

**PORTER'S GENERIC STRATEGIES AND COMPETITIVE ADVANTAGE OF
SMALL AND MEDIUM ENTERPRISES WITHIN INDUSTRIAL AREA OF
NAIROBI CITY COUNTY**

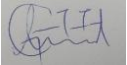
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**A RESEARCH PROJECT SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE
AWARD OF THE DEGREE OF MASTER OF BUSINESS
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OF NAIROBI**

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DECLARATION

I declare that this research project is my original work and has not been presented for a degree in any other university for purposes of examination.

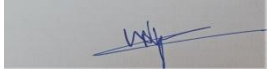
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DEDICATION

This project is dedicated to my family. I treasure you for the countless sacrifices made not only towards my education but also towards my success in life.

Special dedication to my daughter and my life partner Godfrey Mochache Makori for he have served as important pillar to provide me with constant inspiration at all times.

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ABBREVIATIONS AND ACCRONYMS

CEO's: Chief Executive Officers

KAM: Kenya Manufacturing Association

KNBS: Kenya National Bureau of Statistics

RBV: Resource-Based View

SMEs: Small and Medium Enterprises

SPSS: Statistical Package for Social Sciences

ABSTRACT

With the ever transforming business environment, a few businesses can be assured of survival and secure returns and it is for these reasons that the intensity of business competition has increased in all businesses. However, a business that understands the market needs and is able to fulfil customers in a more effective and profitable way than its competitors results to the business attaining competitive advantage. The objective of this study was to establish the relationship between Porter's generic strategies and competitive advantage of Small and medium enterprises within industrial area of Nairobi City County. This study was anchored on resource based view theory and competence strategy-based theory. Descriptive research design was adopted in this study. The population of the study was all the manufacturing small and medium enterprises operating within Industrial Area region in Nairobi. As such, all the 66 manufacturing SMEs registered by the Kenya Manufacturing Association (KAM) based at Industrial Area was targeted. A census survey sampling approach was employed in selecting the sample population for the study. The study utilized primary data. Questionnaires were used to gather primary data. Descriptive as well as inferential statistics were then used to perform analysis. The study concludes that differentiation strategy has a positive influence on competitive advantage of SME's. It indicates that any unit increase in the differentiation strategy will cause competitive advantage of SME's to increase. Also, the study concludes that increase in cost leadership strategy was confirmed to cause an increase in the competitive advantage of SME's due to the positive effect. Focus strategy of the SME showed a positive impact on competitive advantage of SME's which means that it increases competitive advantage of SME's as a result of a unit increase. The study recommends that that manufacturing SMEs should produce goods that are unique and of different quantities for the various available markets. Hence, this will help them to increase and expand their present markets since they will be in a position to access wealthy customers who can buy in bulk and the ordinary customers who can only afford small portions at a time. Further, the study recommends that manufacturing SMEs in Nairobi City County should embrace cost leadership through embracing technology in their businesses. This will help them to be effective in their work thus reducing unnecessary manpower.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Generic strategies, as a result of previous studies done by several researchers, positive linkage with competitive advantage of an organization have been established (Bienvenu & Mukete, 2011). Generic strategies are an unequalled approach utilized by a firm or it intends to use to flourish in the market (Murray, 2016). Porter (2015) posits Generic strategies as a set of skills including; cost leadership strategy, strategy of differentiation as well as the strategy of focus. Generic strategies give a long-term plan to a specific firm to have an upper hand over its rivals by winning customer trust, build immunity against external competitive forces and create a profitable and sustainable position.

This study was anchored on two main theories; resource-based view theory and competence strategy-based theory. The firm's resource-based view puts notice to the internal environment as driver for competitive advantage and emphasizes that an enterprise employs its capital and abilities to build a competitive advantage that finally results into creation of superior value chain. It is observed that in the resource-based view a firm's competitive and superior performance are fundamentally driven by capital and capability attributes which are of value and very expensive to copy (Barney & Clark, 2014). Competence strategy-based theory focuses on structure and strategy performance on the industrial organization economics. The theory focus on competitiveness of a firm which depends on its distinguishing features (Prescott, 2011). The theory argues that the industry structure, nature and competitive forces determine a firm's profits.

Accordingly, the Small and medium enterprises within industrial area,, Nairobi City County play an important role in provision of essential commodities, fostering innovations and competition enhancement (KNBS, 2016). Thus, understanding their generic strategies is imperative in improving the performance of this sector that is very crucial to the development and prosperity of all aspects of the economy. This study will aim at emphasising on this, focusing on small and medium enterprises located within industrial area, Nairobi City County which has over the years proven a suitable location for operations of small and medium enterprises. Small and Medium Enterprises (SMEs) may develop competitive advantage through combination of resources that support their competitive position in the marketplace. Generic strategies may lead to strategic investment processes by the small and medium enterprises which can lead to increased costs. Small and medium enterprises therefore may therefore benefit and at the same time face challenges in a bid to develop dynamic capabilities of that nature. The growth ambition of small and medium enterprises and industry characteristics affect capabilities such as use of superior organizational resources. Differentiation strategy in small and medium enterprises is mainly achieved through innovation because of limitation of resources that can create economies of scale (Bustamam, 2010).

1.1.1 Porter's Generic Strategies

The term generic strategies as proposed by Michael Porter in 1985 implies they are neither firm nor industry dependent and hence can be used to different kind of firms or industries (Mita, Ochieng, & Mwebi, 2017). According to Porter (2012) businesses have an option of three general strategies to choose from that can be applied towards attaining competitive advantage. Since competitive advantage is a focal aspect of strategy,

organizations must therefore be able to make the best choice with regards to which of the strategy or strategies to take. The strategies being referred to are: differentiation, low-cost and focus or niche strategies.

Cost leadership strategy is generally where firms endeavor to offer cost that is as low as possible in the industry. Allen, Helms, Takeda and White (2014) explicate that low-cost or cost leadership strategy is achieved by designing, producing, and marketing a similar product or service in a more efficient way than a competitor. A business may reduce cost through adopting technology that is current, easy access of raw material, economies of scale, among others. Cost leadership therefore protects the business against competitive forces and it is a vital strategy, as it enables a business endure competitiveness in the industry and also provides the business with a defense against rivalry from competitors (Porter, 2012).

Differentiation is about having dimensions that are unique and that are value adding to the customers, that is, selling products or providing a service with features that customers perceive to be of high quality or of superior value in that market segment. A business can base its differentiation on the products, or the service delivery, or marketing approach, among others. According to Dash (2013) the customers must perceive the product or service as being more desirable than those of a competitor and the customers should be ready to pay more than the marginal cost. A business that differentiates does not therefore necessarily need to charge low cost and can thus charge additional price for its products or services (Porter, 2012).

Focus strategy enables a business to fit its strategies and products to particular segment's needs and to focus on the segment it has chosen. This is to serve the target segment more effectively and efficiently. This strategy would entail identifying market niches and ensuring that the strategies are tailored to meet the target market needs (Chepng'etich & Kimencu, 2018).

The business can choose to focus on a number of areas, such as, specific customer group, geographical location, range of product or service line. Through focus strategy the business is therefore able to meet specialized needs and distinct preference of the customers. It is important to note different customers possess varying likings hence a business that adopts focus strategy should therefore be able to combine a number of different policies and skills and direct these to the target that is, combine cost strategy, low cost strategy as well as differentiation strategy (Porter, 2012).

1.1.2 Competitive Advantage

In the last few decades, the business world has encountered significant changes with some of changes including development in technology and globalization. The changes have resulted into increased competition in businesses. The competitive advantage enables a company or country to produce goods or services in a more desirable fashion to consumers or at a lower cost (West, Ford & Ibrahim, 2015). In so doing, the company or country generates more sales than its competitors thereby enhance its competitiveness.

Thompson and Strickland (2010) described competitive advantage as “a section of business strategy which handles plans of management that helps in successful competition in enhancing sustainability”. Competitive advantage can be defined as the

outcomes realized from the effective performance of business processes from suppliers externally (Porter, 2012). The competitive advantage exists when a given firm offers a service or a product that is seen by customers as good and of quality in the market place as compared to that of its rivals (Mohanty & Gahan, 2015).

Click and Duening (2015) observed that the main indicators of competitive advantage are brought around in terms of costs of physical assets. Porter (2015) stated that competitive advantage essentially focuses on three aspects namely, differentiation advantage, low costs and focus strategy. Porter further highlighted that competitive forces can be addressed based on threat of substitutes, powerful customers, threat of new entrants and rivalry as well as powerful suppliers. However, Mohanty and Gahan (2015) explained that in terms of firm profitability, competitive advantage that exists within a firm when it is sustained beyond normal returns. Therefore, the strength of competitiveness in the shoe sector can result to higher potential gains (Ndungu, 2010).

