GROWTH STRATEGIES AND PERFORMANCE OF MILK PROCESSING FIRMS REGISTERED WITH KENYA DAIRY BOARD, KENYA

JOSEPH KIMITI NJOGU
D53/MSA /PT/38771/2017

A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS, ECONOMICS & TOURISM IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF DEGREE IN MASTER OF BUSINESS ADMINISTRATION (STRATEGIC MANAGEMENT), KENYATTA UNIVERSITY

JUNE, 2023
DECLARATION

This scientific investigation is wholly original with no prior presentations made at any other University.

Signature..............................................Date ..................................................

Joseph Kimiti Njogu


Supervisor.

This scientific study has been submitted for review with my permission as the University Supervisor.

Signature..............................................Date ..................................................

Dr. Elishiba M. Murigi

Department of Business Administration.

School of Business

Kenyatta University.
DEDICATION

This scientific research is dedicated to my family especially my wife Monicah, for being the pillars of support and courage during my entire study period.
ACKNOWLEDGEMENTS

First of all, I want to thank my supervisor, Dr. Elishiba Murigi, for guiding me in the right direction when I was preparing and compiling this study. Your unwavering support and patience have been incredible throughout this time, and I thank you from the bottom of my heart. Without the help of my friends Fred Koech and classmates Mary, Gladwell, and Murimi, I would not have accomplished much and would have failed to complete this scientific research. I also want to appreciate my kindred, especially my wife, Monica, and children, Patience and Basil, for always being there for me and instilling moral values that have helped me finish this study.
LIST OF FIGURES

Figure 2.1 Conceptual Framework ................................................................. 40
# TABLE OF CONTENTS

DECLARATION ............................................................................................................. ii
DEDICATION ................................................................................................................... iii
ACKNOWLEDGEMENTS ............................................................................................... iv
LIST OF FIGURES .......................................................................................................... v
TABLE OF CONTENTS ................................................................................................. vi
LIST OF TABLES ............................................................................................................ ix
ABBREVIATIONS AND ACRONYMS ........................................................................... x
OPERATIONAL DEFINITION OF TERMS ................................................................ xi
ABSTRACT ...................................................................................................................... xiii

## CHAPTER ONE: INTRODUCTION .............................................................................. 1

1.1 Background of the Study ................................................................................... 1
  1.1.1 Performance of Milk processing firms ..................................................... 3
  1.1.2 Growth Strategies ..................................................................................... 7
  1.1.3 Milk Processing Firms in Kenya .............................................................. 9

1.2 Statement of the Problem .................................................................................. 11

1.3 Objectives of the Study ................................................................................... 13
  1.3.1 General Objective ..................................................................................... 13
  1.3.2 Specific Objectives .................................................................................... 13

1.4 Research Hypotheses ....................................................................................... 13

1.5 Significance of the Study ................................................................................ 14

1.6 Scope of the Study ........................................................................................... 14

1.7 Limitations of the Study ................................................................................ 15

1.8 Organization of the Study ................................................................................ 15

## CHAPTER TWO: LITERATURE REVIEW ................................................................. 16

2.1 Introduction ...................................................................................................... 16

2.2 Theoretical Literature Review ...................................................................... 16
  2.2.1 Porter’s Generic Model ............................................................................. 16
  2.2.2 The Goal-Setting Theory ......................................................................... 19
  2.2.3 Diffusion Innovation Theory .................................................................... 20
4.2.6 Product Diversification Strategy .............................................................. 57
4.3 Inferential Analysis Results ................................................................. 58
  4.3.1 Regression Analysis ........................................................................ 58

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND
RECOMMENDATIONS.................................................................................. 63
  5.1 Introduction............................................................................................. 63
  5.2 Summary of Findings ........................................................................... 63
  5.3 Conclusions of the Study ...................................................................... 65
  5.4 Recommendations of the Study .......................................................... 66
  5.5 Suggestions for Further Research ....................................................... 68

REFERENCES ............................................................................................. 70

APPENDICES ............................................................................................... 78
  Appendix I: Introductory Letter............................................................... 78
  Appendix II: Consent Form ...................................................................... 79
  Appendix III: Research Questionnaire .................................................... 81
  Appendix IV: Approval of Research Proposal ......................................... 86
  Appendix V: Research License ................................................................. 87
  Appendix VI: Milk Processing Companies Licenced by the Kenya Dairy Board .. 88
LIST OF TABLES

Table 2.1: Summary of Literature and Research Gaps .............................................. 37
Table 4.1: Response Rate .......................................................................................... 48
Table 4.2: Reliability Tests ....................................................................................... 50
Table 4.3: Demographic Information ........................................................................ 51
Table 4.4: Profitability of the Milk Processing Firms ................................................ 52
Table 4.5: Market Share of the Milk Processing Firms ............................................. 52
Table 4.6: Annual Turnover in Millions Kshs ......................................................... 53
Table 4.7: Annual Milk Processing Volume in Millions of Litres ............................ 54
Table 4.8: Cost Leadership Strategies by Milk Processing Firms in Kenya .......... 55
Table 4.9: Differentiation Strategies by Milk Processing Firms in Kenya ............. 56
Table 4.10: Focus Strategies by Milk Processing Firms in Kenya ....................... 57
Table 4.11: Product Diversification Strategies by Milk Processing Firms in Kenya.. 58
Table 4.12: Regression Model Summary ................................................................. 59
Table 4.13: ANOVA .................................................................................................. 59
Table 4.14: Regression Coefficients ........................................................................ 60
Table 4.15: Hypotheses Testing ................................................................................. 62
### ABBREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASAL</td>
<td>Arid and Semi-Arid Lands</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>HMPL</td>
<td>High and Medium Production Lands</td>
</tr>
<tr>
<td>ILRI</td>
<td>International Livestock Research Institute</td>
</tr>
<tr>
<td>KCC</td>
<td>Kenya Corporative Creameries</td>
</tr>
<tr>
<td>KDB</td>
<td>Kenya Dairy Board</td>
</tr>
<tr>
<td>NACOSTI</td>
<td>National Commission for Science, Tech., and Innovation</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
</tr>
<tr>
<td>US</td>
<td>United States</td>
</tr>
</tbody>
</table>
OPERATIONAL DEFINITION OF TERMS

**Acquisition:** This is the process by which businesses buys out other competing or related companies to extend or increase their competitive advantage.

**Dairy Products:** Products that are made of milk or contain milk.

**Differentiation Strategy:** It refers to corporate reputation on quality and efficiency in the distribution of networks. In this approach, customers are provided with products custom-made to suit their needs and are therefore distinct from those offered by its competitors.

**Focus Strategy:** It entails developing brand loyalty, developing new technology for specific market segments, and developing an efficient and effective strategy. In other words, it is the marketing of a product to a specific customer base in a specific geographical area or assembly line.

**Growth Strategy:** Growth refers to cost leadership, differentiation, focus, and product diversification strategies. It is a plan of action that allows a firm to achieve a higher market share than it currently has.

