AN INVESTIGATION OF THE EFFECTS OF GENERIC
COMPETITIVE STRATEGIES ON PERFORMANCE OF COCA
COLA COMPANY (KENYA) LTD

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DECLARATION

This Management Research Project is my original work and has not been submitted for a degree work in any other university

Signed ................................................. Date .........................................................

Name -----------------------------

This Management Research Project has been submitted for examination with approval as the University Supervisor.

Signed ................................................. Date .........................................................

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DEDICATION

This project is dedicated to my mother Alice Wayua whose interest in my education and support was overwhelming. Her warm and motherly advice transformed me into what I am today and defiantly saw me reach my present level of education
ACKNOWLEDGEMENT

Many people have contributed to the success of this project. It has not been an easy project, and I am grateful for their help and support in enabling me to meet deadlines. The people I would particularly thank are my lecturer Dr. Z.B. Awino who has never ceased to be consistent in his efforts as a lecturer and supervisor; his pragmatic perception of the need for and the significance of quality education formed the whole mark of my success. I am also grateful to my fellow students, of whom we have share a lot of information and ideas. Then to my moderator Mr. Jeremiah Kagwe and lastly all the teaching staff of the University of Nairobi. To them I, I shall forever remain grateful.
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ABSTRACT

With increase in competition that most companies are facing today, rewards will accrue to those who can read precisely what consumers wants by continuously scanning the environment and delivering the greatest value to customers. This research was studied with a case study of Coca cola (Kenya) Ltd which gave in-depth information on the competitive strategies adopted by the company and the effects on the organization performance. Questionnaires was used and administered to the managers in the various departments of Coca Cola (Kenya) Ltd. Such questionnaire was designed to give a brief knowledge of the competitive strategies adopted by the company. Closed-ended questions were predominantly be administered to gather for subjective answering. However, a number of open-ended questions were used to give room for quality information that could have been overlooked. The targeted case was major departments in the company. Data collected was analyzed based on primary statistics such as the frequency analysis and reliability tests. In addition, factor analysis and Spearman correlation analysis were adopted to determine success factors for the operation of e-channels by Coca cola (Kenya) Ltd. The information was displayed by use of bar charts, graphs and pie charts. service quality and customer relationship are the most effective competitive strategy used by soft drink industry as well as differentiation of product by the various departments in Coca Cola (Kenya). This is crucial in creation of competitive edge among soft drink industry since differentiated products give a customer a variety of products from which they can explore and see their benefits. Towards this end, the researcher recommends that, Coca Cola (Kenya) carry customer surveys in order to know the exact needs of their clients. This would assist the Coca Cola (Kenya) in coming up with strategies that are workable and longlasting. However, customer relationship should not be enhanced at an expense of cost leadership since customers are very sensitive to prices. The researcher also recommends that, the sample size be expanded to include other companies in the soft drink industry like Softa Limited in order to make a comprehensive conclusion. At the same time the same study should be carried on another industry rather than soft drink sector, especially in the manufacturing sector, to enhance comparison.

Key words; competition, performance, organization, strategies
CHAPTER ONE: INTRODUCTION

This chapter discusses the background of the study, in particular the concept of competitive strategy, organization performance and the context itself which is Coca Cola Kenya. The chapter also gives the statements of the problem, objectives of the study as well as the importance of the study. The scope of this study is also defined under this chapter.

1.1 Background of the Study

A company has competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces (Thompson & Strickland, 2002). Sustainable competitive advantage is born out of core competencies that yield long-term benefit to the company. Prahalad and Hamel (1990) define a core competence as an area of specialized expertise that is the result of harmonizing complex streams of technology and work activity. They further explain that a core competence has three characteristics first it provides access to a wide variety of markets, secondly it increases perceived customer benefits and lastly it is hard for competitors to imitate. Sources of competitive advantage include high quality products, superior customer service and achieving lower costs than its rivals.

Porter (1980) viewed competitive strategies as a two dimensional phenomenon with a supply side – strategic scope; and a demand side – strategic strength. He later simplified the scheme into three generic strategies, namely ‘overall cost leadership’, ‘differentiation’ and ‘focus’. Johnson, Scholes & Wittington (2006) on the other hand, perceive competitive strategies from a business level perspective and believe that it is the achievement of competitive advantage by a business unit in its particular market. They advocate for a hybrid strategy which provides a market-facing
element to Porter’s model in the form of price as a new dimension and its combination with differentiation. Sidorwicz (2007) on the other hand sees competitive strategies as more skill-based and involving strategic thinking, innovation, execution, critical thinking, positioning and the art of warfare. For Porter (2004), competitive strategies primarily evolve explicitly through a planning process or implicitly through approaches dictated by a firm’s professional orientation and the incentives of its directors. Although Porter pioneered thinking in this field, several scholars have questioned his ideas, thus leading to further research and debate on the topic with key works coming from Bowman and D’Aveni (1995), Hax and Wilde (1999), Treacy and Wiersema (1993). However it is Porter’s pioneering thinking and his “Five Forces Model” that has gained popularity and become the predominant framework for analyzing the competitiveness of firms within an industry. Nevertheless, newer competitive strategy frameworks have built on Porter’s model since then; the Strategy Clock being one of them (Johnson, Scholes and Wittington, 2006).

An effective strategy of an organization involves matching its corporate objectives and its available resources. In this development of strategy, managers are concerned with reconciling the business the organization is in with the allocation of resources. This allocation process is concerned with the general purposes of an organization, whether it is part of the grand plan, the overall objectives or a ‘strategy’ designed to keep the organization in business (Tim Hannagan, 2005). According to Drucker,(1961) strategy is the pattern of major objectives, purposes or goals and essential policies or plans for achieving these goals, stated in such a way as to define what business the company is in or to be in and the kind of company it is or is to be.

In the manufacturing industry, increased competition threatens the attractiveness of the industry and reduces the profitability of the players in the sector. It exerts pressure on manufacturing
firms to be proactive and to formulate successful strategies that facilitate proactive response to anticipated and actual changes in the competitive environment. Manufacturing firms therefore focus on gaining competitive advantage to enable them respond to, and compete effectively in the market. By identifying their core competences, manufacturing firms are able to concentrate on areas that give them a lead over competitors, and provide a competitive advantage. According to Johnson and Scholes (1997), core competences are more robust and difficult to imitate because they relate to the management of linkages within the organizations value chain and to linkages into the supply and distribution chains. Drucker (1958) noted that management is primarily about the continuing development of the organization and its employees. The demands and needs of the environment are constantly evolving and management is about adjusting the company according to the needs and demands of the environment. One of the environmental influences to a business normally arise from competition.