1.1.3 Small and Medium Enterprises within Industrial Area of Nairobi City County

According to Rose, Kumar and Yen (2013), Small and Medium Enterprises entail those business which are privately owned and operated having a relatively small number of personnel and sales volume. In Kenya, the definition of Small and Medium Enterprises is micro enterprises employing less than 10 employees, small enterprises that employ less than 49 workers and medium size enterprises employing between 50 to 99 employees. Majority of the Small and Medium Enterprises in Kenya are micro (92%), 7% are small and only 1% are medium (KNBS, 2018).

Since Small and Medium Enterprises in Kenya are small businesses, they do not need many employees. Even with the few numbers of workers, they can perform all the necessary tasks needed to run and operate a business. Just like any other large business, small and medium enterprises in Kenya have the manufacturing, marketing and the accounting department among other departments in business (Ahn, Mortara & Minshall, 2013). Since small and medium enterprises in Kenya only pay attention to few products and services, it helps them build a long-lasting and strong relationship with its business partners. Strong relationships help the small and medium enterprises improve their growth (Zoghi, 2017). For an SME, the customers are a significant and an essential part of the growth of the business. As such the business owners will do everything possible to please and satisfy their customers through their services and product offerings.

The Industrial Area region in Nairobi has numerous manufacturing small and medium enterprises that are involved in variety of products and services aimed at serving the wide market of Nairobi City County (Makori, 2013). The small and medium enterprises in the region are characterized by flexibility in operation, localized operation, temporary sources of labour task force and, use of indigenous raw materials. The enterprises are labour intensive and most of their employees have attained low or moderate education levels. In addition, the small and medium enterprises are mainly operated with profit motive because the managers or owners are too much profit conscious hence easily affected by these growth determinants (Makori, 2013). The size of small and medium enterprises is usually small, with only sample products being displayed.

1.2 Research Problem

With the ever transforming business environment, a few businesses can be assured of survival and secure returns and it is for these reasons that the intensity of business competition has increased in all businesses. However, a business that understands the market needs and is able to fulfil customers in a more effective and profitable way than its competitors results to the business attaining competitive advantage. Though this can only be possible whereby the business has adopted effective competitive strategies and hence have the capacity to create economic value that is more than the rival firms (Barney, 2014). Porter (2004) indicates that the three generic strategies that a business may utilise are: differentiation, cost and focus or niche strategies. The role of generic strategies on firm competitive advantage has been widely researched over the years. There is a general agreement that generic strategies have influence on competitive advantage (Leitner& Guldenberg, 2016).

The changing and turbulent environment have caused challenges to the operations of SMEs as well as other business which calls for the SME's to adopt to strategies which must be effective in order to achieve their competitive advantage. SME's plays a major goal of providing employment to most jobless youths in Kenya and thus they are acknowledged in this study for a such noble role they do. In Nairobi City County, though the SME sector has been expanding rapidly over the past two decades, the individual entities have not achieved the expected growth (Douglas, Muturi & Ochieng, 2017). Moreover, of all the small and medium enterprises established annually, only 17.5% can survive in the first two years with others closing immediately. Particularly, in the manufacturing sector, the highly competitive nature of the industry results in most of the

small and medium enterprises performing poorly and struggle to grow while remaining profitable (Tarus & Ng'ang'a, 2013). The sector has however received only minimal attention with the existing studies not being conclusive on the specific determinants influencing the growth of the small and medium enterprises (Mugodo, 2014). There are over 150,000 SMEs in Nairobi and having such a large number offering similar goods and services hence create very stiff competition among the players in the subsector. Competition challenges have forced the SME's to rethink of new strategies that will enable them thrive in the turbulent business environment (O'Reilly & Tushman, 2016).

Generic strategies adopted by various firms have been studied in different parts of the world. Globally, Papulova & Papulova (2016) evaluated competitive strategy and competitive advantages of small and medium manufacturing firms in Slovakia and explained that strategies in regard to financial resources and human resources were necessary in gaining competitive advantages. This study relied on collecting secondary data cited from re known authors in the field, as well textbooks and electronic academic sources. Yasar (2016) studied on the how generic strategies relate with performance of Gaziantep carpeting industrial cluster. The study administered questionnaires. Generic strategies were found to have no relationship with performance of Gaziantep carpeting.

In Kenya, Abisae (2017) did a study on how generic strategies are applied by supermarkets in Bungoma town, in order to achieve competitive advantage. The study found out that the supermarkets apply differentiation strategies. A study conducted by Ndungú, Machuki and Murerwa (2014) looked at strategies adopted by investment firms due to economic changes in Kenya. They established that investment firms need to consider the environment while determining the strategies to adopt to avoid

environmental negative impacts. Kairu (2013) focused on determinants of sustainable competitive advantage among 100 top performing investment firms in Nairobi City County. Omwoyo (2016) conducted a study on the effects of generic strategies on competitive advantage with a focus on three scheduled air operators in Kenya. The study examined how the generic strategies affect competitive advantage. From the foregoing, it is evident that there is still a methodological and contextual research gap on the generic strategies and competitive advantage. This study sought to fill the gap and address this problem and answered the research question; what is the relationship between Porter's generic strategies and competitive advantage of small and medium enterprises within industrial area of Nairobi City County?

1.3 Research Objective

The objective of this study was to establish the relationship between Porter's generic strategies and competitive advantage of small and medium enterprises within industrial area of Nairobi City County.

1.4 Value of the Study

The research will make contribution to existing theories and understanding of porter's generic strategies and competitive advantage. From the theoretical perspective, the study will enhance the resource-based theory and competence-based theory. The study will enhance the view of competence-based theory that the capacity of a firm is based on its competitive advantages over its competitors hence increasing profits which is a key indicator of firm performance. The study will enhance the thinking of most proponents of the resource-based theory perspective that in rapidly changing environments resources cannot continue to remain inert and still helpful.

The management of the small and medium enterprises within industrial area, Nairobi City County will benefit from the study and from it, they will be able to gain more insights concerning how generic strategies affects their competitiveness. Small and medium enterprises will also be able to reinforce those generic strategies to enable such firms perform better than their competitors by creating superior value to their customers.

The policymakers in the SME's business will find the study useful as a benchmark of policy formulation, which is essential to be implemented in the Kenyan SMEs sector to ensure that viable SMEs operate with vibrancy and perform their role efficiently.

To scholars, researchers, and academicians, this research will create curiosity to expound on this area of study for those who may want to conduct further research on the area; hence, may bring new insights undoubtedly will discover this research to be relevant reference material for research gaps plus the academic world.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section reviews the available literature which is either directly or indirectly related to Porter's generic strategies. Specifically, the chapter reviews the theoretical frameworks that pertain to the study, the Porter's generic strategies adopted by small and medium enterprises within industrial area, Nairobi City County and Porter's generic strategies adopted and the effects of these strategies on competitive advantage of small and medium enterprises within industrial area, Nairobi City County.

2.2 Theoretical Foundation

A crucial debate that has arisen in the strategic field management over the last two decades is how organizations attain and maintain competitive advantage. This debate has led to the development of two basic schools of thought which can be categorized as the positioning school and the resource based school (Asad, 2016). This study was based on Resource-Based View (RBV) and competence-based theory

2.2.1 Resource-Based View

The strategy adopted by an organization will determine how well it matches its resources and capabilities to the external environment needs, thus allowing it to achieve a competitive advantage (Henry, 2013). According to Henry, resource-based view emphasizes the value of internal capabilities in strategy formulation and in effect the achievement of competitive advantage. Resource-based view leads to the identification of

a unique cluster of resources and capabilities possessed by each organization (Collins & Montgomery, 2015).

Organizations that accumulate valuable, non-imitable, rare as well as non-substitutable resources gains an edge in enterprise competitiveness (Peteraf, 2013). The perception of resources could include all assets, organizational processes, capabilities, information and knowledge, organizational attributes among others. When well controlled and properly used, an organization can use strategies that are effective and efficient (Barney, 2014).

As per Barney (2014), resources of an organization are categorized based on physical which are comprised of equipment, plant as well as finance. Another categorization is of resources based on organizational capital which entails organizational structure, human resources systems as well as control systems. Also, resources are categorized based on human capital resources which entail skills, judgment as well as knowhow of employees.

RBV puts an emphasis on the organizational resources as key determinants of performance and competitiveness (Peteraf & Barney, 2003). According to Barney (1991), it is based on two primary assumptions in analyzing competitive advantage sources. Firstly, the model makes an assumption that organizations within an industry may be heterogeneous based on the amount of resources they control. Secondly, the theory makes an assumption that resource heterogeneity may be experienced over time based on the fact that resources utilized in implementing organizational strategies are imperfect across organizations. As such, distinct resources or heterogeneity is deemed an essential aspect for a resource bundle in contributing to the competitive advantage of an organization.

