narrower range of product than our competitors	.063 .618
We continuously develop new products	.248* .048
Our product/services have developed strong brand identification	.117 .359
We strive to build strong reputation within the industry	.480** .000
We are always the first to introduce new products before our competitors	.041 .745

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

* Correlation is significant at the 0.05 level (2-tailed)

4.4.2.2 Correlations for Differentiation Factors and Family Business Performance

Table 4.10 shows that differentiation strategy was essential to family business performance (r=0.456, p<0.01). Differentiation strategy advantage was essential to family business performance (r=0.322, p<0.01).

Table 4.10: Correlations for Differentiation Factors and Family Business Performance

	Business Performance	Differentiation Strategy	Differentiation Strategy Advantage
Business Performance	1		
Differentiation Strategy	.456** .000	1	
Differentiation Strategy Advantage	.322** .009	.036 .780	1
** Correlation is significant at the 0.01 level (2-tailed)			

4.4.3 Regressions for Differentiation Strategy and Family Business Performance

The model summary representation in Table 4.11 shows that the adjusted R square coefficient for differentiation strategy was 0.195, thus, this is indicative that differentiation strategy influences family business performance by 19.5%.

Table 4.11: Model Summary: Differentiation Strategy and Family Business Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.456	.208	.195	.28473
a. Predictors: (Constant), Differentiation Strategy				

Table 4.12 offers the ANOVA for differentiation strategy and family business performance. The table is indicative of a perfect regression model fit between the study variables provided by the significant relationship between the F value and the df values i.e. df (1, 62) 16.268 = 0.000.

Table 4.12: ANOVA: Differentiation Strategy and Family Business Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.319	1	1.319	16.268	.000
	Residual	5.027	62	.081		
	Total	6.345	63			

a. Predictors: (Constant), Differentiation Strategy
b. Dependent Variable: Family Business Performance

Table 4.13 offers the coefficients for differentiation strategy and family business performance. The table indicates that a significant relationship exists between differentiation strategy and family business performance since the sig value is at 0.000. The B values present the results of the regression equation as: Family Business Performance = 2.702 + 0.383 Differentiation Strategy + ε. This equation means that there is a positive relationship between differentiation strategy and family business performance, where a unit increase in differentiation strategy results in a 38.3% increase in family business performance.

Table 4.13: Coefficients: Differentiation Strategy and Family Business Performance

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	**Std. Error**	**Beta**	**t**	**Sig.**
1	(Constant)	2.702	.413		6.549	.000
	Differentiation Strategy	.383	.095	.456	4.033	.000

a. Dependent Variable: Family Business Performance

4.5 Focus Strategy and Family Business Performance

4.5.1 Rating of Focus Strategy and Family Business Performance

Table 4.14 shows that family businesses serve specific geographical markets as agreed to by 90.6% and 9.4% were neutral with a resulting mean of 4.27 and a standard deviation of 0.623. Family businesses serve diverse market segments as agreed to by 84.4% and 15.6% were neutral with a resulting mean of 4.36 and a standard deviation of 0.743. Family businesses emphasize on marketing specialty products as agreed to by 85.9% and 14.1% were neutral with a resulting mean of 4.27 and a standard deviation of 0.696. Family businesses deal with broad product serving wider markets as agreed to by 81.2% and 18.8% were neutral with a resulting mean of 4.34 and a standard deviation of 0.781.

Family businesses seek to provide products/services in different geographical locations as agreed to by 85.9% and 14.1% were neutral with a resulting mean of 4.28 and a standard deviation of 0.701. Family businesses produce products/services for higher price segments as agreed to by 93.8% and 6.2% were neutral with a resulting mean of 4.31 and a standard deviation of 0.588. Family businesses meet their customer needs more than their competitors as agreed to by 89.1% and 10.9% were neutral with a resulting mean of 4.27 and a standard deviation of 0.648. Family businesses quickly respond to changes in demand of their customers as agreed to by 79.7% and 20.3% were neutral with a resulting mean of 4.11 and a standard deviation of 0.715.