1.1.1 Organizational Performance

Organization performance is an indicator which measures how well an enterprise achieves their objectives (Venkatraman and Ramanujam, 1986; Hamon, 2003). Organization performance can be assessed by an organization's efficiency and effectiveness of goal achievement (Robbins and Coulter, 2002). Andersen (2006) states that the concept of effectiveness is a ratio, implying that two entities are required when defining and measuring effectiveness (e.g. return on assets). He also argues that when effectiveness is conceptualized as a degree of goal attainment, that is, the achievement of profitability goals. Schermerhorn et al. (2002) point out that performance refers to the quality and quantity of individual or group work achievement. Recently, organizational performance, effectiveness and efficiency are synonyms which are interchangeable (Hancott, 2005). Hancott further points out that, a number of indicators have been adopted to measure
organization performance since mid-1900, such as profit growth rate, net or total assets growth rate, return on sales, shareholder return, growth in market share, number of new products, return on net assets, etc. In 1990, return on net assets and return on capital have been applied in performance measurement as well.

In addition, Tippins and Sohi (2003) propose organization performance is measured on four dimensions: relative profitability, return on investment, customer retention, and total sales growth. In the present study, we focus on financial performance and market performance, and adopt these two factors for the organization performance dimension.

1.1.2 Soft Drink Industry in Kenya

The soft drink industry in Kenya is very dynamic and subject to intense competition and Environmental changes. With the liberalization of the Kenyan market soft drink players a face With many challenges both local and international. New players like South Africa have entered the soft drink market in Kenya and have brought many challenges with their products. New Entries into the market have also changed the landscape of the soft drink industry, East African Breweries; a non-traditional player has emerged with new products (Alvaro) to challenge Coca Cola. Substitute products in the form of healthy drinks and energy drinks have emerged Threatened the market share of the dominant players. It is in this regard that competitive Strategies have become of importance for a survival.

1.1.3 Coca Cola Company Limited

Coca-Cola is the most popular and biggest-selling soft drink in history, as well as the best-known product in the world.
Created in Atlanta, Georgia, by Dr. John S. Pemberton, Coca-Cola was first offered as a fountain beverage by mixing Coca-Cola syrup with carbonated water. Coca-Cola was introduced in 1886, patented in 1887, registered as a trademark in 1893 and by 1895 it was being sold in every state and territory in the United States. In 1899, The Coca-Cola Company began franchised bottling operations in the United States.

The company produces concentrate, which is then sold to licensed Coca-Cola bottlers throughout the world. The bottlers, who hold territorially exclusive contracts with the company, produce finished product in cans and bottles from the concentrate in combination with filtered water and sweeteners. The bottlers then sell, distribute and merchandise Coca-Cola to retail stores and vending machines. Such bottlers include Coca-Cola Enterprises, which is the largest single Coca-Cola bottler in North America and western Europe. The Coca-Cola Company also sells concentrate for soda fountains to major restaurants and food service distributors.

The Coca-Cola Company has, on occasion, introduced other cola drinks under the Coke brand name. The most common of these is Diet Coke, with others including Caffeine-Free Coca-Cola, Diet Coke Caffeine-Free, Coca-Cola Cherry, Coca-Cola Zero, Coca-Cola Vanilla, and special editions with lemon, lime or coffee.

1.1.3 Coca Cola (Kenya) Limited

Coca-Cola Kenya is run under a region called Eurasia and Africa which comprises a group of 92 countries. Coca-Cola started as an export market in the early 1900s. Direct investment into Kenya was made in 1948 with the opening of Nairobi bottlers and there after Coastal bottlers. Other bottlers namely Kisii bottlers, flamingo bottlers, east Kenya bottles and Mount Kenya bottlers followed there after as demand and market share continued to increase. The bottlers
operate as franchises with an ownership of local investors having the management and the coca-cola company managing, the quality, strategy development and implementation, marketing and supervision of the bottlers.

1.2 Statement of the Problem

With increase in competition that most companies are facing today, rewards will accrue to those who can read precisely what consumers wants by continuously scanning the environment and delivering the greatest value to customers. Evans (1999) is of the view that as the operating environment changes; a more pronounced transformation of the business landscape lies ahead. Therefore, strategy is vital to the adaptation of the changing business environment. According to the Government of Kenya economic survey (2000), implementation of structural adjustment programme and subsequent market liberalization opened the Kenyan market, leaving businesses at the mercy of market forces. As a result, businesses faced increased competition and registered low profits and even losses.

Various researchers have studied the effects of competitive strategies on organization performance. Wanjere (2004) proposed that companies should be more involved in strategic marketing and especially as they operate in competitive and turbulent environments. Similar studies such as Kombo (1997) on the motor vehicle franchise holders, Muturi (2000) on the East African Breweries and Thiga (2000) on the airline companies confirm that firms respond differently to environmental challenges. Mwanthi (2003) did a case study of strategic responses to environmental challenges by British American Tobacco while Cheluget (2003), studied the
responses of milk processing firms to increased environmental turbulence with emphasis on New KCC Limited. Oluoch (2003) studied the perceived attractiveness of the freight forwarding industry in relation to Porter’s modified framework.

Previous studies have dwelt very much on service industry companies while only a select few have focused on companies in the commodity sector. Nonetheless, none of those studies has focused on the manufacturing industry which domiciles all excitement of changes. Therefore, as the business environment continues changing and presenting new challenges, it is important that the existing knowledge from these previous studies be updated. This study will therefore fill the existing void by answering the question: What are the effects of competitive strategies adopted by Coca Cola Company (Kenya) on organizational performance?

1.3 Objectives of the Study

To determine the extent to which the Coca Cola Kenya has adopted competitive strategies for performance improvement

1.4 Value of the Study

This research aims to determine the competitive strategies adopted by Coca Cola Ltd in Kenya. The study will be invaluable to the various stakeholders in the manufacturing industry: The study will provide information on effective competitive strategies among Coca Cola Ltd in Kenya to potential and current scholars. This will expand their knowledge on strategic responses in manufacturing firms and identify areas of further study. The policy makers will obtain knowledge of the manufacturing sector dynamics and the responses that are appropriate; they will therefore
obtain guidance from this study in designing appropriate policies that will regulate the sector participation

The study helps to identify the external environmental factors that affect the operations of Coca Cola in Kenya as well as determining the extent to which environmental factors affect operations of the company. These are mainly the external factors that the company may not have capacity to control. These factors include the competitors and government regulations among others. It will identify competitive challenges that affect Coca Cola Ltd; determine ways in which Coca Cola Ltd respond to increased competition and identify the impediments that face Coca Cola Ltd in responding to increased competition. It will also help stress the importance of strategic management as a whole and link it to the benefits which are the performance and competitive advantage.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter discusses the theoretical and conceptual frameworks of the study. Major areas discussed include the concepts of competitive strategies, the concept of performance as well as the link between competitive strategies and organization performance.