2.2.2 Competence Based Theory

Competence based theory argues that the capacity of a firm is based on its competitive advantages over its competitors hence increasing profits which is a key indicator of firm performance (Prescott, 2011). Competence based theory among other theories try to explain how firm performance is affected by the strategies adopted. Hence, this makes it applicable in assessing the competitiveness of a firm and its sales that coincide with customer satisfaction hence enhancing their general performance in the market (Lovelock, 2011). This approach is useful in business management and has to be applied in an appropriate manner.

The theory also proposes that being present success in a competitive industry relies upon effective behavior and leadership of the firm (Prescott, 2011). In order to dominate the market, the management should adopt competent strategies and comprehensively understand the future needs of the customers. Working up a creative view about new courses of action, organizing business part needs later on, and arranging the market interface the customer situated inclinations are beginning strides of dynamic ability.

This obviously shows the solid bit of outside-in introduction which is a trademark highlight of the capability-based view. Competence based theory allows the businesses to obtain specific resources in an open system interaction with the environment to improve productivity. The emergence of new technologies, products and new competitors' entry in the market constantly affect the competitive advantage of a firm. As a result of this, competitive advantage strategies have been developed based on flexibility and adaptability to technological advancements (Whetton, 2011). This theory gives the basis

for competitiveness of firms. Thus, this theory corresponds the ability of a firm assessing the generic strategies and come up with competitive advantage strategies

2.3 Porter's generic strategies and competitive advantage

Yasar (2016) studied on the how Porter's generic strategies relate with performance of Gaziantep carpeting industrial cluster. The study administered questionnaires. Porter's generic strategies were found to have no relationship with performance of Gaziantep carpeting. The results show that for improvement of firm performance and attainment of competitive advantage there should be resolute use and implementation of Porter's generic strategies, that is, cost and Differentiation strategy. Although the study revealed a positive linkage on Porter's generic strategies and performance, the study majorly focused on organization performance and thus overlooking the concept of competitive advantage which is the basis of this current study.

West (2015) conducted a study on strategy, scanning of the environment and performance of the firm: an integration of satisfaction and process in the food service industry. The study targeted 65 foodservice CEO's who were asked to indicate their opinions on how environmental scanning as well as strategy affects performance in their firms. This was done through the guide of a questionnaire. It was established from the findings that foodservice firms prefer cost focus as well as differentiation strategies as compared to focus strategies. However, the study failed to explicitly show the relationship between generic strategies and competitive advantage.

Afram (2015) investigated how investment firms in Ghana adopt competitive strategies to survive in the competitive sector. A total of 30 investment firms were considered for the study. However, 12 investment firms were selected as the sample for the study. Primary data and secondary data were used to study the study variables. Well-structured questionnaires were used to capture the competitive strategies while financial performance data (return on assets) was extracted from the investment firms' annual reports available in its website to capture the financial performance using return on equity. The study found that the investment firms employed focus strategy to a great extent so as to pay adequate attention to large corporate clients and improve its financial performance.

Njoroge (2016) studied generic strategies adopted by shopping malls in Nairobi City County to remain a market leader. She found out that shopping malls adopted various generic strategies that were favorable for market leadership. In the study, it was that branding through aggressive marketing and advertisement was the most preferred strategy while reducing operation costs to increase profitability was least preferred strategy. The study concluded that for shopping malls to survive in the increased level of competition in the industry, Developers must take action that create a defensible position to cope with competitive pressures and forces by adopting strategies that are not easily imitated by the current or potential competitors. The study was based on shopping malls and thus little can be borrowed by SME's in Kenya.

Abisae (2017) did a study on how generic strategies are applied by supermarkets in Bungoma town, in order to achieve competitive advantage. The study found out that the supermarkets apply differentiation strategies for instance innovation and markets

strategies in a quest to sustain competition in the market that is only to a little extent. It was also confirmed that geographic areas, consumer groups or buyer characteristic features and service line form focus strategies adopted by the supermarkets influences output performance of supermarkets to a little extent.

According to Bonnici (2018), generic strategy involves the process where firms develop competitive advantage and reap above-average returns for the stakeholders. To achieve competitive advantage, strategic management of a firm's resources, core competencies, and capabilities together with the organization's responsiveness to threats and opportunities within the external environment are all essential. By gaining above average gains, it signifies that such gains are higher than the alternative investments with the same risk profile. Resources serve as the initial stage of core competencies and comprise of the inputs needed in producing a service or a product. Tangible resources comprise of machinery, equipment, premises, and material. On the other hand, intangible resources comprise of finance, human capital, technology, distribution networks, trademarks, patents, supplier networks, customer base, organization's reputation, and brand equity. It is possible to combine and develop resources into capabilities, which as a result lead to core competences. Capabilities on the other hand comprise of an organization's capacity of transforming resources into competitive products as well as processes. There is a tacit manner that is employed to embed capabilities into the internal processes of a firm. Documenting capabilities as procedures is challenging thus making it hard to copy. A firm's intangible resources tend to serve as the primary source of inimitable strategic capabilities. Capabilities tend to be the main source of unique core competencies, which lead to competitive advantages. The manner an organization nurtures and equally

supports its capabilities towards making them core competencies is less visible to competitors thus making it more challenging to understand and copy an organization's capabilities.

2.3.1 Differentiation Strategy

Approaches to manage separation can take various structures (Porter 2015): layout or brand picture, advancement, features, customer advantage, dealer mastermind or diverse estimations. Jassim (2016), recommends that a firm can make its items not the same as those of its rivals in terms of quality, marking, feel, sturdiness, taste and so forth. By differentiating a firm wins brand loyalty with a resultant lower sensitivity to cost. A differentiator still stresses over cost since it will impact the edges. As per Porter (2015), accomplishing Differentiation strategy will swap with cost position if the exercises required in making it are inalienably expensive, for example, broad research, item plan, superb materials or serious win of client trust. Differentiation strategy faces various dangers. These include: imitation from different contenders that decrease the uniqueness, changes in client tastes and unwillingness by clients to pay the superior cost.

In Differentiation strategy, the organization seeks to be unique in a certain dimension which is valued by consumers and positions itself to meet this need. A firm identifies a unique attribute that is perceived by most of the consumers in the market as being of importance, and positions itself to meet this attribute For Differentiation strategy to be successful the unique attribute has to be seen as valuable to the customer and the price premium generated has to exceed the added cost of being unique, (Pollitt and Bouckaert, 2017). As indicated by Pollitt and Bouckaert, (2017) some of the dimensions that an organization can choose to differentiate itself may include; durability, service delivery,

branding, packaging, location of facilities, or product features. Differentiated products are unique, non-standard and retail at a premium price than those of the competition.

Differentiation strategy is directed at the broad market and comprise of developing services and products, this is perceived throughout the industry as distinct. The product or service is the charged a premium. To achieve this specialty, things like image, design, features, customer service, and network are taken into account. Differentiation strategy serves as a viable strategy that helps to earn above average returns in a specific business due to the consequent brand loyalty, which lowers consumers' price sensitivity. Customer loyalty may equally serve as an entry barrier and thus firms must come up with distinctive competence to help in differentiating their products or services so as to compete successfully.

2.3.2 Cost leadership Strategy

Cost leadership Strategy requires an ease maker in an industry for a given level of value. It looks to draw in clients in view of cost or cost and is exceptionally important if the market is value delicate. As per Porter, (2015), a firm ensures they undertake the most cost effective strategies in production aiming to value their products lower than its competitors hence getting a bigger market share. Associations that accomplish minimal effort administration commonly make ease in respect to contenders the topic of their whole business procedure.

According to the Porter (2015) the firm can either offer its products at normal prevailing prices and fetch higher profits than its competitors, or offer them at a price lower than the normal business costs to gain more market share in the industry. As demonstrated by

Porter (2015), cost specialist requires strong improvement of viable scale workplaces, energetic journey for cost diminishes for a reality, tight expense and overhead control, avoidance of immaterial customer records and cost minimization in regions like imaginative work, advantage, bargains propel, publicizing, among others. Keeping operational costs at their lowest possible cost is important in ensuring organizational competitiveness. Minimization of costs enable organizations to charge competitive prices which can help in achieving competitive advantage and improved overall organizational performance (Allen et al. 2016).

Akeem (2017) investigated how performance of an organization related with different cost reduction and control approaches. The study focused on finding out the extent that cost minimization strategy had on performance outcomes recorded by the institution over a specified period of time. The analysis of data was conducted through regression analysis and the findings indicated the two strategies had positive influence on performance outcomes recorded by the organizations.