Table 4.14: Rating of Focus Strategy and Family Business Performance

	SD %	D %	N %	A %	SA %	Mean	Std Dev
We serve specific geographical market	0	0	9.4	54.7	35.9	4.27	.623
We serve diverse market segment	0	0	15.6	32.8	51.6	4.36	.743
We emphasize on marketing specialty product	0	0	14.1	45.3	40.6	4.27	.696
We deal with broad product serving wider market	0	0	18.8	28.1	53.1	4.34	.781
We seek to provide products/services in different geographical locations	0	0	14.1	43.8	42.2	4.28	.701
We produce products/services for higher price segments	0	0	6.2	56.2	37.5	4.31	.588
We meet our customer needs more than our competitors	0	0	10.9	51.6	37.5	4.27	.648
We quickly respond to changes in demand of our customers	0	0	20.3	48.4	31.2	4.11	.715

4.5.2 Correlations for Focus Strategy and Family Business Performance

4.5.2.1 Correlations for Focus Strategy Items and Family Business Performance

Table 4.15 shows that family businesses serving specific geographical markets was irrelevant to family business performance ($r=0.178$, $p>0.05$). Family businesses serving diverse market segments was essential to family business performance ($r=0.521$, $p<0.01$). Family businesses emphasizing on marketing specialty products was irrelevant to family business performance ($r=0.052$, $p>0.05$). Family businesses dealing with broad products serving wider markets was irrelevant to family business performance ($r=0.134$, $p>0.05$).

Family businesses seeking to provide products/services in different geographical locations was irrelevant to family business performance ($r=0.121$, $p>0.01$). Family businesses producing products/services for higher price segments was essential to family business performance ($r=0.495$, $p<0.01$). Family businesses meeting their customer needs more than their competitors was irrelevant to family business performance ($r=0.133$, $p>0.01$). Family businesses quickly responding to changes in demand of their customers was irrelevant to family business performance ($r=0.036$, $p>0.01$).

Table 4.15: Correlations for Focus Strategy Items and Family Business Performance

Focus Strategy Items	Correlations
We serve specific geographical market	.178
	.158
We serve diverse market segment	.521**
	.000
We emphasize on marketing specialty product	.052
	.683
We deal with broad product serving wider market	.134
	.291
We seek to provide products/services in different geographical locations	.121
	.340
We produce products/services for higher price segments	.495**
	.000
We meet our customer needs more than our competitors	.133
	.295
We quickly respond to changes in demand of our customers	.036
	.777

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

4.5.2.2 Correlations for Focus Strategy Factors and Family Business Performance

Table 4.16 shows that focus strategy was essential to family business performance ($r=0.543$, $p<0.01$). Low-cost focus strategy was irrelevant to family business performance ($r=0.118$, $p>0.01$). Differentiated focus strategy was essential to family business performance (r=0.393, p<0.01). Market focus strategy was irrelevant to family business performance (r=0.064, p>0.01).

Table 4.16: Correlations for Focus Strategy Factors and Family Business Performance

	Business Performance	Focus Strategy	Low-Cost Focus Strategy	Differentiated Focus Strategy	Market Focus Strategy
Business Performance	1				
Focus Strategy	.543** .000	1			
Low-Cost Focus Strategy	.118 .351	.140 .270	1		
Differentiated Focus Strategy	.393** .001	.258* .039	.026 .840	1	
Market Focus Strategy	.064 .618	.164 .196	.149 .240	.039 .758	1

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

* Correlation is significant at the 0.05 level (2-tailed)

4.5.3 Regressions for Focus Strategy and Family Business Performance

The model summary representation in Table 4.17 shows that the adjusted R square coefficient for focus strategy was 0.283, thus, this is indicative that focus strategy influences family business performance by 28.3%.