**Growth:** This refers to a stage in which companies have broken even and devises means to increase their profits.
**Cost Leadership Strategy:** It refers to cost minimization, modern technology, and low expenses which are mechanisms of establishing desired performance by having the lowest cost of operation in the industry.

**Milk Processing:** This refers to value addition whereby raw milk is subjected to industrial processes to create milk-based products and packaged milk that are of higher value or longer shelf-life.

**Per Capita:** Relates to individual’s contribution or share of ownership.

**Performance:** This is the measure of a business based on profits, market share, volume, and turnover.

**Product Diversification:** It refers to number of products, related and unrelated diversification. Often adopters of the strategy focus on developing products using technology to service a unique class of consumers.
ABSTRACT

The Kenyan milk processing companies are currently facing intense competition from local and regional brands from across East Africa. This is primarily attributed to many players venturing into the sector to get a market slice to share. Thus, for milk processing firms to survive, they have to employ growth strategies that increases their performance and competitive edge. In the context of Kenya, the proportion of marketable milk is estimated at 70%, with 56% of this milk being sold in informal markets (Mbaya, Maina, Namusonga, 2021). Large dairy manufacturers control approximately 85% of milk sales through formal channels. The limited access to narrow markets poses a challenge to the performance of small dairy processors. Despite Kenya's milk processing industry ranking well in the African market, many processing firms continue to face performance-related challenges. Therefore this study sought to investigate the growth strategies and performance of Kenyan milk processing companies licenced by the Kenya Dairy Board. In particular, the study aimed to analyze how cost leadership, differentiation, focus, and products diversification strategies affect the performance of Kenyan milk processing companies. The study was anchored on Porter’s Competitive Advantage Theory, Goal-Setting Theory, Diffusion Innovation Theory, and The Balance Score Card Method. The study adopted a descriptive survey research design. It collected data using structured questionnaires from respondents. A census study targeting managers of all the 35 milk processing firms that were operational between February 2017 and February 2021 and registered with Kenya Dairy Board, was conducted. The data acquired was analysed utilizing descriptive and inferential statistics. Frequencies, percentages, means, standard deviations and cross-tabulations were computed to summarise the data. To test the predictive nature of the independent variables, the study used a regression analysis model. The regression results indicated that cost leadership strategy, and product diversification strategy had no significant influence on the performance of Kenyan milk processing companies. The results also showed that differentiation strategy and focus strategy had a significant positive partial influence on the performance of Kenyan milk processing companies. The study concludes that differentiation and focus strategies are significant predictors of Kenyan milk processing companies’ performance. Based on the research findings, the researcher recommends that the management of Kenyan milk processing companies should develop and invest in sound strategies to drive the growth of milk processors from a local scope to national and eventually global. The researcher also recommends that the boards of the individual milk processing companies should spend a lot of money on managers' and employees' knowledge acquisition about how to successfully adopt and implement various growth strategies in order to create competitive advantage in the sector. The researcher also recommends that the Kenya Dairy Board should have adequate engagements with the respective firms in designing suitable policies and strategies to sustain the milk processing industry’s expansionary programs.
CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Milk processing and dairy farming have made significant contributions to the economic development of many countries globally (Bond & Benton, 2013). Despite this, diverse geographical and economic factors differentiate production levels from one country to another. The embraced market techniques and strategic management options chosen are essential among these factors. Adam and Buckle (2014) note a direct link between profitability and different growth strategies adopted by organizations. However, the element of product quality and access highly correlates with the ability of the market to consume such products. For example, in the British milk processing industry, many buyers consistently bought processed milk because of the wide range of products that the processing firms provided. The firms have further emboldened their services by offering strategic partnerships with key players within its supply chain to increase efficiency and consequently grow their (Bate, 2016).

The African dairy processing sector consumes most of its milk locally, and only an estimated 15% of produced milk is used for preparing other dairy products aside from milk, which is the primary component. A considerable proportion of milk, about 70%, is consumed and marketed at the household level. These expenses arise because of customs and cultural orientations among communities in the region Gebreyohanes et al., 2021). Kenya, Mauritania, Botswana, and Sudan are identified by ILRI (2011) to have the highest per capita consumption of milk in Subsaharan Africa. Though the nations have a considerable milk processing sector to their advantage, varied strategies and supply chain initiatives adopted in the respective countries have varied impacts on the growth of these firms. Further, these patterns have been bolstered
through governmental policy initiatives to encourage domestic consumption and exports rather than importing milk and its products (Nielsen, 2014).

Some intermediate factors that have significantly improved milk processing and dairy farming in the region arises from promotional messaging and direct advertisements. It helps the businesses establish rapport with the critical players of the milk supply chain network. The case was evidenced in Britain, where the milk processors had found a reliable network for supplying milk to their loyal consumers and thus increasing their efficiency in providing milk and related products to their consumers. In the same breath, African milk processors can leverage advertisement to create value and expand their make inroads in pursuing the growth and performance of their firms (FAO, 2011). Opportunities for advertisements and promotional events in West Africa and in Central Africa remain high as the per-capita consumption of processed milk is significantly low. Several countries have noted this opportunity with Uganda’s Dairy Development Authority undertaking their promotional and advertisement opportunities through print and digital media, which is also applied in Kenya’s Dairy Board. Other countries in South and East Africa have also used school health programs to promote milk utilization among school-going children to improve the children’s health-related needs (Saamanya, 2015).

Several performance management methods exist for corporate entities today, including Benchmarking Business Re-engineering and Total Quality Management (Omondi, 2018). Whereas these models continue to evolve, organizations have utilized the Balanced Score Card to determine the performance of these firms in the pretext of the adopted models. Omondi further noted that the Balanced Score Card (BSC) seeks to establish feedback between internal and external activities to improve strategic performance. Initially, BSC did not envisage non-financial measurement of
performance for companies (Kaplan, 2009). However, this restriction was reviewed, and eight key performance measures have been included as measures of performance, including profitability measured as a residue of revenue generated, market share, profitability, leadership, attitudes of employees, the role of the public in different processes of production, employee development, and the corporate objectives. In this study, three performance measures from the BSC will be used to determine performance, forming the dependent variable. These aspects include market share from the customer’s perspective, profits, the volume of products, and annual turnover (Filatotchev & Bruton, 2017). The independent variables used to determine the performance of milk processing firms include the cost leadership strategy, the differentiation strategy, focus strategy, and product diversification strategy.

1.1.1 Performance of Milk processing firms

The organizational performance element denotes how an organization combines various production and market strategies to achieve its financial obligations. One of the critical factors determining how firms can access growth depends on the strategic decisions chosen to steer the production and distribution of services or products to generate income (Kumar, 2018). In other instances, the firms with sourced capital financing are obliged to provide value for their stakeholders as it is the primary obligation of such organizations and firms. Therefore, it is elemental for such firms to create value for their investors by pursuing strategies that serve such purposes.