Low cost advantage stems from a company being able to keep its cost of production lower than the competition through efficient operations (Akan et al., 2016). A firm pursuing Cost leadership competitive strategy must seek and exploit all cost advantages. Being able to achieve sustained overall Cost leadership in an industry enables a firm to offer its products at lower prices than competitors or at near the industry average which translates to higher returns.

Firms that adopt Cost leadership aims to be low cost products. Such firms sell their producers. Such firms sell their products at low prices but also offer a product or services of better quality ` compared to those of competitors. For Cost leadership, organisations

must ensure efficiency in operation, technological, innovation, economies of scale, low cost labor and easy access to raw materials to cut on transport cost

Efficiency is the main emphasis of Cost leadership Strategy. Through production of high volumes of standardized products, the organization aims at benefiting from economies of scale as well as experience curve effects. Such a product is normally basic and produced at a cost that is relatively low with the target customer base being very large. To succeed, the strategy mostly requires a vast market share advantage or even preferential accessibility to important things like labor, necessary inputs, and raw materials. Where a firm has one of these advantages is missing, it is very easy for other players to copy the strategy. Successful implementation may equally be as a result of; process engineering skills, continuous access to inexpensive capital, products manufactured easily, tight cost control, close labor supervision, and incentives on the basis of quantitative targets. The strategy aims at ensuring that costs remain at the best possible minimum.

2.3.3 Focus strategy

A firm seeking to adopt focus strategy has to differentiate its products by either satisfying their customers through quality products, lower the cost of the products or both (Porter, 2015). Focus strategy entails an organization identifying a small portion of the market which it seeks to dominate and this is achieved by emphasising on quality of goods and services. This can either be a Cost leadership or Differentiation strategy aimed towards a narrow focused market (Reck et al, 2014). Focus strategy focuses on an organization choosing a narrow scope over which it wishes to compete on in any given industry. It involves selection of market segments and tailoring a strategy this market satisfactorily to

the exclusion of other market segments (Zhao, Hwang & Yu, 2013). Different strategies have been applied in focus strategy to gain competitive advantage. For instance, Porter (1985) notes that organizations choosing cost focus strives to achieve cost advantage while those pursuing Differentiation strategy focus seeks to differentiate their products and services in the identified target market segment. The factors making this strategy successful include: segments buyers possessing unusual needs or are very sensitive to cost element.

Neumann and Brown (2013) established that focus strategies enabled organization in satisfactorily meeting the needs of a selected market segment thereby edging out competing brands. Lacum, Ossevoort and Goedhart (2014) established that through focus strategy, organizations were able to improve their product offering to a given class of customers. The focus strategy has two narrow dimensions of either cost focus or Differentiation strategy focus in which the company narrows its offerings to a targeted segment of the industry. Whereas the other two strategies focus on a broader scope of the industry, focus strategy targets a narrow field within the industry. In cost focus the firm positions itself as the low cost producer within a targeted small segment of the industry whereas in Differentiation strategy focus it seeks Differentiation strategy within the targeted segment (Porter, 2012).

2.4 Summary of Literature Review and Knowledge Gap

Previous studies have demonstrated that there might be a strong connection between generic strategies and the competitive advantage of companies. Many study finding that deduced roughly the exceptional correlation between generic strategies and the competitive advantage of organizations (Eunice & Kepha, 2013; Kelly, 2016; Kimani &

Douglas, 2014; Machuki, 2011; Wambugu, 2012). Several studies have empirically researched the impact of Porter's generic strategies on the general competitive advantage of enterprises. Kalia (2012) focused on how Chinese firms in Kenya have adopted generic strategies. The study identified the generic strategies adopted to be growth and grand strategies. Eunice and Kepha (2013) researched on the influence generic strategies had on the competitive advantage of Kijabe hospital. They found that competitive advantage was greatly influenced by cost leadership strategy followed by product development, market development, focus strategy and least influential strategy was differentiation. Although some studies have been carried out on Porter's generic strategies in business, there exists a research gap on the influence of Porter's generic strategies on the competitive advantage of competitive advantage of small and medium enterprises in Kenya. This study, therefore, provides valuable information on the relationship between Porter's generic strategies and competitive advantage of small and medium enterprises within industrial area of Nairobi City County.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the approach which was employed in conducting the study to accomplish the research objectives. Specifically, it constitutes the research design, data collection methods and the data analysis techniques to be used.

3.2 Research Design

Research design entails the scheme or blueprint used by the study in providing answers to the research questions (Kothari, 2004). Descriptive research design was adopted in this study. According to Mugenda and Mugenda (2008), descriptive research design is concerned with research data to provide answers to the various questions pertaining to the status under study. The research design also enables close association between research variables and where appropriate makes valid conclusions (Cresswell & Cresswell, 2017). In addition, the research design was deemed more appropriate as it facilitates minimal interferences by the researcher hence no biasness in the findings.

3.3 Population of the Study

The population of the study was all the manufacturing small and medium enterprises operating within Industrial Area region in Nairobi. As such, all the 66 manufacturing SMEs registered by the Kenya Manufacturing Association (KAM) based at Industrial Area was targeted as per appendix III.

3.4 Sample Size and Sampling Technique

A census survey sampling approach was employed in selecting the sample population for the study. This sampling approach enabled covering of all the 66 manufacturing SMEs operating within Industrial Area, Nairobi City County.

3.5 Data Collection

The study utilized primary data. Questionnaires were used to gather primary data. The questionnaires were preferred since they were time saving, economical and enabled collection of a wide range of data hence most convenient. The self-administered questionnaires were semi-structured containing both close ended and open-ended questions. The open-ended questions gave the respondents an opportunity to express their views regarding the topic under study in details. A Likert scale was used in rating the respondents' responses in the close ended questions. The questionnaire further was divided¹into three sections; Section A was on background information. Section B¹was on differentiation strategy, cost leadership strategy and focus strategy whereas section C dwelt on the competitive advantage of SMEs.

3.6 Data Analysis

Objectives of the study guided the process of data analysis. This was done through the aid of Statistical Package for Social Sciences (SPSS), while observing good statistical practice throughout the period of analysis. After data collection, the questionnaires were first checked for completeness, followed by coding and sorting. Descriptive as well as inferential statistics were then used to perform analysis. The descriptive statistics constituted central tendencies measures which comprised of means, standard deviations as well as frequency distribution. A regression model was used to identify the

relationship between Porter's generic strategies and competitive advantage of small and medium enterprises within industrial area of Nairobi City County..

The regression equation took the following form:

$$Y = \alpha + B_1X_1 + B_2X_2 + B_3X_3 + \epsilon$$

Y = Competitive advantage

α = Constant (Co-efficient of intercept)

X₁ = Differentiation strategy

X₂ = Cost leadership Strategy

X₃ = Focus strategy

ϵ . = Error Term

B₁ ... B₃ = Regression co-efficient of four variables

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION

4.1 Introduction

The study sought to establish the influence of Porter's generic strategies on competitive advantage of small and medium enterprises within industrial area of Nairobi City County. The study used Figures and Tables to summarize and present the data collected from the respondents. In addition, this chapter presents the regression model which shows the relationship between porter's generic strategies and competitive advantage¹of¹small and medium enterprises within industrial area of Nairobi City County

4.2 Response Rate

This study targeted 66 respondents from top management level from manufacturing small and medium enterprises within industrial area of Nairobi City County. From the field responses it was revealed that those responded to the set question were only 58 respondents. This accounts for 87.88% of the response rate as shown in Table 4.1. Scholars, for example, Mugenda and Mugenda (1999), outline that 50% response rate is adequate, 60% is good and that of 70% and above is excellent. In this case a response rate of 87.88% is excellent, hence enough for analysis and data interpretation.

Table 4.1: Response Rate

No. of questionnaires Returned	Target No. of respondents	Response Rate (%)
58	66	87.88%

Source: (Researcher, 2020)

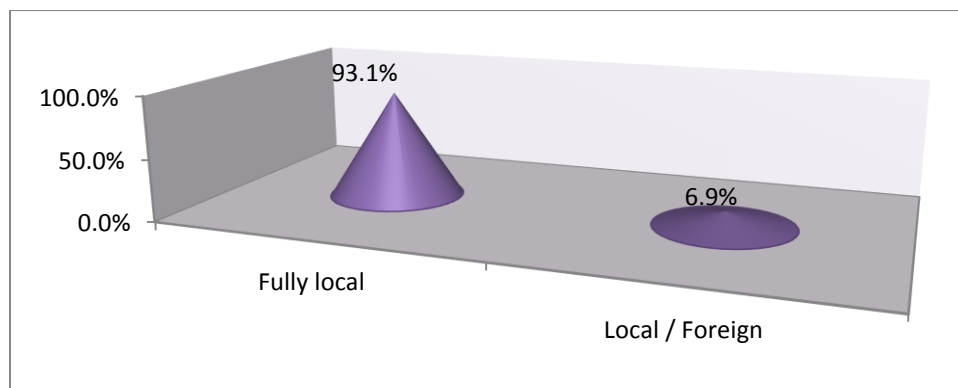
4.3. General Information

The study assessed the background information of the respondents to ensure that the sampling was effectively done by analyzing such variables as small and medium enterprise’s ownership, years that the small and medium enterprise has operated as well as the legal nature of their business.