Table 4.17: Model Summary: Focus Strategy and Family Business Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.543	.295	.283	.26864

a. Predictors: (Constant), Focus Strategy

Table 4.18 offers the ANOVA for focus strategy and family business performance. The table is indicative of a perfect regression model fit between the study variables provided by the significant relationship between the F value and the df values i.e. df (1, 62) 25.927 = 0.000.

Table 4.18: ANOVA: Focus Strategy and Family Business Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.871	1	1.871	25.927	.000
	Residual	4.474	62	.072		
	Total	6.345	63			

a. Predictors: (Constant), Focus Strategy

b. Dependent Variable: Family Business Performance

Table 4.19 offers the coefficients for focus strategy and family business performance. The table indicates that a significant relationship exists between focus strategy and family business performance since the sig value is at 0.000. The B values present the results of the regression equation as: Family Business Performance = 2.739 + 0.376 Focus Strategy + ε. This equation means that there is a positive relationship between focus strategy and family business performance, where a unit increase in focus strategy results in a 37.6% increase in family business performance.

Table 4.19: Coefficients: Focus Strategy and Family Business Performance

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.739	.320		8.558	.000
	Focus Strategy	.376	.074	.543	5.092	.000

a. Dependent Variable: Family Business Performance

4.6 Chapter Summary

This chapter has presents the results and findings of this study. The chapter has provided quantitative analysis for responses received from the collected questionnaires. Analysis follow the research questions that set to examine the effect of cost leadership strategy, differentiation strategy and focus strategy on the performance of family owned businesses. The next chapter presents the study's discussions, conclusions and recommendations.

CHAPTER FIVE

5.0 DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses that study findings based on the results of the study. The section provides the summary of the study findings, the study discussions, conclusions and recommendations based on the study findings.

5.2 Summary

This study focused the effect of generic strategies on the performance of small and medium enterprises. The study was guided by the following research questions: what is the effect of cost leadership strategy on the performance of family owned businesses? What is the effect of differentiation strategy on the performance of family owned businesses? What is the effect of focus strategy on the performance of family owned businesses?

This study used descriptive research design and a target population of 300 Small and Medium Enterprises (SMEs) was used and total sample size of 75 was picked. Probability and non- probability sampling techniques were used to create a sampling frame. Simple random sampling method was used in this study. The data was collected using self-administered questionnaires; the collected data was analyzed using Statistical Package for Social Sciences (SPSS) software. The results of the study were analyzed using descriptive statistics and the results were presented using tables and figures.

The study showed that the family businesses always charged lower price than their competitors and they heavily invested in sales promotions. These businesses frequently sourced supplies from those suppliers who provided discounts, while vigorously pursuing cost reductions through outsourcing functions to control costs. The study indicated that family businesses identified underperforming areas in order to cut costs, while continuously exercising tight cost controls and paying attention to detail like focusing on product design techniques that economized on cost of materials.

The study showed that family businesses in Nairobi focused on product design techniques that economized on cost of materials while offering a broad range of products. These businesses made conscious effort to differentiate their products from those of competitors by offering a narrower range of products than competitors. Family businesses in Nairobi continuously developed new products that were developed through strong brand identification. The businesses strived to build strong reputation within their respective industries where they were usually the first to introduce new products before their competitors.

The study showed that family businesses in Nairobi County served specific geographical markets as well as diverse market segments. These businesses emphasized on marketing specialty products that dealt with broad products serving wider markets. Family businesses sought to provide products/services in different geographical locations, and they produced products/services for higher price segments that were focused on meeting their customer needs more than their competitors. Family businesses quickly responded to changes in demand of their customers, thus driving customer satisfaction.