2.2 Competitive Strategies

Most economic texts classify competition as consisting of four key forms namely; pure or perfect competition, monopolistic or imperfect competition, oligopolistic competition and monopolies (Reynolds, 2005). Pure competition and pure monopoly environments are the more extreme forms of competition but rarely occur in the real world (Reynolds, 2005). A pure monopoly is characterized by a single seller who controls the supply of a good or service and prevents other businesses from entering the field (Reynolds, 2005). According to Karl and Fair (1989), pure competition exists when a large number of sellers produce a certain type of product or service that is slightly differentiated. These sellers have low barriers of entry into the market and easily enter or leave it as they choose. No attempt is made in this study to further expound on these extreme forms of competition as it is believed that they present a hypothetical market structure (Reynolds, 2005). For this reason, focus is accorded mainly to the imperfect forms of competition, namely; oligopolistic and monopolistic competition.

If there are a few sellers in a certain industry, with a high level of interdependence between each other, selling products that are identical or slightly differentiated, then the industry is considered to have oligopolistic competition (Reynolds, 2005). Products can be differentiated based on
price, quality, image, or some other feature. An alternative market structure is the monopolistic competitive environment where there are many producers and consumers in a market. (Wikipedia, 2008). Consumers in this market perceive there to be no price difference among the competitor’s products with few barriers of entry for firms. However, these firms do have some degree of control over price.

Porter (2004) identifies competitive strategy actions as positioning, taking an offensive, exploiting change and diversification. Galliers (2006) argues that as it becomes harder to sustain operational advantages in a competitive market, firms turn to strategic positioning in order to gain a cost advantage or premium pricing by competing in a distinctive way. In positioning, the company determines areas where it should confront competition and where it should avoid it, whereas in taking an offensive, the company attempts to cope with competitive forces or alter their causes. In exploiting change, the company attempts to take advantage of structural changes in the sources of competition whereas in diversification, the company assesses the future potential of the business. This study proposed to elaborate on whether these strategies are also evident within firms in the software industry in Kenya.

Porter (2004) argues that in order to attain competitive advantage in an industry, it is critical to understand the process of its evolution in order to be able to predict change and strategically react to this change. He suggests that his model developed with help from Miller (Porter and Miller, 1985) of structural analysis of industries be used as a framework for this. By combining this with the product life cycle model (Kotler, 1972) as referenced by Porter, 2004, p.159) one may be adequately able to analyze and forecast the evolution of any industry.
Porter (2004) identifies evolutionary forces such as changes in buyer’s segments served, diffusion of proprietary knowledge, accumulation of experience, product innovation, process innovation, structural change in adjacent industries and government policy change. Johnson, Scholes and Wittington (2006) site three key methods of sustaining competitive advantage, namely; by collaborating with competitors, through lock-in strategies, by repositioning a firm’s competitive strategy over time and by attempting to anticipate competitor moves using game theory as suggested by Dixit et al (1991) and McMillan (1992).

Depending on the nature of the market, the competitive advantage of any firm may be long term in the case of stagnant markets or short term in the case of hypercompetitive markets. According to Johnson, Scholes and Wittington (2006), firms must therefore adopt strategies that comply with the nature of their competitive environment. Repositioning and overcoming competitor’s market-based moves using Game Theory are suitable strategies for hypercompetitive markets, whereas collaboration between potential competitors or between organizations may be more suitable in pure markets. Porter (1990) identifies four key prerequisites to gaining competitive advantage in a global context amid intense competition, namely; the maximum use of endowed resources, the forming of domestic networks, the exploitation of domestic demand and a suitable industry and environment structure.

This strategy emphasizes efficiency. By producing high volumes of standardized products, the firm hopes to take advantage of economies of scale and experience curve effects. The product is often a basic no-frills product that is produced at a relatively low cost and made available to a very large customer base. Maintaining this strategy requires a continuous search for cost reductions in all aspects of the business. The associated distribution strategy is to obtain the most
extensive distribution possible. Promotional strategy often involves trying to make a virtue out of low cost product features.

To be successful, this strategy usually requires a considerable market share advantage or preferential access to raw materials, components, labour, or some other important input. Without one or more of these advantages, the strategy can easily be mimicked by competitors. However, low cost leadership is attached to a disadvantage which is less customer loyalty (Yakhlef, 2001, p. 490, Cross 1999). Relatively low prices will result in creating a negative attitude towards the quality of the product in the mindset of the customers (Pennathur, 2001). Customer’s impression regarding such products will enhance the tendency to shift towards a product which might be higher in price but projects an image of quality.

With the differentiation strategy, the unique attributes or perceptions of uniqueness and characteristics of a firm’s product other than cost provide value to customers. The firm pursuing differentiation seeks to be unique in its industry along some dimension that is valued by customers, which means investing in product R&D and marketing (Porter, 1980).

It is the ability to sell its differentiated product at a price that exceeds what was spent to create it that allows the firm to outperform its rivals and earn above-average returns. A product can be differentiated in various ways. Unusual features, responsive customer service, rapid product innovations and technological leadership, perceived prestige and status, different tastes, and engineering design and performance are examples of approaches to differentiation (Porter, 1980).

A differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different
from the products of the competition. The value added by the uniqueness of the product may allow the firm to charge a premium price for it. The firm hopes that the higher price will more than cover the extra costs incurred in offering the unique product. Because of the product's unique attributes, if suppliers increase their prices the firm may be able to pass along the costs to its customers who cannot find substitute products easily. Competitive advantage results when buyers become strongly attached to these incorporated attributes and this allows the firm to: charge a premium price for its product, benefit from more sales as more buyers choosing the product and more buyers become attached to the differentiating features resulting in greater loyalty to its brand.

The focus strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation. The premise is that the needs of the group can be better serviced by focusing entirely on it. A firm using a focus strategy often enjoys a high degree of customer loyalty, and this entrenched loyalty discourages other firms from competing directly. Because of their narrow market focus, firms pursuing a focus strategy have lower volumes and therefore less bargaining power with their suppliers. However, firms pursuing a differentiation-focused strategy may be able to pass higher costs on to customers since close substitute products do not exist.

Firms that succeed in a focus strategy are able to tailor a broad range of product development strengths to a relatively narrow market segment that they know very well. Some risks of focus strategies include imitation and changes in the target segments. Furthermore, it may be fairly easy for a broad-market cost leader to adapt its product in order to compete directly. Finally, other focusers may be able to carve out sub-segments that they can serve even better.
2.3 Porters Generic Competitive Strategies

2.3.1 Cost Leadership Strategy

This strategy emphasizes efficiency. By producing high volumes of standardized products, the firm hopes to take advantage of economies of scale and experience curve effects. The product is often a basic no-frills product that is produced at a relatively low cost and made available to a very large customer base. Maintaining this strategy requires a continuous search for cost reductions in all aspects of the business. The associated distribution strategy is to obtain the most extensive distribution possible. Promotional strategy often involves trying to make a virtue out of low cost product features.

To be successful, this strategy usually requires a considerable market share advantage or preferential access to raw materials, components, labour, or some other important input. Without one or more of these advantages, the strategy can easily be mimicked by competitors.