4.3.1 Small and Medium Enterprise’s Ownership

The researcher was interested in establishing the small and medium enterprise’s Ownership in order to assist in establishing the distribution of small and medium enterprise’s Ownership and the influence on competitive advantage of small and medium enterprises . Figure 4.1 shows the study findings

Figure 4.1: Small and Medium Enterprise’s Ownership



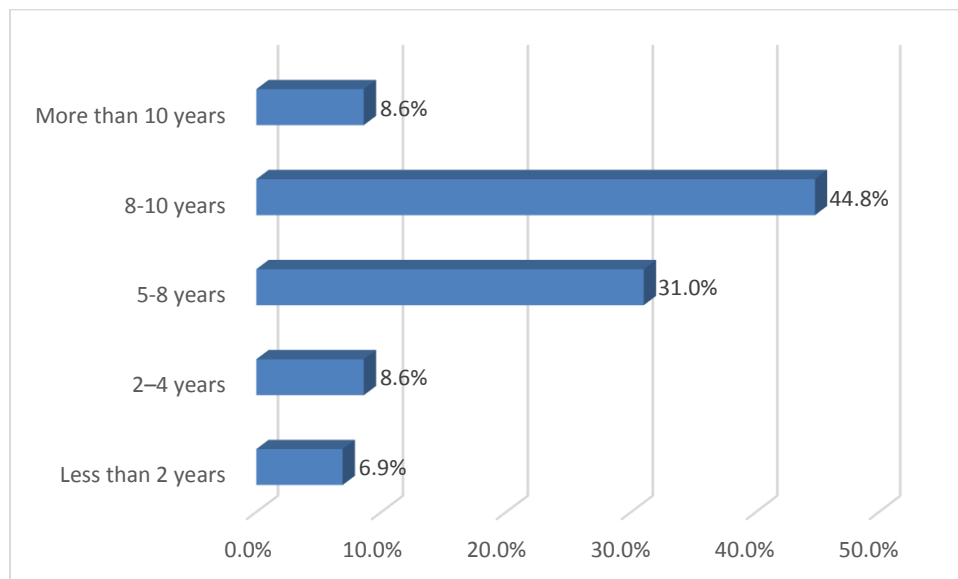
Source: (Researcher, 2020)

The results show that 93.1% of the companies were locally owned while 6.9% were locally/foreign owned. This implies that bulk of manufacturing small and medium enterprise's within industrial area Nairobi City County are locally owned.

4.3.2 Years Small and Medium Enterprise have been in operation

The researcher was interested in establishing the years small and medium enterprise have been in operation. The study findings are as presented in Figure 4.2 below;

Figure 4.2: Years Small and Medium Enterprise have been in operation



Source: (Researcher, 2020)

As per figure 4.2 above, majority of the respondents (44.8%) indicated that their firm has been operating for 8-10 years, 31% indicated 5-8 years, 8.6% indicated 2-4 years and more than 10 years respectively while 6.9% indicated less than 2 years. This is an indication that most of the manufacturing small and medium enterprises within industrial area, Nairobi City County have been in operation for a long period of between 8-10 years

and thus higher chances of obtaining reliable data with regards to determinants of competitive advantage of manufacturing small and medium enterprises.

4.3.3 Small and Medium Enterprise Legal Formation

The legal formation of the respondents small and medium enterprise was sought. The study findings are as presented in Table 4.2

Table 4.2: Small and Medium Enterprise Legal Formation

	Frequency	Percent
Sole proprietorship	36	62.1
Partnership	16	27.6
Limited company	6	10.3
Total	58	100.0

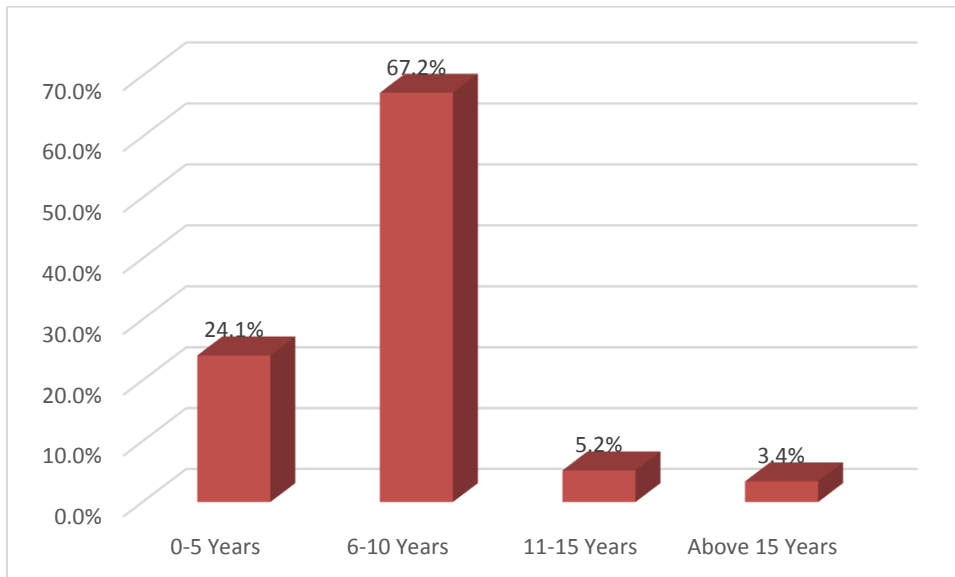
Source: (Researcher, 2020)

Based on the study findings, majority of the manufacturing small and medium enterprises within industrial arear in Nairobi City County were sole proprietorship’s 36 (62.1%) and partnership were 16 (27.6%). The manufacturing small and medium enterprises which were Limited company were only 6 (10.3%). This is an indication that most of manufacturing small and medium enterprises within industrial area in Nairobi City County, had sole proprietorship kind of legal formation.

4.3.4 Working Experience

Respondents were asked to indicate the period they have been working in their respective small and medium enterprise's. The findings of the study are as shown in Figure 4.3 Below

Figure 4.3: Working Experience



Source: (Researcher, 2020)

As per the study findings in Figure 4.3 above, majority of the respondents (67.2%) have been in their respective small and medium enterprise's for a period of 6-10 years, 24.1% indicated for a period of less than 5 years, 5.2% for 11-15 years while 3.4% indicated above 15 years. This is an implication that majority of the respondents have worked at their small and medium enterprise's for a relatively longer period of between 6-10 years and thus higher chances of getting reliable information.

4.4 Porter's Generic Strategies

4.4.1 Differentiation strategy

The study also sought to establish the extent of agreement with various statements on the impact of differentiation strategy on competitive advantage of manufacturing small and medium enterprises within industrial area of Nairobi City County.

The status of this variable was rated on a 5-point Likert scale ranging from; 5- strongly agree, 4-agree 3-undecided, 2-disagree, 1- strong disagree.

The study findings are depicted in Table 4.3.

Table 4.3: Differentiation strategy

	N	Mean	Std. Deviation
Small and medium enterprises within industrial area, Nairobi City County benchmark with leading companies in our industry three times in a year in order to improve the product	58	4.28	0.89
Small and medium enterprises within industrial area, Nairobi City County package products depending on the customers' needs hence attracting more customers	58	4.34	0.51
Small and medium enterprises within industrial area of Nairobi City County have a wide range of products so as to increase the market share	58	4.14	1.10
Small and medium enterprises within industrial area have introduced new products to the market	58	4.17	1.19
Small and medium enterprises within industrial area offers products and services not offered by competitors	58	4.09	0.68

Source: (Researcher, 2020)

Based on the study findings, majority of the respondents strongly agreed that small and medium enterprises within industrial area of Nairobi City County package products depending on the customers' needs hence attracting more customers (Mean=4.34; SD=0.89), small and medium enterprises within industrial area of Nairobi City County benchmark with leading companies in our industry three times in a year in order to improve the product (Mean=4.28; SD=0.89), small and medium enterprises within industrial area have introduced new products to the market (Mean=4.17; SD=1.17) and that small and medium enterprises within industrial area of Nairobi City County have a wide range of products so as to increase the market share (Mean=4.14; SD=1.10). In addition, respondents agreed that small and medium enterprises within industrial area offers products and services not offered by competitors (Mean=4.09; SD=0.68). This implies that small and medium enterprises within industrial area of Nairobi City County package products depending on the customers' needs hence attracting more customers, small and medium enterprises within industrial area of Nairobi City County benchmark with leading companies in our industry three times in a year in order to improve the product, small and medium enterprises within industrial area have introduced new products to the market and that small and medium enterprises within industrial area of Nairobi City County have a wide range of products so as to increase the market share

The study also sought the respondent's on opinion how does differentiation strategy competitive advantage of small and medium enterprises within industrial area of Nairobi City County. Respondents indicated that the small and medium enterprises within industrial area of Nairobi City County have generally been able to achieve competitive advantage by adopting a number of differentiation strategies. These generally include

strategically locating the businesses, ensuring they have a good reputation, offering suitable business timings, undertaking intensive marketing, offering superior customer service and support and ensuring flexibility in their pricing.