5.3 Discussions

5.3.1 Cost Leadership Strategy and Family Business Performance

The study revealed that the family businesses always charged lower prices than their competitors as agreed to by 98.4% and 1.6% were neutral with a resulting mean of 4.37 and a standard deviation of 0.519. This study results is in agreement with Barney (2015) who states that, cost leadership as a strategy allows the firm to be a low-cost producer and thus making more profits than rivals due to low costs of production and economies of scale.

The study showed that family businesses in Nairobi County heavily invested in sales promotion as agreed to by 93.8% and 6.2% were neutral with a resulting mean of 4.30 and a standard deviation of 0.582. The results are similar to the findings of Zekiri and Nedelea (2011) who stated that, cost leadership enables firms to establish a sales promotion strategy that can generate superior profitability for the firm except it is used up in aggressive price-cutting efforts to win sales from rivals.

The study showed that family businesses frequently sourced supplies from those suppliers who provided discounts as agreed to by 62.5% and 37.5% were neutral with a resulting mean of 3.83 and a standard deviation of 0.747. these results are agree with those of Aliqah (2012) who states that, building a cost-based advantage thus requires the firm to find and exploit all the potential cost drivers that allow for greater efficiency in each value-adding activity.

The results of the study indicated that family businesses vigorously pursued cost reduction as agreed to by 82.8% and 17.2% were neutral with a resulting mean of 4.14 and a standard deviation of 0.687. These results are similar to those of Sumer (2012) who states that, through innovating best-practice organizational processes, a firm can achieve the cost reduction and the reason for applying the strategy on cost leadership is to obtain the advantage by reducing economic costs amongst its competitors.

The study showed that family businesses outsourced functions to control costs as agreed to by 92.2% and 7.8% were neutral with a resulting mean of 4.27 and a standard deviation of 0.597. These results are similar to those of Sumer (2012) who states that, sometimes, cost reduction can also be achieved by outsourcing manufacturing and services when outside providers offer lower-cost alternatives with the same quality level but lower cost, the low-cost firm could be able to undermine the price of competing firms.

The results from the study showed that family businesses identified underperforming areas in order to cut costs as agreed to by 75% and 25% were neutral with a resulting mean of 4.02 and a standard deviation of 0.724. These results agree with Porter (2012) who states that, cost leadership strategy is coined around organization-wide efficiency, therefore companies implementing the strategy need to maintain a strong competitive position so as to sustain their profit margin overtime; they therefore have to place a premium on operations efficiency in all the major functional areas.

The study revealed that family businesses continuously exercise tight cost control and pay attention to details as agreed to by 89.1% and 10.9% were neutral with a resulting mean of 4.27 and a standard deviation of 0.648. These results agree with Porter (2012) who states that, a firm that seeks after cost initiative system accomplishes an ease position by underlining on forceful development of effective scale offices, energetic quest for cost diminishments for a fact, tight cost and overhead control, shirking of negligible client records, and cost minimization in ranges like innovative work (R&D), administrations, deals drive, publicizing, and some more.

The study results indicated that family businesses focus on product design technique that economizes on cost of materials as agreed to by 84.4% and 15.6% were neutral with a resulting mean of 4.22 and a standard deviation of 0.701. The results are in tandem with the findings of Ingram and Kokemuller (2013) who state that, a cost-leadership strategy is a broad approach to business whereby a significant aspect of a company's strategy is an effort to operate as the lowest-cost business in its industry.

5.3.2 Differentiation Strategy and Family Business Performance

The study revealed that family businesses focused on product design technique that economized on cost of materials as agreed to by 89.1% and 10.9% were neutral with a resulting mean of 4.41 and a standard deviation of 0.684. The results are in tandem with the findings of Ingram and Kokemuller (2013) who state that, a cost-leadership strategy is a broad approach to business whereby a significant aspect of a company's strategy is an effort to operate as the lowest-cost business in its industry.