When a firm designs, produces and markets a product more efficiently than competitors such firm has implemented a cost leadership strategy (Allen et al. 2006, p.25,). Cost reduction strategies across the activity cost chain will represent low cost leadership (Tehrani 2003, p.610, Beheshti 2004, p. 118). Attempts to reduce costs will spread through the whole business process from manufacturing to the final stage of selling the product. Any processes that do not contribute towards minimization of cost base should be outsourced to other organizations with the view of maintaining a low cost base (Akan et al. 2006, p.48). Low costs will permit a firm to sell relatively standardized products that offer features acceptable to many customers at the lowest competitive price and such low prices will gain competitive advantage and increase market share (Porter 1980; Porter 1979; 1987; 1986; Bauer and Colgan 2001; Hyatt 2001; Anon 1988;
Davidson 2001; Cross 1999). These writings explain that cost efficiency gained in the whole process will enable a firm to mark up a price lower than competition which ultimately results in high sales since competition could not match such a low cost base. If the low cost base could be maintained for longer periods of time it will ensure consistent increase in market share and stable profits hence consequent in superior performance. However all writings direct us to the understanding that sustainability of the competitive advantage reached through low cost strategy will depend on the ability of a competitor to match or develop a lower cost base than the existing cost leader in the market.

A firm attempts to maintain a low cost base by controlling production costs, increasing their capacity utilization, controlling material supply or product distribution and minimizing other costs including R&D and advertising (Prajogo 2007, p.70). Mass production, mass distribution, economies of scale, technology, product design, learning curve benefit, work force dedicated for low cost production, reduced sales force, less spending on marketing will further help a firm to maintain a low cost base (Tuminello, 2002). Decision makers in a cost leadership firm will be compelled to closely scrutinize the cost efficiency of the processes of the firm. Maintaining the low cost base will become the primary determinant of the cost leadership strategy. For low cost leadership to be effective a firm should have a large market share (Richardson & Dennis, 2003, p.857; Hyatt 2001 cited by Allen and Helms 2006, p.435). New entrants or firms with a smaller market share may not benefit from such strategy since mass production, mass distribution and economies of scale will not make an impact on such firms. Low cost leadership becomes a viable strategy only for larger firms. Market leaders may strengthen their positioning by advantages attained through scale and experience in a low cost leadership strategy. But is their any superiority in low cost strategy than other strategic typologies? Can a firm that adopts a low cost
strategy out perform another firm with a different competitive strategy? If firms costs are low enough it may be profitable even in a highly competitive scenario hence it becomes a defensive mechanism against competitors (Kim et al. 2004, p.21). Further they mention that such low cost may act as entry barriers since new entrants require huge capital to produce goods or services at the same or lesser price than a cost leader. As discussed in the academic frame work of competitive advantage raising barriers for competition will consequent in sustainable competitive advantage and in consolidation with the above writings we may establish the fact that low cost competitive strategy may generate a sustainable competitive advantage.

Further in consideration of factors mentioned above that facilitate a firm in maintaining a low cost base; some factors such as technology which may be developed through innovation (mentioned as creative accumulation in Schumpeterian innovation) and some may even be resources developed by a firm such as long term healthy relationships build with distributors to maintain cost effective distribution channels or supply chains (inimitable, unique, valuable non transferable resource mentioned in RBV). Similarly economies of scale may be an ultimate result of a commitment made by a firm such as capital investments for expansions (as discussed in the commitment approach). Also raising barriers for competition by virtue of the low cost base that enables the low prices will result in strong strategic positioning in the market (discussed in the IO structural approach). These significant strengths align with the four perspectives of sustainable competitive advantage mentioned in the early parts of this literature review. Low cost leadership could be considered as a competitive strategy that will create a sustainable competitive advantage.

However, low cost leadership is attached to a disadvantage which is less customer loyalty (Yakhlef, 2001, p. 490, Cross 1999). Relatively low prices will result in creating a negative
attitude towards the quality of the product in the mindset of the customers (Pennathur, 2001). Customer’s impression regarding such products will enhance the tendency to shift towards a product which might be higher in price but projects an image of quality.

2.3.2 Differentiation Strategy

With the differentiation strategy, the unique attributes or perceptions of uniqueness and characteristics of a firm’s product other than cost provide value to customers. The firm pursuing differentiation seeks to be unique in its industry along some dimension that is valued by customers, which means investing in product R&D and marketing (Porter, 1980).

It is the ability to sell its differentiated product at a price that exceeds what was spent to create it that allows the firm to outperform its rivals and earn above-average returns. A product can be differentiated in various ways. Unusual features, responsive customer service, rapid product innovations and technological leadership, perceived prestige and status, different tastes, and engineering design and performance are examples of approaches to differentiation (Porter, 1980).

Differentiation is aimed at the broad market that involves the creation of a product or services that is perceived throughout its industry as unique. The company or business unit may then charge a premium for its product. This specialty can be associated with design, brand image, technology, features, dealers, network, or customers’ service. Differentiation is a viable strategy for earning above average returns in a specific business because the resulting brand loyalty lowers customers' sensitivity to price. Increased costs can usually be passed on to the buyers. Buyers loyalty can also serve as an entry barrier—new firms must develop their own distinctive competence to differentiate their products in some way in order to compete successfully.
Examples of the successful use of a differentiation strategy are Hero Honda, Asian Paints, HLL, Nike athletic shoes, Apple Computer, and Mercedes-Benz automobiles. Research does suggest that a differentiation strategy is more likely to generate higher profits than is a low cost strategy because differentiation creates a better entry barrier. A low-cost strategy is more likely, however, to generate increases in market share. This may or may not be true.

A differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competition. The value added by the uniqueness of the product may allow the firm to charge a premium price for it. The firm hopes that the higher price will more than cover the extra costs incurred in offering the unique product. Because of the product's unique attributes, if suppliers increase their prices the firm may be able to pass along the costs to its customers who cannot find substitute products easily.

Rather than cost reduction, a firm using the differentiation needs to concentrate on investing in and developing such things that are distinguishable and customers will perceive. Overall, the essential success factor of differentiation in terms of strategy implementation is to develop and maintain innovativeness, creativeness, and organizational learning within a firm (Pennathur, 2001)

Successful differentiation is based on a study of buyers’ needs and behavior in order to learn what they consider important and valuable. The desired features are then incorporated into the product to encourage buyer preference for the product. The basis for competitive advantage is a product whose attributes differ significantly from rivals’ products.
Competitive advantage results when buyers become strongly attached to these incorporated attributes and this allows the firm to: charge a premium price for its product, benefit from more sales as more buyers choosing the product and more buyers become attached to the differentiating features resulting in greater loyalty to its brand.