4.4.2 Cost leadership strategy and Competitive advantage of Small and Medium Enterprise's

The study also sought to establish the extent of agreement with various statements on the impact of cost leadership strategy on competitive advantage of manufacturing small and medium enterprise's in Industrial area of Nairobi City County. The status of this variable was rated on a 5-point Likert scale ranging from; 5-strongly agree, 4-agree 3-undecided, 2-disagree, 1- strong disagree. The study findings are depicted in Table 4.4.

Table 4.4: Cost leadership strategy and Competitive advantage of Small and Medium Enterprise's

	N	Mean	Std. Deviation
Small and medium enterprises within industrial area of Nairobi City County provide goods and services at a lower price to attract more customers	58	4.05	1.08
Small and medium enterprises within industrial area of Nairobi City County focus on efficiency in product so as to gain price advantage	58	4.03	0.77
Small and medium enterprises within industrial area of Nairobi City County are able to withstand competition	58	4.64	0.61

due to low prices of goods and services hence better market survival			
Small and medium enterprises within industrial area of Nairobi City County focus on specialization to increase profit margins	58	3.84	0.67
Small and medium enterprises within industrial area of Nairobi City County use product technology to minimize the cost hence increased profit margins	58	3.66	1.09
Small and medium enterprises within industrial area of Nairobi City County offer price discounts in order to enhance their competitive advantage	58	4.29	1.28

Source: (Researcher, 2020)

As per the findings, most of the respondents strongly agreed that small and medium enterprises within industrial area of Nairobi City County are able to withstand competition due to low prices of goods and services hence better market survival (Mean=4.64; SD=0.61), Small and medium enterprises within industrial area of Nairobi City County offer price discounts in order to enhance their competitive advantage (Mean=4.29; SD=1.28), Small and medium enterprises within industrial area of Nairobi City County provide goods and services at a lower prices to attract more customers (Mean=4.05; SD=1.08) and that small and medium enterprises within industrial area of Nairobi City County focus on efficiency in product so as to gain price advantage (Mean=4.03; SD=0.77). Further, respondents agreed that small and medium enterprises

within industrial area of Nairobi City County focus on specialization to increase profit margins (Mean=3.84; SD=0.67), and that Small and medium enterprises within industrial area of Nairobi City County use product technology to minimize the cost hence increased profit margins (Mean=3.66; SD=1.09). This implies that small and medium enterprises within industrial area, Nairobi City County are able to withstand competition due to low prices of goods and services hence better market survival, Small and medium enterprises within industrial area of Nairobi City County offer price discounts in order to enhance their competitive advantage, Small and medium enterprises within industrial area of Nairobi City County provide goods and services at a lower prices to attract more customers and that small and medium enterprises within industrial area of Nairobi City County focus on efficiency in product so as to gain price advantage.

The study also sought the respondent's on opinion how does cost leadership strategy competitive advantage of small and medium enterprises within industrial area of Nairobi City County. Respondents indicated that cost leadership strategy of small and medium enterprises within industrial area of Nairobi City County is achieved by designing, producing, and marketing a similar product or service in a more efficient way than a competitor. Small and medium enterprises within industrial area of Nairobi City County reduces cost through adopting technology that is current, easy access of raw material, economies of scale, among others. Cost leadership therefore protects the business against competitive forces and it is a vital strategy, as it enables a business endure competitiveness in the industry and also provides the business with a defense against rivalry from competitors

4.4.3 Focus strategy and Competitive advantage of Small and Medium Enterprise's

The study also sought to establish the extent of agreement with various statements on the impact of focus strategy on competitive advantage of manufacturing small and medium enterprise's within Industrial area of Nairobi City County. The status of this variable was rated on a 5-point Likert scale ranging from; 5-strongly agree, 4-agree 3-undecided, 2-disagree, 1- strong disagree. The study findings are depicted in Table 4.5.

Table 4.5: Focus strategy and Competitive advantage of Small and Medium Enterprise's

	N	Mean	Std. Deviation
Small and medium enterprises within industrial area of Nairobi City County provide services and products that focus on a particular market segment thus creating market barrier	58	4.28	0.74
Small and medium enterprises within industrial area of Nairobi City County have gained customer loyalty by focusing on a particular product	58	4.09	1.06
Most of Small and medium enterprises within industrial area of Nairobi City County products/services are tailor made to suit specific needs of our clients	58	4.10	1.10
Small and medium enterprises within industrial area of Nairobi City County endeavor to meet the needs of the clients entirely leading to customer loyalty.	58	4.29	0.70
Small and medium enterprises within industrial area of Nairobi City County have rebranded their products to create market recognition	58	4.22	1.12

Source: (Researcher, 2020)

According to the study findings, the respondents strongly agreed that small and medium enterprises within industrial area of Nairobi City County endeavor to meet the needs of the clients entirely leading to customer loyalty (Mean=4.29; SD=0.70), small and medium enterprises within industrial area of Nairobi City County provide services and products that focus on a particular market segment thus creating market barrier (Mean=4.28; SD=0.74), small and medium enterprises within industrial area of Nairobi City County have rebranded their products to create market recognition (Mean=4.22; SD=1.12) and that most of small and medium enterprises within industrial area of Nairobi City County products/services are tailor made to suit specific needs of our clients (Mean=4.10; SD=1.10). In addition, respondents agreed that small and medium enterprises within industrial area of Nairobi City County have gained customer loyalty by focusing on a particular product (Mean=4.09; SD=1.06). This is an indication that small and medium enterprises within industrial area of Nairobi City County endeavour to meet the needs of the clients entirely leading to customer loyalty, small and medium enterprises within industrial area of Nairobi City County provide services and products that focus on a particular market segment thus creating market barrier, small and medium enterprises within industrial area of Nairobi City County have rebranded their products to create market recognition and that most of small and medium enterprises within industrial area of Nairobi City County products/services are tailor made to suit specific needs of their clients

The study also sought the respondent's on opinion how does focus strategy competitive advantage of small and medium enterprises within industrial area of Nairobi City County. Respondents indicated that focus strategy enables small and medium enterprises within

industrial area of Nairobi City County to fit their strategies and products to particular segment's needs and to focus on the segment they have chosen. This is to serve the target segment more effectively and efficiently. This strategy enhances competitive advantage of the enables small and medium enterprises within industrial area of Nairobi City County.

4.5 Competitive Advantage

The study also sought to establish the extent of agreement with various statements on the competitive advantage of manufacturing small and medium enterprise's within Industrial area of Nairobi City County. The status of this variable was rated on a 5-point Likert scale ranging from; 5-strongly agree, 4-agree 3-undecided, 2-disagree, 1-strong disagree. The study findings are depicted in Table 4.3.

Table 4.6: Competitive Advantage

	N	Mean	Std. Deviation
The firm service quality of products has improved in comparison with the earlier period when Superior service delivery to customers	58	4.19	0.98
The firm product range has increased in the last five years as a result of generic strategies initiated by the firm	58	4.16	0.93
The customer satisfaction level has improved due to the innovative products offered by the firm	58	4.17	0.88
The firm cost of service delivery has reduced as a result of generic strategies compared to previous period	58	4.24	0.92
The firm market share has been increasing in the last five years	58	4.26	0.78
The firm revenues has been increasing in the last five years	58	4.40	0.72

Source: (Researcher, 2020)

According to the study findings, the respondents strongly agreed that the firm revenues has been increasing in the last five years (Mean=4.40; SD=0.72), the firm market share has been increasing in the last five years (Mean=4.26; SD=0.78), the firm cost of service delivery has reduced as a result of generic strategies compared to previous period (Mean=4.24; SD=0.92), the firm service quality of products has improved in comparison with the earlier period when Superior service delivery to customers (Mean=4.19; SD=0.98) and that the customer satisfaction level has improved due to the innovative products offered by the firm (Mean=4.17; SD=0.88). In addition respondents agreed that the firm product range has increased in the last five years as a result of generic strategies initiated by the firm (Mean=4.16; SD=0.93). This implies that the small and medium enterprises revenues has been increasing in the last five years, the small and medium enterprises market share has been increasing in the last five years, the small and medium enterprises cost of service delivery has reduced as a result of generic strategies compared to previous, the small and medium enterprises service quality of products has improved in comparison with the earlier period when Superior service delivery to customers and that the customer satisfaction level has improved due to the innovative products offered by the small and medium enterprises

4.9 Regression Analysis

A multiple regression analysis was performed to test the influence of Porter's generic strategies on competitive advantage of small and medium enterprises within industrial area of Nairobi City County.