The availability and perpetuity of assets provided for by investors must align with the values that they get or even surpass them for the investments to remain at the organization’s disposal. Failure to provide such value results in the withdrawal of assets and even the capital resources that such entities have invested in these organizations. Fahey and King (2010) highlighted that most of the research conducted
in management is premised on the approaches these firms adopt to generate value and, consequently, inform the performance of such institutions. Though the most considerations with such stakeholders lie with profitability, several intangible outcomes in the production process have to be considered for the successful interpretation of performance to be deduced. These factors contribute differently towards the performance of different firms within the same industry aggregates to varied market positions and growth patterns (Gitman, 2017).

A strategic plan prescribes a list of options to achieve its mission, vision, and organizational or firm objectives. These basic tenets form a basis through which the performance of the organization and firms can attain in the short and long term. Through time, scholars and management experts have consistently generated models to replicate the strategic plans in a generic and firm-specific sense. They cover a broad range of operational delimiters such as firm/organization-specific profitability, competitive advantage in contrast with industry standards, and the resource capacities of firms within the industry (Collins, 2017). The firm performance in this study will be evaluated based on profitability, market share, annual volume, and annual turnover.

Mwangi and Gakobo (2018) define firm performance as the extent to which a company achieves its objectives by pursuing three significant components. The first was a financial performance that utilizes the different accounting measures categorized into four; liquidity, solvency, efficiency, and leverage ratios. Often, the performance of firms employ profitability measures to determine the firms’ financial performance and can utilize liquidity ratios to determine its efficiency to generate revenues from assets. Liquidity ratios determine the ability to offset debts without seeking capital from external sources, and efficiency ratios measure how the company
operationalizes its assets and liabilities within the business environment (Chen, Zou & Wang, 2009). Often profitability or liquidity measures are reported to external stakeholders, though others are often used for decision-making processes and informing the significant stakeholders of the company’s financial position. Though the standards provide financial and operational efficiency within the firms, Mathinji and Waithaka (2019) indicate that value addition and quality management are two of the most important factors influencing the growth of Kenyan milk processing companies. In this regard, the purpose of this study is to assess the performance of Kenyan milk processing companies based on quality management strategies proposed by Porter.

Globally, the performance of the milk processing firms varied significantly depending on the regional geographic adjustments. Before the COVID-19 pandemic, milk performance in the global market had been on a gradual increase. This significantly changed as several governments implemented measures to reduce imports, reducing the exportation of milk into the global market. Whereas the performance in the industry appeared to decline, Africa’s output remained relatively constant because a significant volume of milk was consumed internally; hence, there were minimal disruptions (Acosta et al., 2021).

In the USA, the consolidation of small processors to form large processing firms has limited the ability of the small-holder processors to compete on an equal platform (Shields, 2010). Shields noted that such consolidations reduce operations costs due to economies of scale, yet small firms operate on higher margins. Such actions lower the profitability of smaller firms. The Obama administration recognized the challenge and enforced antitrust policies to help small processing firms remain competitive (Stucke & Ezrachi, 2017). In Australia, consolidation of milk processing firms reduced the
farmers’ bargaining power as there are very few processors and increasing livestock per farm. Because of this, production remained potentially stagnant compared to the Netherlands, which championed the nationalization of dairy production and safeguarding the interests of farmers (Maury, 2022).

The performance of the milk processing firms in Africa has remained significantly low compared to other global contributors, with its contribution being a dismal 8% (70 million metric tons) (Lokuruka, 2016). The low production of dairy and related products was attributed to declining land sizes across Africa, poor management of corporations, high veterinary costs, liberalization of the milk processing sector, and poor herd management. Similarly, poor strategic planning and disregard of the major stakeholders, the farmers, within the milk processing sector hampered Kenyan milk processing firms' performance (Mathinji & Waithaka, 2019). Liberalization of the industry has also introduced the challenges associated with consolidation, which creates a conglomerate of processors that set prices at the detriment of the small-holder farmers and smaller processors.

In this scientific research, Kenyan milk processing companies’ performance was evaluated based on the Balance Score Card metrics using three significant performance indicators. Though all measures were included, the four primary measures are profitability, market share, annual volume, and a yearly turnover (Kaplan, 2009). These aspects were evaluated retrospectively to include five years from 2016 to 2020. These performance elements collectively formed the dependent variable, which is the performance of Kenyan milk processing companies.
1.1.2 Growth Strategies

A growth strategy is defined as the measures that organizations put in place to expand their operations through volume and annual/periodic turnover (Westerlund & Leminen, 2012). Often scholars have interchangeably studied the element of growth and expansion, but they have been used to reference the same concept (Geroski, 2015). Both have been used to strengthen the firm-specific operations by pursuing market penetration, product diversification, and service or to refer to different production stages that serve the interest of firm performance. By pursuing growth, firms can venture into new business establishments and deviate from their modus operandi. Firms that draw primary focus to similar operations adopt the concentric diversification strategy. Such firms achieve diversification by creating various products within the same assembly line. In such cases, the firms have several complementary operations that lead to another and build synergies due to such activities. The primary driver for performance is the marketing initiatives taken to ensure that the products are consumed by a broader consumer base than previously was (Fuertes-Callen & Cuellar-Fernandez, 2019). On the other hand, firms that utilize conglomerate diversification seek to develop products dissimilar to the current product lines, making the new outfits utterly different from pre-existing businesses.

Chege and Bula (2015) identify Porter’s generic strategies as a benchmark for growth in milk processing firms. The study borrows this concept to evaluate the development of such firms in Kenya. The main approaches used are the cost leadership, focus, differentiation, and product mix strategies. In cost leadership, most firms seek to gain a competitive advantage by lowering the costs of their products while taking advantage of economies of scale. This involves minimizing expenses tied to its supply chain network, including reducing production costs and minimizing transport
logistics, among other factors. The goods are then sold to a rather extensive clientele base.

The cost associated with the products and services rendered forms a basis for organizational performance and company growth. According to Kimiti, Murigi and Murage (2020), the cost leadership strategy is critical among the strategies whose effect on the performance of firms is well documented in different literary sources. Kimiti and his compatriots identified various aspects of cost leadership strategy but noted that the overriding component of the strategy is cost minimization. Other than cost minimization, this study will evaluate modern technology and the extent to which economies of scale have been utilized in the different firms. Githumbi (2017) argues that company performance and growth are driven by developing unique goods for clients other than those produced by the firm. This reduced the price elasticity of demand created through branding and consumer loyalty. To achieve this, firms must seek means to innovate such products while ensuring that they are content with growing. An advantage associated with the strategy is that the unique products attract premium prices, compensate for the high production levels, and increase company profits. For example, milk processing firms often produce processed milk as a primary commodity and explicitly consume other milk products to a particular company base.

The firms can pursue growth through the differentiation focus strategy. This strategy reflects the focus strategy inclines to increase the services or products issued in the otherwise narrow market (Yuan et al., 2020). Thus, the firms or organizations must devise superior services to their competitors, and the clients or consumers procure those services despite being relatively expensive compared to their competitors.