The study indicated that family businesses always offer a broad range of product as agreed to by 90.6% and 9.4% were neutral with a resulting mean of 4.45 and a standard deviation of 0.665. These results are in agreement with Porter and Millar (2012), as cited in Kamau (2013) that, differentiation strategy is a business strategy intended to increase the perceived value of the firm's products or services compared to competitors so as to create a customer preference due to its distinct features.

The study results showed that family businesses make conscious effort to differentiate their products from those of competitors as agreed to by 82.8% and 17.2% were neutral with a resulting mean of 4.05 and a standard deviation of 0.628. These results are similar to those of Kamau (2013) who states that, differentiation can be done specifically for a product to make them attractive, or for a service through utilization of after sales services like consideration of quality, incentive programs, increased operating hours and so on.

The study indicated that family businesses offered a narrower range of products than their competitors as agreed to by 89.1% and 10.9% were neutral with a resulting mean of 4.42 and a standard deviation of 0.686. the results are in agreement with Rahman (2011) who notes that differentiation niches could be a particular buyer group, a narrow segment of a given product line, a geographic or regional market, or a niche with distinctive, special tastes and preference.

The study indicates that family businesses continuously developed new products as agreed to by 85.9% and 14.1% were neutral with a resulting mean of 4.20 and a standard deviation of 0.671. These results are similar to those of Hokisson and Hitt (2011) who state that, successful pursuit of high differentiation along some key product attribute or buyer need may allow a firm to carve its own strategic group within the industry, and that, this has been particularly the case in the food preparations industry, where large manufacturers try to avoid direct price-base competition with one another through frequent product differentiation and new product introductions.

The study showed that family business product/services have developed strong brand identification as agreed to by 75% and 25% were neutral with a resulting mean of 3.95 and a standard deviation of 0.677. These results are similar to those of Tanwar (2013) who observed that, a company can differentiate itself by offering innovative features, providing superior service, launching effective promotions, and developing a strong brand.

The results of the study showed that family businesses strived to build strong reputation within the industry as agreed to by 89.1% and 10.9% were neutral with a resulting mean of 3.98 and a standard deviation of 0.454. These results are similar to those of Okwach (2012) who states that, firm’s that practice differentiation strategy come up with ways to convince customers that their products or services bear unique characteristics that are extraordinary from those of its competitors in terms of image and reputation, reliability, design features and quality.

The results of the study showed that family businesses are always the first to introduce new products before competitors as agreed to by 90.6% and 9.4% were neutral with a resulting mean of 4.38 and a standard deviation of 0.655. These results are similar to those of Hokisson and Hitt (2011) who state that, successful pursuit of high differentiation along some key product attribute or buyer need may allow a firm to carve its own strategic group within the industry, and that, this has been particularly the case in the food preparations industry, where large manufacturers try to avoid direct price-base competition with one another through frequent product differentiation and new product introductions.

5.3.3 Focus Strategy and Family Business Performance

The study revealed that family businesses served specific geographical markets as agreed to by 90.6% and 9.4% were neutral with a resulting mean of 4.27 and a standard deviation of 0.623. These results are in agreement with Rahman (2011) who state that, focus strategies are assigned to help a firm target a specific niche within an industry and could be a particular buyer group, a narrow segment of a given product line, a geographic or regional market, or a niche with distinctive, special tastes and preference.

The study indicated that family businesses serve diverse market segments as agreed to by 84.4% and 15.6% were neutral with a resulting mean of 4.36 and a standard deviation of 0.743. These results are similar to those of Okwach (2012) who states that, if a niche or segment has characteristics that are distinctive and lasting, then a firm can develop its own set of barriers to entry in much the same way that large established firms do in broader markets.

The study results showed that family businesses emphasized on marketing specialty products as agreed to by 85.9% and 14.1% were neutral with a resulting mean of 4.27 and a standard deviation of 0.696. These results are similar to those of Parnell (2016) who perceived that, a focuser's reason for competitive advantage is either lower costs than rivals in serving the market specialty or a capacity to offer specialty individuals something other than what's expected from other competitors.