Table 4.7: Model Summary

Model	R	R Squared	Adjusted R Squared	Std. Error of the Estimate
1	0.889 ^a	0.790	0.753	0.896

Source: (Researcher, 2020)

The model summary results indicate that the coefficient of determination (R square) was 0.79. This indicates that the independent variables (differentiation strategy, cost leadership strategy, focus strategy) account for 79% of the variation in the dependent variable (competitive advantage).

Table 4.8: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	58.38	3	19.460	21.015	0.00000
	Residual	50.004	54	0.926		
	Total	108.384	57			

a. Predictors: Differentiation strategy, Cost leadership strategy and focus strategy

b. Dependent Variable: Competitive advantage of small and medium enterprise's

Source: (Researcher, 2020)

The ANOVA results in table 4.8 show that the F statistics value was 21.015, with a p-value of $0.00 < 0.05$. This indicates that the model is significant and fit for the study as the P-value is significant.

Table 4.9: Coefficients

	Unstandardized		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	3.936	0.765		5.145	0.0000
Differentiation strategy	0.741	0.236	0.646	3.140	0.0032
Cost leadership strategy	0.667	0.215	0.526	3.102	0.0035
Focus strategy of the small and medium enterprise	0.737	0.123	0.645	5.992	0.0000

Source: (Researcher, 2020)

The overall regression model was:

$$Y = 3.936 + 0.741X_1 + 0.667X_2 + 0.737X_3$$

Differentiation strategy has a positive influence on competitive advantage of small and medium enterprises . It indicates that any unit increase in the differentiation strategy will cause competitive advantage of small and medium enterprises to increase by 0.741. Increase in cost leadership strategy was confirmed to cause an increase in the competitive advantage of small and medium enterprise's due to the positive effect by 0.667. Focus strategy of the small and medium enterprises showed a positive impact on competitive advantage of small and medium enterprises 's which means that it increases competitive advantage of small and medium enterprises by 0.737 as a result of a unit

increase. The significance values indicate that all the independent variables were significant as they all had a significance level of less than 0.05. The highly significant variable was focus strategy of the small and medium enterprises followed by differentiation strategy and then cost leadership strategy.

4.10 Discussion of Research findings

Differentiation strategy has a positive influence on competitive advantage of small and medium enterprises . It indicates that any unit increase in the differentiation strategy will cause competitive advantage of small and medium enterprises to increase. In line with the study findings Porter (2015) argues that accomplishing differentiation strategy will swap with cost position if the exercises required in making it are inalienably expensive, for example, broad research, item plan, superb materials or serious win of client trust. Differentiation strategy faces various dangers. These include: imitation from different contenders that decrease the uniqueness, changes in client tastes and unwillingness by clients to pay the superior cost. In differentiation strategy, the organization seeks to be unique in a certain dimension which is valued by consumers and positions itself to meet this need. A firm identifies a unique attribute that is perceived by most of the consumers in the market as being of importance, and positions itself to meet this attribute For Differentiation strategy to be successful the unique attribute has to be seen as valuable to the customer and the price premium generated has to exceed the added cost of being unique, (Pollitt and Bouckaert, 2017).

Increase in cost leadership strategy was confirmed to cause an increase in the competitive advantage of small and medium enterprises due to the positive effect. In tandem with the study findings, Porter, (2015) argues that a firm ensures they undertake

the most cost-effective strategies in production aiming to value their products lower than its competitors hence getting a bigger market share. Associations that accomplish minimal effort administration commonly make ease in respect to contenders the topic of their whole business procedure. According to the Porter (2015) the firm can either offer its products at normal prevailing prices and fetch higher profits than its competitors, or offer them at a price lower than the normal business costs to gain more market share in the industry.

Focus strategy of the small and medium enterprises showed a positive impact on competitive advantage of small and medium enterprises which means that it increases competitive advantage of small and medium enterprises . Similar to the study findings, Neumann and Brown (2013) established that focus strategies enabled organization in satisfactorily meeting the needs of a selected market segment thereby edging out competing brands. Lacum, Ossevoort and Goedhart (2014) established that through focus strategy, organizations were able to improve their product offering to a given class of customers. The focus strategy has two narrow dimensions of either cost focus or Differentiation strategy focus in which the company narrows its offerings to a targeted segment of the industry. Whereas the other two strategies focus on a broader scope of the industry, focus strategy targets a narrow field within the industry.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The study was set to establish the influence of Porter's generic strategies on competitive advantage of small and medium enterprises within industrial area of Nairobi City County. The chapter gives a summary, the conclusion and recommendations for policy implications. Further, the section highlights the limitations and suggestions for further studies.

5.2 Summary of Findings

The study established that small and medium enterprises within industrial area of Nairobi City County package products depending on the customers' needs hence attracting more customers, small and medium enterprises within industrial area of Nairobi City County benchmark with leading companies in our industry three times in a year in order to improve the product, small and medium enterprises within industrial area have introduced new products to the market and that small and medium enterprises within industrial area of Nairobi City County have a wide range of products so as to increase the market share

The study revealed that small and medium enterprises within industrial area of Nairobi City County are able to withstand competition due to low prices of goods and services hence better market survival, Small and medium enterprises within industrial area of Nairobi City County offer price discounts in order to enhance their competitive advantage, Small and medium enterprises within industrial area of Nairobi City County

provide goods and services at a lower prices to attract more customers and that small and medium enterprises within industrial area of Nairobi City County focus on efficiency in product so as to gain price advantage.

Further, the study established that small and medium enterprises within industrial area of Nairobi City County endeavour to meet the needs of the clients entirely leading to customer loyalty, small and medium enterprises within industrial area of Nairobi City County provide services and products that focus on a particular market segment thus creating market barrier, small and medium enterprises within industrial area of Nairobi City County have rebranded their products to create market recognition and that most of small and medium enterprises within industrial area of Nairobi City County products/services are tailor made to suit specific needs of their clients

This implies that the small and medium enterprises revenues has been increasing in the last five years, the small and medium enterprises market share has been increasing in the last five years, the small and medium enterprises cost of service delivery has reduced as a result of generic strategies compared to previous, the small and medium enterprises service quality of products has improved in comparison with the earlier period when Superior service delivery to customers and that the customer satisfaction level has improved due to the innovative products offered by the small and medium enterprises.

5.3 Conclusion

The study concludes that the R squared value was 0.79, which implied 79% variation on competitive advantage of manufacturing small and medium enterprises within Industrial area of Nairobi City County due to changes in Differentiation strategy, Cost leadership strategy, and focus strategy at 95% confidence interval. This indicates that 79% of competitive advantage of manufacturing small and medium enterprises within Industrial area of Nairobi City County, can be attributed to the foregoing variables. The study findings show a strong positive association among the study variables at an R value of 0.889.

The study concludes that differentiation strategy has a positive influence on competitive advantage of small and medium enterprises. It indicates that any unit increase in the differentiation strategy will cause competitive advantage of small and medium enterprises to increase. Also, the study concludes that increase in cost leadership strategy was confirmed to cause an increase in the competitive advantage of small and medium enterprises due to the positive effect. Focus strategy of the small and medium enterprises showed a positive impact on competitive advantage of small and medium enterprises which means that it increases competitive advantage of small and medium enterprises as a result of a unit increase. The significance values indicate that all the independent variables were significant as they all had a significance level of less than 0.05. The study concludes that the highly significant variable was focus strategy of the small and medium enterprises followed by differentiation strategy.

5.4 Recommendations

From the analysis of the findings this research concluded that differentiation strategy influenced competitive advantage of small and medium enterprises within industrial area of Nairobi City County. Therefore, it was recommended that manufacturing small and medium enterprises should produce goods that are unique and of different quantities for the various available markets. Hence, this will help them to increase and expand their present markets since they will be in a position to access wealthy customers who can buy in bulk and the ordinary customers who can only afford small portions at a time.