Efforts to differentiate often result in higher costs. Profitable differentiation is achieved by either keeping the cost of differentiation below the price premium that the differentiating features command, or by offsetting the lower profit margins through more sales volumes. Kotler (2001) insists that anything that a firm can do to create buyer value represents a potential basis for differentiation. Once it finds a good source of buyer value, it must build the value, creating attributes into its products at an acceptable cost. These attributes may raise the product’s performance or make it more economical to use. Differentiation possibilities can grow out of possibilities performed anywhere in the activity cost chain.

The risks associated with a differentiation strategy include imitation by competitors and changes in customer tastes. Additionally, various firms pursuing focus strategies may be able to achieve even greater differentiation in their market segments.

### 2.3.3 Focus Strategy

The focus strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation. The premise is that the needs of the group can be better serviced by focusing entirely on it. A firm using a focus strategy often enjoys a high degree of customer loyalty, and this entrenched loyalty discourages other firms from competing directly.
Because of their narrow market focus, firms pursuing a focus strategy have lower volumes and therefore less bargaining power with their suppliers. However, firms pursuing a differentiation-focused strategy may be able to pass higher costs on to customers since close substitute products do not exist.

Firms that succeed in a focus strategy are able to tailor a broad range of product development strengths to a relatively narrow market segment that they know very well.

Some risks of focus strategies include imitation and changes in the target segments. Furthermore, it may be fairly easy for a broad-market cost leader to adapt its product in order to compete directly. Finally, other focusers may be able to carve out sub-segments that they can serve even better.

2.4 Measuring the Performance of Firms

It can therefore be seen that the performance of any given firm is highly dependent on the use of a particular measurement approach and a contextual standard measure that captures the quantitative, qualitative and relative aspects for a firm’s metrics. For the measurement of the performance of software firms in Kenya, there could be debate on what the appropriate contextual standard measure would be. This study used a basket of performance metrics that capture the qualitative, quantitative and relative aspects of a particular software firm and compare these to a benchmark.

2.5 Competitive Strategies and the Performance of Firms

In his work, Prescott (1986) sites various academic scholars such as Porter (1980 in Prescott 1986), Scherer (1980, in Prescott 1986), Hofer and Schendel (1978, in Prescott 1986) and Pfeffer
and Salancik (1978, in Prescott 1986) as being at the forefront of the debate between the relationship between strategy and performance, a relationship whose nature has not yet been resolved. Much of the strategic management literature has focused on the relationship between strategy and performance and considered environments as moderators of that relationship.

Recent studies have investigated the relationship between the environment on the one hand, strategy and performance variables on the other (Hambrick, 1986, in Prescott 1986; Hitt, Ireland and Stadter, 1982, in Prescott 1986; Jauch, Osborn and Gluck, 1980, in Prescott 1986). However Prescott argues that although considerable research has been covered on the topic, it has not adequately addressed the issue of whether environments are independently related to performance, or they are moderators of the relationship between strategy and performance or some combination of the two.

In order to achieve a performance that may be considered well relative to other firms in the industry, Porter (1990) proposes a strategy that requires a firm to identify growth segments, work at achieving operational efficiency and continuously enhance the quality of its products and services. According to Porter (1990), it is the continuous measurement of these performance indicators and their management that determines the long term direction of the firm and its survival. For the software industry in Kenya, not only is the continuous measurement of the key performance metrics important to achieve and maintain competitiveness, but also the strategy formulation and implementation process as well.

Johnson, Scholes and Wittington (2006) propose the use of a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis as a key component during strategy formulation and implementation. Through this framework, a firm may easily identify and manage its strategic
capability and be able to stretch or add capabilities as a responsive mechanism to varying
degrees of the intensity of competitiveness within the software industry. The more dynamic the
capabilities built, the timelier the response will be by the particular software firm to changes in
the competitive environment.

2.6 Empirical Studies on Competitive Strategies

Various researchers have studied the effects of competitive strategies on organization
performance. Wanjere (2004) proposed that companies should be more involved in strategic
marketing and especially as they operate in competitive and turbulent environments. Similar
studies such as Kombo (1997) on the motor vehicle franchise holders, Muturi (2000) on the East
African Breweries and Thiga (2000) on the airline companies confirm that firms respond
differently to environmental challenges. Mwanthi (2003) did a case study of strategic responses
to environmental challenges by British American Tobacco while Cheluget (2003), studied the
responses of milk processing firms to increased environmental turbulence with emphasis on New
KCC Limited. Oluoch (2003) studied the perceived attractiveness of the freight forwarding
industry in relation to Porter’s modified framework.

Previous studies have dwelt very much on service industry companies while only a select few
have focused on companies in the commodity sector. Nonetheless, none of those studies has
focused on the manufacturing industry which domiciles all excitement of changes. Therefore, as
the business environment continues changing and presenting new challenges, it is important that
the existing knowledge from these previous studies be updated. This study will therefore fill the
existing void by answering the question: What are the effects of competitive strategies adopted
by Coca Cola Company (Kenya) on organizational performance?
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter represents research design, sample and sampling technique, data collection, data analysis, and lastly a summary of the whole chapter.

3.2 Research Design

This research was studied with a case study of Coca cola (Kenya) Ltd. The case study method gave in-depth information on the competitive strategies adapted by Coca cola (Kenya) Ltd in Kenya and the effects on the organization performance. A case study according to Kothari (1990) is a powerful form of quantitative analysis. Young (1960) also pointed out the same to be a comprehensive study of a social unit. Kandie (2001) argues that a case study is a form of qualitative analysis where studies are done on institutions and from the study, data generalization and inferences are drawn.

3.3 Data Collection Methods

Questionnaires were used and administered to the managers in the various departments of Coca Cola (Kenya) Ltd. Closed-ended questions was predominantly be administered to gather for subjective answering. However, a number of open-ended questions were used to give room for quality information that could have been overlooked. The targeted case was the departments in Coca Cola (Kenya) Ltd. The researcher shall therefore use census on all departments located at the head office for the company.
Emphasis is given to both primary and secondary data. In an effort to establish the competitive strategies adopted by Coca Cola (Kenya), questionnaires was used. Such questionnaires were designed to give a brief knowledge of the competitive strategies adopted by the company. For the secondary data, document sources were employed whereby use of previous document or materials to support the data received from question and information from interview that including book and magazines available in the libraries were visited as well as information from the websites. The study was limited on the effects of competitive strategies on performance of Coca Cola Limited (Kenya). The researcher targeted all departments that are operational within the company. The scope involved establishment of the level of adoption of competitive strategies in the company, benefits accruing from the adoption as well as the challenges affecting Coca Cola Company in adopting competitive strategies.

3.4 Data Analysis

Collected data was both quantitative and qualitative in nature. Quantitative data was analyzed using a statistical package. The data was analyzed using descriptive statistics such as the frequencies, mean and the standard deviations. The basis of using descriptive approach was to give a basis for determining the weights of the variables under the study. Qualitative data was analyzed using content analysis. The information was displayed by use of bar charts, graphs and pie charts.
CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter discusses the data findings, analysis, presentation and interpretation. The main objective of the study is to investigate the effects of competitive strategies adopted by Coca Cola (Kenya) on performance. 10 departments of Coca Cola (Kenya) were targeted for this study where the preferred respondents were the heads of various departments. The sample size was therefore 10. Eight departments responded to the questionnaire making the response rate to be 80%.