Another strategy for firm growth and performance is the focus strategy. Most companies that employ the strategy do so with the view of narrowing down their
competition. However, actualizing the strategy requires the firm to select a specific clientele from different industry segments and satisfy their demand. Tanwar (2013) notes that most focus strategy actors gain a competitive advantage over other firms through effectiveness and not efficiency. It, therefore, means that companies must seek out areas with the weakest competition in the market and satisfy the consumers who require the services or products at that level, and seek out a cost advantage of the low competition.

In this study, the diversification strategy, which is part of Porter’s generic strategies, is evaluated as a measure of the performance of the Kenyan milk processing companies. La Rocca, La Rocca and Vidal (2018) note that various studies have determined a positive correlation between firm performance and diversification strategy. However, in concentric firms, the strategy negatively affects performance as diversification reduces the firm’s value (Chen, Zou & Wang, 2009). These instances are mainly attributed to the high costs of manufacturing products that outweigh the benefits realized from the sale of products. This paper evaluates the diversification strategy against firm performance with specific elements of various products, related diversification, and unrelated diversification.

1.1.3 Milk Processing Firms in Kenya

Kenya, along with Sudan, Mauritania, and Botswana, is among the leading dairy enterprises in Africa. The country boasts of an influx of milk processing firms estimated to be 35 in number (Appendix VI), yet opportunities for new entrants are limitless due to the liberalization of Kenya’s milk processing sector. An estimated 5 billion litres of milk are produced annually in Kenya and serves over 1.5 million individuals. The economic contribution of the sectors is also high, with a proportion of 4.5% on the annual GDP (Kenya Dairy Board, 2018). The United States Agency
for International Development (2010) established that the industry commanded a massive share within the agricultural sector with about 14% of the agricultural GDP in Kenya. Despite this, milk processors face many challenges such as seasonality, inadequate and inefficient dairy practices, ageing farmers, and high costs.

Kenya’s Agricultural sector is considered the backbone of the economy (Maina & Muriithi, 2020). However, one of the most developing sectors and major contributors towards Agricultural GDP is the milk processing sector. The Kenya Dairy Board projected that the industry’s processing capacity grew by a 258.33% margin between 2002 and 2010. Along with the capacity to process milk, the firms have become a significant source of employment, providing Kenyan’s with opportunities to access good quality lives and satisfy their nutritional requirements (Kimiti, 2022). The industry is estimated to employ more than half a million jobs directly from distribution and more than 750,000 people indirectly employed to provide complementary services to the sector. Whereas rapid expansion in the sector is estimated to grow further, the market dynamics consistently shift, calling for the industry players to redefine their approaches towards sustainability and growth. Several strategic and operational models have been consistently developed and adopted in varied styles to guarantee such organizations’ expansion and performance.

In Kenya, the milk processing firms have risen significantly but have performed differently depending on the strategic measures that these firms have adopted (Mbaya, Maina & Namusonge2021). The informal traders in Kenya have taken a vital role in the milk processing industry in Kenya. About 80% of the total milk produced is marketed at the farm gate level, which compromises the access of different processors to penetrate such markets efficiently (Kimiti, 2020). These levels of control have inflicted systemic challenges into the dairy market’s supply chain network, such as
inconsistent clientele and price fluctuations between processed and unprocessed milk (Muriuki, 2011). The height of competition rises with the increased number of processors fighting for a significantly small market share, causing some to merge and others to cease operations (Sambu, 2010).

1.2 Statement of the Problem

Gutmann (2014) observes that achieving profitability over time becomes challenging as the growth rate in profits must surpass sales consistently. Additionally, the author suggests that strategic choices for an organization or firm are constrained by the type of business or industry within which they operate. According to Gutmann, these decisions need to be reviewed based on the industry's directional changes, as some industries experience growth while others stagnate, decline, or cease operations.

In the context of Kenya, the proportion of marketable milk is estimated at 70%, with 56% of this milk being sold in informal markets (Mbaya, Maina & Namusonga, 2021). Large dairy manufacturers control approximately 85% of milk sales through formal channels. The limited access to narrow markets poses a challenge to the performance of small dairy processors.

The performance of Kenyan milk processing companies varies based on factors such as processing capacity and production efficiencies. Key performance indicators utilized to assess their performance include turnover, volume, market share, and profits. Large processors, for example, have an estimated daily volume of 750,000 liters, while the average total output per day for Kenyan milk processing companies is approximately 1.5 million liters. Notably, Brookside Dairies alone processes about 270 million liters of milk annually, while 12 processing firms in Kiambu produce approximately 350 million liters of milk (Michoki, 2020). These figures demonstrate
the oligopolistic nature of big milk processors in Kenya, which hampers the success of smallholder milk processors. The smaller processors often buy milk in smaller quantities, lacking economies of scale and impacting their annual revenue collections. As a result, larger processing firms with economies of scale enjoy a better market share.

The evolution of Kenyan milk processing companies has been significant since the liberalization of the dairy industry in 1992. However, small-scale milk processors have struggled to sustain their performance compared to others. Some instances of mergers and acquisitions have occurred to expand the scope of operations. Brookside Dairies, for instance, has utilized mergers and acquisitions to strengthen its market position and achieve economies of scale (Wambugu, Kirimi & Opiyo, 2011). Over 30 processing firms have been registered in Kenya since 1992, with seven classified as large producers and the rest as smallholder firms. Brookside Dairies, processing over 750,000 liters of milk per day, has acquired several small milk processing firms since 1993 (Mbaya, Maina & Namusonga, 2021).

Despite Kenya’s milk processing industry ranking well in the African market, many processing firms continue to face performance-related challenges. Abiero and Njeru (2016) highlight the need for industries to evaluate their performance using strategic measures to understand the market and enhance their performance. According to Mburu (2016), low dividend yields negatively impact the economic benefits for dairy farmers when selling milk to processing firms, leading farmers to opt for intermediaries offering significantly lower prices and resulting in declining volumes of processed milk. Additionally, increasing production costs strain cooperative societies, thereby reducing the performance of milk processing firms. Previous studies have evaluated strategic options for companies with industry changes as influencing
factors on performance (McGahan & Porter, 2017). However, recent studies have shifted focus to evaluate the strategic outcomes as performance factors. Therefore, this study aims to investigate the growth strategies and performance of milk processing firms in Kenya.

1.3 Objectives of the Study

This study was guided by the following general and specific research objectives.

1.3.1 General Objective

The purpose of this scientific research was to investigate the growth strategies and performance of milk processing firms in Kenya licensed by the Kenya Dairy Board.

1.3.2 Specific Objectives

The following objectives guided the study.

i. To investigate the effect of low-cost leadership strategy on the performance of milk processing firms in Kenya.

ii. To ascertain the effect of differentiation strategy on the performance of milk processing firms in Kenya.

iii. To establish the effect of focus strategy on the performance of milk processing firms in Kenya.

iv. To find out the effect of product diversification strategy on the performance of milk processing firms in Kenya.