The study showed that family businesses dealt with broad product serving wider markets as agreed to by 81.2% and 18.8% were neutral with a resulting mean of 4.34 and a standard deviation of 0.781. The results are in agreement with Saif (2015) who state that, focus strategy is unique than the other two since, while differentiation and cost leadership strategies targets wide fractions of customers, focus strategy prefer to appeal to a section of the geographical area and specified a group of customers.

The study results showed that family businesses sought to provide products/services in different geographical locations as agreed to by 85.9% and 14.1% were neutral with a resulting mean of 4.28 and a standard deviation of 0.701. These results agree with those of Lynch (2003) who state that, due to the differences in the market segment the need and wants also remain different and hence companies should take advantage of the differences to design products and services to be offered to the customers so as to fulfill their need and wants.

The study indicated that family businesses produced products/services for higher price segments as agreed to by 93.8% and 6.2% were neutral with a resulting mean of 4.31 and a standard deviation of 0.588. These results are similar to those of Tanwar (2013) who observed that, companies with this tactic also tends to offer their products at slightly higher prices than competitors as compensation for its unique features, the cost of the system prompt delivery, quality of service and distribution.

The study revealed that family businesses met their customer needs more than their competitors as agreed to by 89.1% and 10.9% were neutral with a resulting mean of 4.27 and a standard deviation of 0.648. The results are in agreement with those of Atikiya (2015) who states that, a firm focusing on marketing efforts on one or two narrow market segments and tailoring its marketing mix to these specialized markets, the firm can better meet the needs of that target market.

The study showed that family businesses quickly responded to changes in demand of their customers as agreed to by 79.7% and 20.3% were neutral with a resulting mean of 4.11 and a standard deviation of 0.715. these results are in agreement with the observations made by Kimotho (2012) that, focus is based on adopting a narrow competitive scope within an industry, and aims at growing market share through operating in a niche market or in markets either not attractive to, or overlooked by, larger competitors.

5.4 Conclusions

5.4.1 Cost Leadership Strategy and Family Business Performance

The study concludes that the family businesses always charged lower price than their competitors and they heavily invested in sales promotions. These businesses frequently sourced supplies from those suppliers who provided discounts, while vigorously pursuing cost reductions through outsourcing functions to control costs. The study concludes that family businesses identified underperforming areas in order to cut costs, while continuously exercising tight cost controls and paying attention to detail like focusing on product design techniques that economized on cost of materials.

5.4.2 Differentiation Strategy and Family Business Performance

The study concludes that family businesses in Nairobi focused on product design techniques that economized on cost of materials while offering a broad range of products. These businesses made conscious effort to differentiate their products from those of competitors by offering a narrower range of products than competitors. Family businesses in Nairobi continuously developed new products that were developed through strong brand identification. The businesses strived to build strong reputation within their respective industries where they were usually the first to introduce new products before their competitors.

5.4.3 Focus Strategy and Family Business Performance

The study concludes that family businesses in Nairobi County served specific geographical markets as well as diverse market segments. These businesses emphasized on marketing specialty products that dealt with broad products serving wider markets. Family businesses sought to provide products/services in different geographical locations, and they produced products/services for higher price segments that were focused on meeting their customer needs more than their competitors. Family businesses quickly responded to changes in demand of their customers, thus driving customer satisfaction.

5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 Cost Leadership Strategy and Family Business Performance

The study recommends the family business owners/managers to ensure that they identify the cost drivers of their various businesses and ensure that they constantly monitor these cost drivers and how they influence their value chains. This will facilitate their ability to ensure that their firms gain economies of scale.

5.5.1.2 Differentiation Strategy and Family Business Performance

The study recommends family business managers to apply differentiation strategy with the intention of increasing their perceived value. The firms can achieve this through the creation of intricate details that would make their current customers and potential customers have the awareness of their differentiated products that offer more value than those of their competitors.