Quantitative data collected from the respondents was analyzed through the Statistical Package for Social Scientists (SPSS) and presented in form of tables, pie charts as well as the bar graphs. Interpretation was made with the help of means, frequencies and standard deviations. Where the researcher required the respondent to weigh the non-discrete variables, a five-point Likert Scale was used where there were five ranks within the continuum (from one extreme to the other).

The chapter is divided into two sections where the first section discussed the demographic findings while the other section presents findings on the effectiveness of the strategies adopted by the various departments of Coca Cola (Kenya) for performance improvement in soft drink industry.

4.2 Demographic Information

This section discusses the personal profile of the respondent as well as specific information on their respective departments. The researcher was interested to know the gender of the respondents, their position in the organization, education level, as well as the size of the firm in
term of the number of employees. Information from this section enabled the researcher to judge whether they approached the relevant respondents, who would make them meet their objectives by offering relevant, sufficient and quality information. In addition, information from this section guided the researcher in drawing conclusion as well as generating recommendations, which would guide Coca Cola (Kenya) as well as other soft drink firms to mitigate adverse effects of competition in the sector.

**Figure 4.1: Gender of the Respondent**

Figure 4.1 shows gender of the respondents. From the table, 62.5% of all the respondents were male while 37.5% were female. This implies that majority of heads of various divisions in Coca Cola (Kenya) are male. The reason for this could either be the company’s policy, or the random chance that has favoured more male than female.
Table 4.1: Job Designation

<table>
<thead>
<tr>
<th>Job Designation</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managerial</td>
<td>5</td>
<td>62.5</td>
</tr>
<tr>
<td>Supervisory</td>
<td>2</td>
<td>25.0</td>
</tr>
<tr>
<td>Clerical</td>
<td>1</td>
<td>12.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Table 4.1 illustrates the job designation of the respondents. According to the table, 62.5% of all the respondents were in the management while 25% were in the supervisory positions. Only 12.5% of them were in the clerical position. None of the respondent was a subordinate staff. This is an indication that majority of the respondents were in the management of the company. This implies that at least majority of the respondents were in position to understand the concept of competitive strategies and how effective and their effects on the performance of the company.

Figure 4.2: Respondents’ Education Level
Figure 4.2 shows the level of education of the respondents. From the table, 50% of all the respondents were postgraduates while 37.5 were graduates. Only 12.5% were diploma holders. This implies that majority of the respondents had gone to higher education, with at least an undergraduate degree. This level of academic qualification gave the researcher the confident that, the respondents were knowledgeable enough, to provide relevant information on the effectiveness of competitive strategies adopted by Coca Cola (Kenya). The pie chart below illustrates the same information.

Table 4.2: Number of Employees in the Department

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 10</td>
<td>12.5</td>
</tr>
<tr>
<td>11 to 20</td>
<td>25.0</td>
</tr>
<tr>
<td>21 to 30</td>
<td>37.5</td>
</tr>
<tr>
<td>31 to 40</td>
<td>12.5</td>
</tr>
<tr>
<td>Over 40</td>
<td>12.5</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 4.2 illustrates the size of each department in terms of the number of employees. According to the table, 37.5% of the respondents’ organizations had between 21 and 30 employees, while 25% had 11 – 20 employees. Only 12.5 of all the respondents’ departments had over 40 employees. This implies that, majority of the Coca Cola (Kenya)’ departments have less than 30 employees. Information on the size of the firm would enable the researcher to judge whether the effectiveness of the strategy adopted depends on the size of the department/division.
4.3 General Information

This section discusses researcher’s findings on information that is general on effects of competitive strategies on performance of Coca Cola (Kenya). Among the areas that the researcher was interested to study on included the competitive environment in the respondents’ organization, whether the respondents had a mechanism of measuring the level of effectiveness of competitive strategies and how often the respondents’ departments reviewed the strategies that they adopted. In addition, the researcher was also interested in knowing the changes in the external environment that affect the performance of Coca Cola.

![Description of the Competitive Environment in Respondent’s Organization](image)

*Figure 4.3: Description of the Competitive Environment in Respondent’s Organization*

Figure 4.3 shows the respondents’ opinion on the competitive environment in the industry. According to the table, 37.5% of all the respondents said that competition is very high while 25% said that it was uncertain. Only 12.5% of the respondents were on the opinion that the competition was very low. This indicates that competition in the sector is high. In addition the respondents indicated that competition in the industry is high because of presence of competitors.
in the market in particular from Alvaro (a brand from East Africa Brewery Limited), Softa Limited as well as the substitutes including yoghurts, fresh milk, squashes and the fresh fruit juices.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarter yearly</td>
<td>1</td>
<td>12.5</td>
</tr>
<tr>
<td>Half yearly</td>
<td>1</td>
<td>12.5</td>
</tr>
<tr>
<td>Yearly</td>
<td>2</td>
<td>25.0</td>
</tr>
<tr>
<td>More than an year</td>
<td>4</td>
<td>50.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Table 4.3: Frequency of Reviewing Competitive Strategies*

Table 4.3 is an illustration of the frequency to which the respondents’ organizations review the competitive strategies they have adopted. According to the table, 50% of all the respondents said they review the strategies after an year lapses while 25% cited an annual review. Only 12.5% claimed that they review the strategies either quarterly or semi annually. This implies that majority of competitive strategies in Coca Cola (Kenya) are reviewed after at least every year. The reason for this could be the fact that, competitive strategies are a part of the organization’s strategic plan, which is a long term goal and must be given enough time before their effectiveness in the market can be tested. This also explains the reason why a competitive strategy should be flexible such that, the management can make alterations after occasional reviews, even without changing the structure of the strategy.
Figure 4.4 illustrates the presence of mechanisms which are used to measure effects of competitive strategies adopted by their Coca Cola (Kenya). According to the table, 62.5% claimed that they have while 37.5% confessed that they do not have proper mechanisms. This indicates that, majority of departments in Coca Cola (Kenya) have ways in which they measure the effectiveness of competitive strategies they put in place.
Table 4.4: Extent to Which the External Environment Affect the Effectiveness of Competitive Strategies

Table 4.4 above illustrates the extent to which certain effects of competitive strategies adopted by the Coca Cola (Kenya) on performance of the company. Factors that researcher put into consideration included the economic, social, cultural and political aspects. Likert Scale was used to analyze the data. According to the table, economic changes had a mean of 4.5 with a standard deviation of 0.7 while political factors had a mean of 3.5 with a standard deviation of 1.3. Cultural changes had a mean of only 2.5 with a standard deviation of 1.5. According to the researcher’s scale, the higher the mean, the higher the impact the factor had on effectiveness of the competitive strategies adopted by the organization. On the other hand, the lower the mean, the lower the impact the factor had on the effectiveness of the strategy. Where two factors had a tie on the mean, the researcher would consider the one with lower standard deviation to have more effect on the effectiveness of the competitive strategy. From the findings, there is an indication that economic factors affect the effectiveness of the competitive strategies adopted by the Coca Cola (Kenya) most as opposed to the cultural factors which according to the research had a negligible weight on the same.