1.4 Research Hypotheses

The hypotheses tested by the study include;

\( H_{01} \): Cost leadership strategy has no discernible impact on the performance of milk processing firms in Kenya.

\( H_{02} \): Differentiation strategy has no discernible impact on the performance of milk processing firms in Kenya.
**H_03:** Focus strategy has no discernible impact on the performance of milk processing firms in Kenya.

**H_04:** Product diversification has no discernible impact on the performance of milk processing firms in Kenya.

### 1.5 Significance of the Study

The study aids the investors in the milk processing sector to understand how growth strategies affect Kenya’s dairy firms’ performance. The study helps the government with information that can assist in policymaking. To the consumers, the study helps them get quality & safe products. Besides this, the study provides suggestions for strategies sufficient to drive the growth of milk processors from a local scope to national and eventually global. The information gathered from this study may revitalize the engagements between the KDB and the respective firms in designing suitable policies to sustain the milk processing industry’s expansionary programs. Finally, the recommendations for further research highlights the gaps that can be studied by future researchers interested in providing solutions to challenges facing the Kenyan milk processing companies.

### 1.6 Scope of the Study

The study was conducted at Kenyan milk processing companies licensed by the Kenya Dairy Board (KDB) (see appendix II). The study sought to ascertain the effects of growth strategies on Kenyan milk processing companies’ performance. The study sampled 175 respondents from 35 milk processors registered by the Kenya Dairy Board (KDB). Within the firms under investigation, at least five respondents were selected purposefully depending on the roles they are engaged in. The study utilized a descriptive research design where the different measures of firm performance were
analyzed over five years to determine the trends and change patterns in the operating
efficiency of the milk processing firms relative to the strategies employed for growth
and performance. The study was conducted between March and August 2022 upon
approval from research authorities.

1.7 Limitations of the Study
The study adopted a descriptive research design which could have generated findings
that would lead to drawing of conclusions based on erroneous cause-effect
relationship between the variables in the study. The study was carried out in a natural
setting without controlling for other factors that were not included in the current
study. This implies that other factors may have intervened in the study's relationship
between the variables. The research was carried out among Kenyan milk processing
companies. This limits the findings' applicability to Kenyan milk processing
companies.

1.8 Organization of the Study
Chapter one discusses the conceptual and contextual background, and the study's
objectives. The second chapter is the literature review that contextualizes the
approaches and deductions made by different scholars on the research item at hand.
The third chapter is the research methodology that explains the techniques used to
identify, select, process, and analyze the study’s information. The fourth chapter
covers the results and discussions that describe the study findings. Finally, the fifth
chapter summarises the findings, draws conclusions, and make recommendations
based on the research findings.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The chapter conducts a review of existing empirical literature on expansion strategies employed by Kenyan milk processing companies and elsewhere, and their effect on performance of the companies. The sections include theoretical findings, empirical literature, empirical gaps, conceptual gaps, and theoretical gaps.

2.2 Theoretical Literature Review

This segment focuses on the models/theories that serve as the foundation for this research. They are Porter's Five Forces model, goal setting theory, diffusion of innovation theory, and resource-based view theory, as presented in the subsections below:

2.2.1 Porter’s Generic Model

Porter (1980) outlined three generic strategies for firms to achieve competitive advantage: cost leadership, differentiation, and focus. The model While the model has been widely used and studied. Firstly, the model assumes that the market is homogeneous, meaning that customers have similar needs and preferences. However, in reality, markets can be diverse and segmented, requiring firms to adopt different strategies for different customer segments. Secondly, the model assumes that customer preferences and demands remain relatively stable over time. However, customer preferences can be dynamic and subject to change, requiring firms to continuously adapt and innovate their strategies. Finally, The model assumes that firms must choose between cost leadership or differentiation, as achieving both simultaneously is challenging. However, in some cases, firms may successfully
pursue a strategy that combines elements of both cost leadership and differentiation (Islami, Mustafa & Latkovikj (2020).

Porter's model comes with a number of limitations. Bertozzi (2017) noted that the model primarily focuses on cost leadership and differentiation strategies, placing less emphasis on the role of innovation in achieving competitive advantage. In today's rapidly changing business environment, innovation is often a critical driver of firm performance. The model tends to overlook external factors such as technological advancements, regulatory changes, and macroeconomic trends, which can significantly impact firm performance. These factors may require firms to adapt their strategies beyond the scope of Porter's model. While the model provides a framework for strategic choices, implementing the chosen strategy successfully can be challenging. It requires effective execution, resource allocation, and organizational alignment, which are not explicitly addressed in the model. The model does not account for industry-specific characteristics and dynamics. Different industries may have unique requirements and competitive forces that go beyond the generic strategies outlined by Porter.

Growth and performance strategies employed by firms determine the level of success that companies can attain. This study is pegged on Porter’s competitive advantage theory. Much as its application was designed for international competition among countries, the context and scope of its adoption are not limited. Porter designed this to accommodate industries that have a critical role in shaping domestic and international markets. Smith (2010) identifies five essential elements that were notably important in determining competitive advantage. One was factor conditions which are essentially the availability of inputs such as raw materials, supply of labor, knowledge, and even capital as a resource, among other inputs. The second was
demand creation. Different products require different consumers. This, in turn, determines the level of production that the firm needs to match and how easily they can break even from the demand created. The third is the availability of supporting businesses or firms. When the firms align themselves to the supporting firms, they can access raw materials efficiently. Porter’s competitive advantage theory houses business strategies as one of the determinants of competitive advantage by different firms. Porter developed three generic and competitive strategies that other firms can adopt (Bertozzi, 2017). There are three critical generic and competitive strategies: low cost and product differentiation, and focus strategies which are coupled up to define the competitiveness of either firms or industries.

Low-cost strategies focus on average or low costs of company products, which is compensated for by the growth in the market share. On the contrary, differentiation focuses on creating ‘different’ products than competitors would have offered. The third strategy discussed under Porter’s generic strategy is the Focus strategy. The strategy segments a particular consumer class for its products within the broad and narrow markets created by low-cost and differentiation strategies. It seeks to delineate those consumers with specific needs with a defined quality. These firms aim to satisfy the need for superior products and services. Often, these services attract higher prices because of the outstanding tags that they come along with. It is majorly pegged on products where quality is a crucial variant, and the market niche is relatively precise and small (Ouma & Oloko, 2015). Finally, the business strategies adopted are instrumental in shaping how the firms perform compared to other industries at the local or national level. The managerial approach adopted by the firm can generate substantial amounts of revenue. If this is achieved, the company’s shareholders and stakeholders become impressed and motivated to invest even further.
2.2.2 The Goal-Setting Theory

Locke and Latham (1968), developed the Goal-Setting Theory, which suggests that setting specific and challenging goals can motivate individuals and improve performance. The theory assumes that goals should be clear, specific, and measurable to enhance motivation and performance. Clear goals provide a sense of direction and focus for individuals within the firm. According to Nduta and Wanjira (2019) the theory assumes that individuals are committed to achieving their goals. When individuals are committed to the goals, they are more likely to exert effort and persist in their pursuit, ultimately impacting firm performance. The theory assumes that individuals receive regular feedback on their progress toward the goals. Feedback helps individuals assess their performance, make necessary adjustments, and maintain motivation.