On cost leadership, it was concluded that manufacturing small and medium enterprises within industrial area of Nairobi City County provided goods and services at lower prices and they used technology to minimize the cost to profit margins. Thus, manufacturing small and medium enterprises within industrial area of Nairobi City County should embrace cost leadership through embracing technology in their businesses. This will help them to be effective in their work thus reducing unnecessary manpower. In addition, operational costs will be lowered to translate low production cost hence pricing of organization products at lower prices that will attract more customers, leading to better competitive advantage.

The study recommends to policy makers and the management of the manufacturing small and medium enterprises within industrial area of Nairobi City County to adopt a mix of the Porter's generic strategies since they have positive influence on competitive advantage of the companies compared to application of individual strategies.

The study established that generic strategies enhanced competitive advantage of small and medium enterprises within industrial area of Nairobi City County therefore recommends that small and medium enterprises should continue adopting the generic strategies and specifically differentiation strategy. They should continue enhancing differentiation of their products/services since this is what gives them the highest competitive advantage

5.5 Limitations of the Study

This study was limited in the sense that it focused on manufacturing small and medium enterprises within Industrial Area of Nairobi City County exclusively. In addition, only 66 manufacturing small and medium enterprises were sampled for data analysis. Having a large sample size which is distributed across all regions of Kenya, could have been good especially in increasing validity and hence generalizability of the findings.

There are some factors which affect small and medium enterprises competitive advantage for which this study did not focus on. Such factors include; management, operating expenses among others. Had these factors been included, the findings could have been different.

Non-commitment of some respondents to offer required information due to distress of fault finding gave rise to delays. The researcher booked advanced appointments and pledges of commitment were made on policy of confidentiality of responses in order to address these concerns.

5.6 Suggestion for Further Studies

It will be necessary to conduct another study covering a wider sample and geographical area. Additionally, the study should employ a comparative analysis approach on small and medium enterprises across the 47 counties.

This study has been limited to investigating the effects of differentiation strategy, cost leadership strategy and focus strategy towards the competitive advantage of small and medium enterprises hence, a researcher may select a specific business competitive advantage factor such as customer loyalty and investigate how it may be affected by Porter's generic strategies.

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APPENDICES

Appendix I: Research Questionnaire

The purpose of this questionnaire is to collect data for purely academic purposes. All information given will be treated with utmost confidentiality. Kindly respond to all questions as accurately as possible in the spaces provided

SECTION A: BACKGROUND INFORMATION

1. Name of the organization (optional)

.....

2. Please indicate the SME's Ownership

Fully local []

Local / Foreign []

3. How long has your SME been in operation?

a) Less than 2 years []

b) 2-4 years []

c) 5-8 years []

d) 8-10 years []

e) More than 10 years []

4. Please indicate your SME legal formation

a) Sole proprietorship []

b) Partnership []

c) Limited company []

5. For how long have you worked in this organization?

0-5 Years []

6-10 Years []

11-15 Years []

Above 15 Years []

SECTION B: DIFFERENTIATION STRATEGY

6. To what extent do you agree with the following statements. Use a scale of 1-5 where: 5-strongly agree, 4-agree 3-undecided, 2-disagree, 1- strong disagree

Statements	1	2	3	4	5
Small and medium enterprises within industrial area, Nairobi City County benchmark with leading companies in our industry three times in a year in order to improve the product					
Small and medium enterprises within industrial area, Nairobi City County package products depending on the customers' needs hence attracting more customers					
Small and medium enterprises within industrial area, Nairobi City County have a wide range of products so as to increase the market share					
Small and medium enterprises within industrial area, have introduced new products to the market					
Small and medium enterprises within industrial area, offers products and services not offered by competitors					

7. In your own opinion how does differentiation strategy competitive advantage of Small and medium enterprises within industrial area, of Nairobi City County

.....

SECTION C: COST LEADERSHIP STRATEGY

8. To what extent do you agree with the following statements: 5-strongly agree, 4-agree 3-undecided, 2-disagree, 1- strong disagree

Statements	1	2	3	4	5
Small and medium enterprises within industrial area, Nairobi City County provide goods and services at a lower prices to attract more customers					
Small and medium enterprises within industrial area, Nairobi City County focus on efficiency in product so as to gain price advantage					
Small and medium enterprises within industrial area, Nairobi City County are able to withstand competition due to low prices of goods and services hence better market survival					
Small and medium enterprises within industrial area, Nairobi City County focus on specialization to increase profit margins					
Small and medium enterprises within industrial area,					

Nairobi City County use product technology to minimize the cost hence increased profit margins					
Small and medium enterprises within industrial area, Nairobi City County offer price discounts in order to enhance their competitive advantage					

9. In your own opinion how does cost leadership strategy competitive advantage of Small and medium enterprises within industrial area, of Nairobi City County

.....

SECTION D: FOCUS STRATEGY

10. To what extent do you agree with the following statements. Use a scale of 1-5 where: 5-strongly agree, 4-agree 3-undecided, 2-disagree, 1- strong disagree

Statements	1	2	3	4	5
Small and medium enterprises within industrial area, Nairobi City County provide services and products that focus on a particular market segment thus creating market barrier					
Small and medium enterprises within industrial area, Nairobi City County have gained customer loyalty by focusing on a particular product					
Most of Small and medium enterprises within industrial area,					

Nairobi City County products/services are tailor made to suit specific needs of our clients					
Small and medium enterprises within industrial area, Nairobi City County endeavor to meet the needs of the clients entirely leading to customer loyalty.					
Small and medium enterprises within industrial area, Nairobi City County have rebranded their products to create market recognition					

11. In your own opinion how does focus strategy competitive advantage of Small and medium enterprises within industrial area of Nairobi City County

.....

SECTION E: COMPETITIVE ADVANTAGE

12. The firms competitive advantage is perceived affected by the Porter’s generic strategies. Kindly indicate the level of your agreement to the statements. Key: 5) Very great extent () 4) Great extent () 3) Moderate extent () 2) Low extent () 1) Very low extent ()

Competitive Advantage	1	2	3	4	5
The firm service quality of products has improved in comparison with the earlier period when Superior service delivery to customers					
The firm product range has increased in the last					

five years as a result of generic strategies initiated by the firm					
The customer satisfaction level has improved due to the innovative products offered by the firm					
The firm cost of service delivery has reduced as a result of generic strategies compared to previous period					
The firm market share has been increasing in the last five years					
The firm revenues has been increasing in the last five years					

END

Thank you for your time

Appendix II: List of Manufacturing SMEs at Industrial Area

1. Abcos Industrial Company Limited
2. Africa Tea Brokers Ltd
3. Alliance Garment Industries Kenya Limited
4. Alpha Woolens Ltd
5. Anurag Brothers Ltd
6. Apple Coolers Ltd
7. Brenntag Kenya Limited
8. Capital Paints ltd
9. Carton Manufacturers Ltd
10. Chemical and School Supplies
11. Chemigas Kenya Limited
12. Chui Manufacturing Co.
13. Complast Industries Ltd
14. Coninx Industries Ltd
15. Creative Edge Ltd
16. Crown Paints Kenya Limited
17. Dalco Kenya Ltd
18. DPL Festive Limited Read
19. FaramEa Ltd
20. Furniture Elegance Ltd
21. Ganatra Plant & Equipment Ltd
22. General Aluminium Fab Ltd
23. Highland Forwarders Ltd
24. Industrial Boiler Products Co Ltd
25. Joyknitts Garments Ltd
26. Kandia Fresh Produce Suppliers
27. Kartasi Industries Limited
28. Kenapen Industries Ltd
29. Kenpoly Manufacturers Ltd
30. Kentons Ltd
31. Keppel Investments Ltd
32. King Plastic Industries Ltd
33. King Plastics Industries Limited
34. Manji Food Industries
35. Marketpower International Ltd
36. Master Power Systems Ltd
37. Midco Ltd
38. Monte Services Ltd
39. Nestle Kenya Limited
40. Oriental Products Ltd

41. Osho Chemicals Limited, Nairobi
42. Panesar's Kenya Ltd
43. Paras Industries Ltd
44. Patco Industries Limited
45. Pipe Manufacturers Limited
46. Plastico Industries Limited
47. Powerpoint Systems (E.A) Ltd
48. R & R Plastic Ltd
49. Radar Ltd
50. Rupra Construction Co.
51. Silpack Industries Limited
52. Silpack Industries Limited
53. Silverbird Plus
54. Specialised Towel Manufacturers Limited
55. Spectra Chemicals Kenya Limited
56. Super Manufacturers Limited
57. Synresins Limited
58. The Phoenix Ltd
59. Thermopak Ltd
60. Toolcrafts Limited
61. Tropikal Ltd
62. Twiga Chemicals Read
63. Tyre king Ltd
64. Vajra Drill Ltd
65. Viva Productline Ltd
66. Warren Enterprises Ltd

Source; Kenya Manufacturing Association (2019)