<table>
<thead>
<tr>
<th></th>
<th>No impact at all</th>
<th>Less impact</th>
<th>Moderate impact</th>
<th>Great impact</th>
<th>Very great impact</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social changes</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>3.0</td>
<td>1.2</td>
</tr>
<tr>
<td>Economic changes</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>5</td>
<td>4.5</td>
<td>0.7</td>
</tr>
<tr>
<td>Political changes</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>3.5</td>
<td>1.3</td>
</tr>
<tr>
<td>Cultural changes</td>
<td>3</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>2.5</td>
<td>1.5</td>
</tr>
</tbody>
</table>
4.4  Effects of Competitive Strategies on Performance

This section discusses information specific to the effectiveness of the competitive strategies adopted by Coca Cola (Kenya) for performance improvement. The researcher was interested in knowing how different strategies had been effective since their employment by Coca Cola (Kenya) as an effort of mitigating competition faced by the organization. Likert Scale was used to analyze the data.

<table>
<thead>
<tr>
<th>Table 4.5: Level of Effectiveness of Various Competitive Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Integration of Operations and Marketing Activities</strong></td>
</tr>
<tr>
<td>---------------------------------------------------</td>
</tr>
<tr>
<td>Service Quality and Customer Relationship</td>
</tr>
<tr>
<td>Cost Leadership</td>
</tr>
<tr>
<td>Differentiation</td>
</tr>
</tbody>
</table>

Table 4.5 above illustrates the level of effectiveness of the various competitive strategies adopted by Coca Cola (Kenya). The researcher discussed five factors, which were the dependent variables in the variable relationship for the study. These factors included the integration of marketing and operations activities, service quality and customer relationship, cost leadership as well as the differentiation of products. According to the table, service quality and customer relationship had a mean of 4.5 with a standard deviation of 0.5 while differentiation of products had a mean of 4.1 with a standard deviation of 1.1. Cost leadership had a mean of 3.8 with a standard deviation of 1.4., on the other hand, had a mean of only 3.4, with a standard deviation of
1.3. This indicates that, service quality and customer relationship is the most effective competitive strategy used by Coca Cola (Kenya). On the same note, differentiation of product is crucial in creation of competitive edge among Coca Cola (Kenya) since differentiated products give a customer a variety of products from which they can explore and see their benefits. It is also clear that, service quality with differentiated products is not enough with an absence of cost leadership. This is an indication that, Coca Cola (Kenya) has considered even low charges for the services they offer as an effort to attract the clients.
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

The main objective of this study was to investigate the effectiveness of strategies for performance improvement among Coca Cola (Kenya), where the case of Coca Cola (Kenya) was taken. 10 departments within Nairobi were sampled and the targeted respondents were the managers. The response rate was 80%. From the study the researcher found that, 62.5% of all the respondents were male while 37.5% were female. 62.5% of all the respondents were in the management while 25% were in the supervisory positions. Only 12.5% of them were in the clerical position. This implied that, majority of the respondents were male, who were managers in the various departments. At the same time, 50% of all the respondents were postgraduates while 37.5% were graduates. Only 12.5% were diploma holders. This implies that majority of the respondents had gone to higher education, with at least an undergraduate degree.

Concerning the respondents’ opinion on the competitive environment in the industry, 37.5% of all the respondents said that competition is very high while 25% said that it was uncertain. Only 12.5% of the respondents were on the opinion that the competition was very low. Moreover, 50% of all the respondents said they review the strategies after an year lapses while 25% cited an annual review. Only 12.5% claimed that they review the strategies either quarterly or semi annually. This implies that majority of competitive strategies in Coca Cola (Kenya) are reviewed after at least an year. Regarding the presence of mechanisms which are used to measure the level of effectiveness of competitive strategies adopted by their organizations, 62.5% claimed that they have while 37.5% confessed that they do not have proper mechanisms.
On the extent to which certain factors affect the effectiveness of competitive strategies adopted by the Coca Cola (Kenya) for performance improvement; economic, social, cultural and political aspects were considered. Economic changes had a mean of 4.5 with a standard deviation of 0.7 while political factors had a mean of 3.5 with a standard deviation of 1.3. Cultural changes had a mean of only 2.5 with a standard deviation of 1.5. This had an indication that economic factors affect the effectiveness of the competitive strategies adopted by the Coca Cola (Kenya) most as opposed to the cultural factors which according to the research had a negligible weight on the same.

Regarding the level of effectiveness of the various competitive strategies adopted by Coca Cola (Kenya), factors that were examined included integration of marketing and operations activities, service quality and customer relationship, cost leadership as well as the differentiation of products. From the research, service quality and customer relationship had a mean of 4.5 with a standard deviation of 0.5 while differentiation of products had a mean of 4.1 with a standard deviation of 1.1. Cost leadership had a mean of 3.8 with a standard deviation of 1.4. On the other hand, had a mean of only 3.4, with a standard deviation of 1.3. This indicates that, service quality and customer relationship is the most effective competitive strategy used by Coca Cola (Kenya).

5.2 Conclusion

The researcher concludes that, competition in the soft drinks sector is very high and effective strategies need to be adopted by Coca Cola (kenya) to improve performance in the organization. It is clear that, Coca Cola (Kenya) the strategies put in place after at least one year. In most
cases, there are many factors affecting operations of soft drink industry and therefore the strategies sometimes do not overcome the adverse effects of these factors.

The industry do not have well defined mechanisms to measure the effectiveness of the strategies adopted. The mechanisms could perhaps omit measures on whether the the accountholders will maintain the account for long or will only explore the benefits and the costs of the account with an intent to explore elsewhere. From the research, there is an indication that economic factors affect the effectiveness of the competitive strategies adopted by the soft drink industry most as opposed to the cultural factors which according to the research had a negligible weight on the same.

It is clear from the research that, service quality and customer relationship are the most effective competitive strategy used by soft drink industry as well as differentiation of product by the the various departments in Coca Cola (Kenya). This is crucial in creation of competitive edge for performance improvement in Coca Cola (Kenya) since differentiated products give a customer a variety of products from which they can explore and see their benefits. Service quality with an absence of cost leadership is not enough to place a Coca Cola at competitive edge. This is because, the company has considered even low charges for the services they offer as an effort to attract the clients. has not been as effective as other competitive strategies in mitigating the effects of competition.