While the theory has been influential in understanding individual motivation and performance, it is important to consider its assumptions and limitations when applying it to firm performance. Mulu (2015) suggested that companies set a goal or standard operating procedures to guide their growth and performance. Edwin Locke established that challenging goals yielded positive results compared to the generally simpler ones in terms of observations. The basis for goal setting is on five major principles: precision, challenge, dedication, response, and the complexity of the task at hand (Nduta & Wanjira, 2019).

Goal setting is a continuous process. According to Mwangi (2018), goal setting provides endless avenues for different actions. For instance, in pursuing a specific goal, there is a chance that it may be attained or may not. In the wake of underperformance, the goal is evaluated based on the five principles that guide goal setting. One can seek to understand whether the goal was precise. If not, there is a
need to redefine the purpose; if not, the managers can challenge their employees’ commitment to achieving them. With the goals achieved, others come up since the primary business objective is to maintain continuous profitability. However, feedback channels provide the theory with one of the best avenues to pursue continued growth since customer feedback can redefine goals, product redefinition, and service provision.

The goal-setting theory is critical to this investigation because it underpins the cost leadership and differentiation strategies. Company goals form a benchmark to conclude businesses’ performance. Firms can benchmark on cost and on how they can make their products different to increase competition. Nearly all companies have goals to guide their operations. The milk processing industries in Kenya also have a benchmark against the cost and differentiation of products they must reflect on. Sales volumes, profit margins, number of branches created, and processing plants’ capacity are just examples of the set goals.

2.2.3 Diffusion Innovation Theory

Rogers (1962) developed the Diffusion of Innovation theory, which explains how new ideas, products, or technologies are adopted and spread within a social system (García‐Avilés, 2020). The theory assumes that the members of the social system are homogeneous and have similar characteristics, needs, and attitudes toward the innovation. However, in reality, social systems are often heterogeneous, with individuals having diverse backgrounds, preferences, and beliefs. The theory assumes that individuals make rational decisions based on the perceived benefits and costs of adopting an innovation. In practice, decision-making processes can be influenced by emotions, social pressure, and other factors beyond rational considerations (Min, So & Jeong, 2019). The theory assumes that effective communication channels exist to
disseminate information about the innovation. However, in some contexts, limited access to communication channels or information asymmetry may hinder the diffusion process (Elmghaamez et al., 2022). The theory assumes that the attributes of the innovation, such as its relative advantage, compatibility, complexity, observability, and trialability, influence the adoption decision. These attributes are believed to have universal effects, but their importance and interpretation can vary across different social systems and contexts (Vagnani & Volpe, 2017).

The theory is adapted from communication to explain how people conceive ideas, how they spread, and how they adopt them. Most businesses apply diffusion theory in the same line of thought, especially when implementing product differentiation. There exist different types of adapters in the market. The first aspect lies with the presence of innovators. Innovators are people who develop products and pursue the process of implementation. Product innovations vary from time to time. The differences give the innovators to develop a product with retrospect and for posterity reasons. They include early adopters, early majority, late majority, and laggards (Elmghaamez et al., 2022).

Early adopters knew the nature of innovations and did not need convincing for them to implement them. The early majority adopters are second after the early adopters. They seek to capitalize on the innovation before any other contemporary businesses or organizations do (García- Avilés, 2020). However, the late majority are hell-bent on the pre-existing innovations but forced to change with time. Finally, the laggards are those who are very consistent and do not welcome change whatsoever. Depending on the categories that entities fall under, they are bound to make appropriate decisions to ensure company growth and profit sustainability in the wake of the changing market demands.
This theory’s practical application is essential to the generic strategies that this study sought to evaluate. Differentiation is a strategy mentioned under the generic strategies by Porter. Innovators have the highest chance to patent and trademark their products (Min et al., 2019). This way, they become branded and have certain rights in the market over their products. With this done, such companies that want to use the patents have to purchase them. This way, the companies can control competition while retaining high-profit margins. Alternatively, the same companies can seek to merge or acquire smaller companies to expand their market share. Another way that this theory fits the study is through innovation. Companies have to consistently innovate new marketing techniques, seek product improvement to increase products, and continuously develop new branded products.

2.2.4 Balanced Score Card Model

Kaplan and Norton (1992) introduced the Balanced Scorecard (BSC) model, which is a strategic management framework that provides a balanced view of organizational performance by considering multiple dimensions beyond financial indicators. The method incorporates four perspectives to measure and monitor performance: financial perspective, customer perspective, internal process perspective, and learning and growth perspective (Aryani & Setiawan, 2020). According to Benková et al. (2020), the method assumes that organizational performance should be evaluated from multiple perspectives, recognizing that financial measures alone may not provide a comprehensive view. It assumes that non-financial factors such as customer satisfaction, internal processes, and employee capabilities are critical for long-term success. The BSC method assumes that there are cause-and-effect relationships between the perspectives. It suggests that improving performance in one perspective can positively influence performance in other perspectives. For example, satisfied
customers may lead to increased financial performance. Further the method assumes that the balanced scorecard should be aligned with the organization's strategic objectives and priorities (Aryani & Setiawan, 2020). It emphasizes the need to identify key performance indicators (KPIs) that directly reflect the organization’s strategic goals.

The evolving nature of strategic management necessitated the introduction of divergent metrics to measure performance, as the traditionally proclaimed financial metrics were inconclusive (Bochenek, 2019). Bochenek further argues that BSC converts the strategic objectives, mission, and vision of a company into tasks that are measurable and attainable and is guided by four key elements: financial information, market share in the customer perspective, internal perspective measured from the financial performance, and finally, learning from the outcomes of the preceding three components.

According to Al-Sharafat (2013), the BSC is crosscutting. However, its utilization determining the performance of Jordanian Industries was generally lacking. The only industry whose performance was correctly estimated in Jordan was the milk processing industry, where the assessment determined that over 96 firms operated on profits. The use of the method provides managers with a robust benchmark for real-time decision-making based on the different aspects of performance as prescribed by the BSC. Even though the organizational performance in Kenya has been evaluated based on competition (Kasyola, 2011; Gunasekaran & Mavondo, 2013; Kihoro & Kepha, 2014), the application of BSC to determine organizational performance in the industry is limited.
In this study, the appropriate measurement approach for the performance of milk processing firms utilized the BSC method. The financial component of these firms were evaluated based on the annual turnover, where different financial trends and financial ratio analysis were used to determine whether the firms have performed well. The second element, customer perspective, will be evaluated using the market share between different processors from the customer’s perspective. Finally, the internal perspective will be evaluated based on the profits made by the processing firms.