5.5.1.3 Focus Strategy and Family Business Performance

For family firms who have minimal resources, the study recommends the managers to segment their target market in order to specialize on providing that particular market with focused products/services, thus gaining a competitive advantage. This will facilitate the firm in growing its market share.

5.5.2 Recommendations for Further Studies

This study sought to examine the effect of generic strategies on the performance of SMEs in Nairobi County, thus the scope of the study was SMEs within the Nairobi County. The study results are therefore limited in terms of scope to Nairobi County, and as such, the study recommends that further studies be conducted on other SMEs around Nairobi County and within Kenya.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

You have been selected for the study on “effects of generic strategies on the performance of family owned businesses”. This questionnaire has four parts. Kindly complete every part of the questionnaire. Please answer the entire question apart from academic research. For purpose of confidentiality please do not indicate your name.

PART A

1. **Gender**

   Female [ ]

   Male [ ]

2. **Age (years):**

   21-30 [ ]

   31-40 [ ]

   41-50 [ ]

   51& Above [ ]

3. **Highest level of education**

   College [ ]

   University [ ]

   Other (Specify) [ ]

4. **Position in the Company:**

   Top Management [ ] Middle Management [ ] General Staff [ ]

5. **Years of service in the company**

   Less than one year [ ]

   Between 1 – 3 [ ]

   Between 4 – 5 [ ]

   Between 6 – 9 [ ]

   More than 10 years [ ]

PARTB: EFFECT OF COST LEADERSHIP STRATEGY ON THE PERFORMANCE OF FAMILY OWNED BUSINESSES

Please indicate the extent to which you agree or disagree with the following statements describing the cost leadership strategy by using the scale; SD- Strongly Disagree D-Disagree N-Neutral A-Agree SA- Strongly Agree.

	Cost Leadership Strategy	**SD**	**D**	**N**	**A**	**SA**
1.	We always charge lower price than our competitors					
2.	We heavily invest in sales promotion.					
3.	We frequently source supplies from those suppliers who provide discount					
4.	We vigorously pursue cost reduction					
5.	We outsource functions to control costs					
6.	We identify underperforming areas in order to cut costs					
7.	We continuously exercise tight cost control and pay attention to details					
8.	We focus on product design technique that economizes on cost of materials					

PART C: EFFECT OF DIFFERENTIATION STRATEGY ON THE PERFORMANCE OF FAMILY OWNED BUSINESSES

Please indicate the extent to which you agree or disagree with the following statements describing the differentiation strategy by using the scale; SD - Strongly Disagree D-Disagree N-Neutral A-Agree SA- Strongly Agree

	Differentiation Strategy	**SD**	**D**	**N**	**A**	**SA**
1.	We focus on product design technique that economize on cost of materials					
2.	We always offer a broad range of product					
3.	We make conscious effort to differentiate our product from those of competitors					
4.	We offer a narrower range of product than our competitors					
5.	We continuously develop new products					
6.	Our product/services have developed strong brand identification					
7.	We strive to build strong reputation within the industry					
8.	We are always the first to introduce new products before our competitors					

PART D: EFFECT OF FOCUS STRATEGY ON THE PERFORMANCE OF FAMILY OWNED BUSINESSES

Please indicate the extent to which you agree or disagree with the following statements describing the focus strategy by using the scale; SD- Strongly Disagree D-Disagree N-Neutral A-Agree SA- Strongly Agree

	Focus Strategy	**SD**	**D**	**N**	**A**	**SA**
1.	We serve specific geographical market					
2.	We serve diverse market segment					
3.	We emphasize on marketing specialty product					
4.	We deal with broad product serving wider market					
5.	We seek to provide products/services in different geographical locations					
6.	We produce products/services for higher price segments					
7.	We meet our customer needs more than our competitors					
8.	We quickly respond to changes in demand of our customers					

Thank you for your co-operation