5.3 Recommendations

From the study, the researcher recommends that, Coca Cola (Kenya) carry customer surveys in order to know the exact needs of their clients. This would assist the Coca Cola (Kenya) in coming up with strategies that are workable and longlasting. However, the researcher
recommends that soft drink industry should flex their policies to accommodate changes in external environment, especially the economic changes which affects the effectiveness of the already formulated and implemented strategies.

Since quality service and good customer relation are the most effective competitive strategies, soft drink industry should put more effort to rejuvenate their relationship with their customers by putting in place machineries that attend to customer needs promptly. However, customer relationship should not be enhanced at an expense of cost leadership since customers are very sensitive to prices.

5.4 Suggestion for Future Studies

The researcher recommends that, the sample size be expanded to include other companies in the soft drink industry like Softa Limited in order to make a comprehensive conclusion. At the same time the same study should be carried on another industry rather than soft drink sector, especially in the manufacturing sector, to enhance comparison.

5.5 Policy Implications and Practices

Adoption of competitive strategies implies going for better performance in terms of demand and sales of Coca Cola products. This in turn implies matching demand and capacity period by period. This could result in a considerable amount of hiring, firing or laying off of employees; insecure and unhappy employees; increased inventory carrying costs; problems with labor unions; and erratic utilization of plant and equipment. It also implies a great deal of flexibility on the firm's part.
It also means that inventory need to be held to the lowest level possible and in particular the application of the just-in-time approach (JIT) which will lead to a considerable savings. If Coca Cola embraces the just-in-time production concept as a competitive edge, it would be applying the chase strategy approach to aggregate planning.

Differentiation, cost leadership and market focus policy would prevent the company from utilizing backorders. This would imply focus on regular and constant output level, implying a level workforce, while overtime and subcontracting are used to meet demand on a period by period basis. This would assist in lowering the cost of implementation of the combine generic strategies.

Over and above the company should view the soft drink market in a perfect competitive way and viewing firms providing substitutes like fresh juices, squashes, milk products and beverages as immediate competitors. This implies removing the notion of monopolistic competition from the mind of the directors. Moreover, it indicates demand-oriented strategies. The firm must listen to customers-cum-executives and should undertake research that points towards thought leadership, and should work with the business world through lifelong learning networks for better performance of its products.
REFERENCES


Njoroge, P. M. (2004) *Enforcement of competition policy and law in Kenya: Including case studies in the areas of mergers and takeovers, prevention of possible future abuse of*


APPENDICES

Appendix I: Introduction Letter

Thomas Musyoki Mutie
School of business
University of Nairobi,
Box 1664 00100
NAIROBI

DEAR SIR/MADAM,

RE: INVITATION TO PARTICIPATE IN RESEARCH

I am a Masters student in the Department Strategic Management of the University of Nairobi. I am carrying out a research on the competitive strategies and organization performance. You are kindly requested to participate in the study by answering the questions honestly and diligently following the instructions given. The answers you give will be used for the purpose of the study and your identity will be confidential.

Yours Faithfully,


Thomas Musyoki
Appendix II: Questionnaire

1) Name (Optional)

.......................................................... ..........................................................

2) Department/Division

Finance [ ] Marketing and Research Division [ ]
Risk Management [ ] Public Affairs [ ]
Information Technology [ ] Communication Division [ ]
Operations [ ] Any other (indicate)
Human Resources [ ] …

3) Level of Education

Masters [ ] Secondary [ ]
Undergraduate [ ]

4) Any other, (please indicate)

.......................................................... ..........................................................

SECTION ONE: COMPANY DEMOGRAPHICS

5) Has your department/division taken any major competitive strategy since it was started?

Not at all [ ] Large Extent [ ]
Less Extent [ ] Very Large Extent [ ]
Moderate Extent [ ]

6) If yes, what areas were these competitive strategy focused?

Marketing [ ] Financials [ ]
Operations [ ]
Organization structure

Any other (please specify)
7) What strategies have you used to gain competitive advantage?

Market focus [   ] Differentiation [   ]
Cost leadership [   ]

8) Have these strategies been implemented by other departments in the company?

Not at all [   ] Large Extent [   ]
Less Extent [   ] Very Large Extent [   ]
Moderate Extent [   ]

9) Have these competitive strategies been successful in other departments/companies other than Coca Cola?

Not at all [   ] Large Extent [   ]
Less Extent [   ] Very Large Extent [   ]
Moderate Extent [   ]

10) If yes, did your choice of the strategies depend on the above success?

Not at all [   ] Large Extent [   ]
Less Extent [   ] Very Large Extent [   ]
Moderate Extent [   ]

SECTION THREE: FACTORS INFLUENCING COMPETITIVE STRATEGY

11) In the choice of the strategies in section two of the study, did you consider the financial implications?

Not at all [   ] Large Extent [   ]
Less Extent [   ] Very Large Extent [   ]
Moderate Extent [   ]

12) If yes, did the company have enough financial resources to implement the competitive strategies?

Not at all [   ] Less Extent [   ]
Moderate Extent [ ] Very Large Extent [ ]
Large Extent [ ]

13) If no above, how did the company solve the problem?

……………………………………………………………………………………………………
………………………………………………………………………………………………

14) Did the company consider the competition from other players in the industry before adopting the competitive strategies?

Not at all [ ] Large Extent [ ]
Less Extent [ ] Very Large Extent [ ]
Moderate Extent [ ]

15) If yes above, what major factors that influenced the adoption and implementation?

……………………………………………………………………………………………………
………………………………………………………………………………………………

16) Did the company have appropriate and adequate management to implement the competitive strategies?

Not at all [ ] Large Extent [ ]
Less Extent [ ] Very Large Extent [ ]
Moderate Extent [ ]

17) If no above, what steps were taken to obtain the appropriate management?

……………………………………………………………………………………………………
………………………………………………………………………………………………

18) Is there any government policy that affected the choice and implementation of the competitive strategy? Please explain below.

……………………………………………………………………………………………………
………………………………………………………………………………………………

SECTION FOUR: PERFORMANCE
19) Has the adoption of competitive strategies improved the company’s financial standing?

Not at all [ ] Large Extent [ ]

Less Extent [ ] Very Large Extent [ ]

Moderate Extent [ ]

20) Apart from financial performance, what other advantages have your department in particular gained from the adoption and implementation?

………………………………………………………………………………………………………

………………………………………………………………………………………………………

………………

21) How does the organization evaluate financial implication of a given competitive strategy?

………………………………………………………………………………………………………

………………………………………………………………………………………………………

………………

22) For competitive strategies that benefit all departments in the company, how is the cost distributed among the different departments?

………………………………………………………………………………………………………

………………………………………………………………………………………………………

………………

23) Are there any competitive strategies that have adversely affected your department?

Not at all [ ] Large Extent [ ]

Less Extent [ ] Very Large Extent [ ]

Moderate Extent [ ]
24) If yes, above what corrective measures were pursued to correct the situation and prevent other occurrences in the future?

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........................................................................................................................................
........