2.3 Empirical Literature Review

This segment evaluates previous studies on the generic strategies used to characterize organizational growth and performance. The section discusses each generic strategy, including low-cost strategy, differentiation strategy, focus strategy, and product diversification theory, stemming from the three other approaches. The study determines the research gaps that the scholars identified to structure informative and meaningful research adequately. Finally, this section details the gaps in research as a summary of the empirical evaluation.

2.3.1 Cost Leadership Strategy and Performance

The aspect of competition to model performance has been extensively studied. Pimtong, Hanqin and Hailin (2012) evaluated the construct of competition relative to hotel performance. They studied the agents of causation within the confines of strategies used by the hotel management to achieve a competitive edge over its counterparts. The trio employed the questionnaire instrument to collect the data, which complemented the descriptive research design highlighted to assist or help the researchers achieve their research outcomes. The scope of the study included major hotel owners in the USA, and their management identified through public hotel data
repositories. Among the critical constructs evaluated was the low-cost strategy as a determinant for performance. The low-cost strategy was then found to have a direct correlation with hotel performance in the United States.

Njuguna (2012) investigates the cost leadership strategies adopted by Safaricom Kenya Limited to gain a competitive superiority over competitors in the Telcos sector in Kenya. The target population was the managers and the head of departments with a sample size of 221 and adopted a descriptive research design. Njuguna determined the low-cost strategy as a major determinant of performance when interactively applied alongside other strategic decisions. Njuguna, therefore, recommended multipronged approaches that interactively create a more excellent value for the company. In this study, the adoption of the low-cost strategy by milk processing firms will be evaluated based on three key components; cost minimization, adoption of modern technology, and economies of scale.

Kasyoka (2011) investigated Safaricom Kenya Limited's cost leadership strategy for achieving long-term competitive advantage. The intended population consisted of department heads in charge of finance operations. The study was a case study and established that cutting cost strategy was a means to attaining a better competitive position. In the study, the role of low cost leadership was evaluated retrospectively to determine whether it helped the company achieve sustainable competitive advantage as an area of further research.

Oanda (2013) investigated the difficulties of implementing a cost leadership strategy among Kenyan private security firms. A descriptive research was conducted, and the subjects of interest were senior and middle managers in private security firms. The study's findings established that the firm faced challenges such as poor internal
communication, poor management, poor coordination, and inadequate internal training. The study did not focus on how cost leadership may increase organization performance; hence, the findings may not be replicated in the current research.

Kihoro and Kepha (2014) studied the effect of cost leadership strategies on customer retention at G4S (K) Limited. 75 out of 243 employees were considered appropriate representatives of the study population. Questionnaire data collecting instruments were used to acquire primary data, and later analysed using the SPSS. The paper further determined that strategic decisions on the cost of services affected the firms’ customer retention. However, the study did not focus on how cost leadership may increase organization performance.

**2.3.2 Differentiation Strategy and Performance**

Aliqah (2012) conducted a research study to explore the influence of differentiation strategy on the organizational performance of Jordanian industrial firms. The study adopted a case study design, focusing on Jordanian industrial workers as the population of interest. The collected data was analyzed using descriptive statistics. The regression analysis conducted as part of the study yielded outcomes that led to the conclusion that the differentiation strategy did not have a significant impact on determining the performance of milk processing firms in Jordan. These findings were in contrast to the conclusions drawn from other empirical research presented within the same paper, which suggested that the differentiation strategy had been successful when implemented by organizations both within and outside the Jordanian context. The study aimed to examine the specific context of Jordanian industrial firms and assess the extent to which the differentiation strategy contributed to their organizational performance. The differentiation strategy involves creating unique and distinctive products or services to establish a competitive advantage. In the case of
Jordanian milk processing firms, the study sought to determine whether the adoption of this strategy resulted in improved performance outcomes. By utilizing a case study approach, the study provided an in-depth analysis of the specific factors at play within the Jordanian industrial sector. The descriptive statistics employed in data analysis allowed for a comprehensive understanding of the differentiation strategy's impact on organizational performance within this specific context. The contradictory findings within the study highlighted the complexity of strategy implementation and the potential influence of various contextual factors. While the differentiation strategy may have proven successful for other organizations examined in the broader research, the study's focus on Jordanian milk processing firms indicated that the strategy's impact on performance might not be consistent across all industries or sectors within the Jordanian context. This highlighted the need for further investigation and consideration of industry-specific dynamics when assessing the effectiveness of differentiation strategies.

Prajogo (2013) explored the impact of strategy differentiation on quality performance. A descriptive study design was used in this study. The Chief Executive Officer, Chief Operating Officer, Human Resource Manager, and Chief Finance Officer were the intended respondents. Comparatively, the evaluation of the low cost and the differentiation strategy was unique in their aspects. Whereas the low cost focused on performance-based economies of scale, the differentiation strategy derived its positive outcomes by considering product quality as a critical determinant of organizational performance. The two are applied interactively; the element of price consciousness supersedes the need to obtain the products at a lower cost but setting fair prices for just the right quality. A differentiation strategy is presented by the quality aspect. The quality aspect determines the consumer’s perception of the product.
Jonyo (2013) studied the differentiation strategies that contribute to the challenges of managers among the G4S (K) companies Limited. The respondents in the study were departmental managers from the firms, and the study employed a descriptive research design. The results of the study established that the differentiation strategy contributed to the manager’s exclusion from the major decisions making within the organization, which affected the organizational performance within the firm. The study concluded that the managers had an input in strategic decision-making concerning competitive strategies that increase the firm’s performance. This study focused on differentiation strategy on challenges of managers and left out cost leadership, focus strategies, and their influence on organizational performance. In this study, the differentiation strategy was studied based on whether the firms had a corporate reputation on the quality of products, the efficiency of the distribution networks, and low demand elasticity resulting from product differentiation.

Olson and Slater (2015) conducted a research study to examine the application of the Balanced Scorecard (BSC) approach on competitive models and performance in firms across the United States of America. The researchers employed a descriptive research design and targeted personnel within American firms as the study participants. To collect data, a questionnaire was used as the data collection instrument. The study's results unveiled that different market strategies exerted varied impacts on a firm's competitive advantage. However, it is worth noting that the study specifically focused on differentiation strategies, while excluding cost leadership and focus strategies and their potential contributions to organizational performance. By narrowing its scope to differentiation strategies, the study aimed to delve deeper into the specific impact of this particular market strategy on competitive advantage within the context of American firms. This strategic approach emphasizes creating unique and distinct
offerings that set a firm apart from its competitors. The study sought to analyze how effectively implementing differentiation strategies could lead to improved competitive advantage and ultimately influence firm performance. Through the utilization of the BSC approach, the study aimed to provide insights into the various dimensions of organizational performance that are influenced by differentiation strategies. By assessing key performance indicators across different perspectives, such as financial, customer, internal processes, and learning and growth, the study aimed to shed light on how differentiation strategies can drive competitive advantage and overall firm performance in the United States market.

2.3.3 Focus Strategy and Performance

Gunasekaran and Mavondo (2013) conducted a research study to examine the relationship between concentration, competitive advantage, and organizational performance. The study employed a survey design and targeted the Australian Best Practice Program, consisting of 237 companies, as the population of interest. To gather data, a questionnaire was utilized. The collected data was then analyzed using graphs and pie charts. The study's findings revealed that organizations implementing focus strategies exhibited significantly different variable configurations. This contrasted with the traditional viewpoint put forth by Porter, as the findings suggested that combination strategies could be more successful in specific circumstances compared to single focus strategies. Consequently, this highlighted a knowledge gap in the existing understanding of strategy effectiveness. In order to address this gap, the study aimed to evaluate the application of the focus strategy through three key components. Firstly, it aimed to assess whether firms were able to establish brand loyalty within their target market segment. Secondly, the study aimed to investigate the progressive adoption of technologies that were well-suited to the narrow market
Lastly, the study sought to evaluate the overall effectiveness of the focus strategy in achieving organizational performance.

Munyiri (2014) evaluates the impact of competitive strategies utilized by major banks in Kenya alongside customer retention approaches. Whereas the study intended to determine whether the different competitive strategies impacted retention, the findings concluded that the banks have different secluded customers for differentiated services. Therefore, the banks utilized the focus strategy to propagate their customer retention initiatives measured using customer satisfaction surveys. The satisfaction surveys showed that the clients were generally satisfied as the services offered by the bank were tailor-made to suit their needs. The methodological approaches used in the study involved the use of the descriptive survey design and the observations collected using the questionnaire instruments. This research concentrated on profit-making banks whose challenges are dissimilar from the public service vehicles sector, making it challenging to use its conclusions for the context of this study.

Chelang’a, Rono and Boit (2017) endeavored to determine how focus strategy affected the performance of SMEs in Nairobi County Kenya. Explanatory research design was used in the study. The target population of the study was made up of 7384 SMEs and a sample of 95 SMEs was picked using systematic random sampling. Structured questionnaires were used to collect data, which was then analyzed using descriptive and inferential statistic. Findings indicated that market focus strategy were positively and significantly related to financial performance. The study concluded that market focus strategy had positive and significant effect on the financial performance of SMEs.
Malika & Kising’u (2019) assessed how Mombasa based bus transport companies’ performance is affected by competitive strategies. Using descriptive cross-sectional survey, data was collected through questionnaires from 122 respondents selected through simple random sampling. Data was analyzed using descriptive (mean and standard deviation) and inferential (Pearson’s correlation and regression) statistics with the help of Statistical Package for Social Sciences and presented using tables. The level of significance for the various inferential tests was set at alpha = 0.05. Pearson’s correlation test indicated that cost leadership strategy, differentiation strategy, and focus strategy had statistically significant and weak positive correlation with the companies’ performance while innovation strategy had statistically significant and moderate positive correlation with the companies’ performance. Regression analysis suggested that approximately 74.8% of the variability in the companies’ performance was explained by the competitive strategies adopted. In particular, the regression coefficients revealed that focus strategy had statistically significant and positive influence on the companies’ performance. The study concluded that adoption and effective implementation of focus strategy by the companies would contribute to an improvement in performance.

Kavulya et al., (2018) examined the effect of focus strategy on the Performance of savings and credit cooperative societies in Kenya. The study was a cross-sectional survey with a descriptive research design. The target population of this study was the 181 authorized deposit taking savings and credit cooperative societies in Kenya that have been in existence for at least the last 5 years. The study sampled 181 CEOs and Business development managers, who were in charge of strategies. The study used questionnaires as the main data collection instrument that contained both open and closed ended questions. Multiple regression analysis was used to establish the
relationship between the dependent and independent variables. Regression analysis indicated that focus strategy had a positive and significant effect on performance of savings and credit cooperative societies in Kenya.

2.3.4 Product Diversification and Performance

According to George and Kabir (2008), the product diversification strategy negated organizational performance in a study conducted to evaluate the application of diversification among publicly traded firms in India. Previously conducted empirical searches within the context complemented the findings in the study. However, the study suggested that while considerations are made in evaluating the strategy, several other factors must be considered. The factors include the systems of governance adopted, the company’s organizational structure, among others. When these factors were considered, independent firms implementing the strategy performed poorly than grouped businesses. Some of the key indicators selected to measure performance in the study included the annual turnover trends, annual profits, sales revenues, ROA, and ROE. In the current study, product diversification was evaluated based on the number of products, related and unrelated diversification.

A study of Italian firms concerning the diversification strategy showed that unrelated diversification approaches positively influenced firm performance. One of the main features that drove the positive outcomes was decentralized information exchange to advance internal market capital capacity. According to Hann, Ogneval and Ozbas (2013), firms that utilize the diversification strategy lower the capital costs making it easy for such firms to generate value for their investors than those that utilize the focus strategy. Such positive outcomes were further achieved whenever the managers were incentivized through stock purchases.
Using the product diversification strategy, Nigerian firms could generate more returns on assets than those that did not utilize the strategy (Olade, 2012). ROA is a measure of organizational performance, and the ability of a firm to generate positive values indicates that the company or firm is performing well. Mashiri and Sebele (2014) established that in over six years of conducting a cross-sectional study to investigate the performance of companies listed in Zimbabwe’s security exchange discovered a link between diversification and performance. The performance was measured based on the annual turnover of the respective products and annual revenues. Similarly, Berg (2016) discovered a positive relationship between firm performance and diversification. In the study, Berg evaluated the performance between diversified and undiversified firms based on financial ratio analysis and market-based measures. In conclusion, it was determined that the diversified firms performed better in all performance measures than the undiversified firms.

Among listed firms in Vietnam, Phung and Mishra (2016) determined a positive correlation between those that had adopted diversification as a growth strategy compared to those that did not. The measures used in the determination entailed econometric estimation based on the Heckman model of selection and the generalized system method of moments. Apart from the positive association between diversification and performance, the study notes that lack of proper governance structures compromised the implementation of the strategy leading to poor performance outcomes.

2.4 Summary of Literature and Research Gaps

The study’s overall aim was to evaluate the growth and performance strategies used by Kenyan milk processing companies. Literately, studies evaluated herein demonstrate minimal research in applying the generic strategies for evaluating growth
and performance. Instead, the strategies, much as they are generic, have been evaluated widely in the context of sustaining competition in divergent industries that include Safaricom Ltd and others (Kasyola, 2011; Gunasekaran & Mavondo, 2013; Kihoro & Kepha, 2014). Some of the most significant theoretical foundations for measuring the performance of firms are explained using the Porter’s generic model, the Goal-Setting theory, the Diffusion Innovation theory, and the Balanced Scorecard method.

The literary evaluation indicates that there has been an extensive utilization of the Porter’s generic strategies within the confines of competitive advantage theory. The three major strategies include the low-cost leadership, differentiation, focus, and product diversification strategies. In this scientific research the investigator wanted to determine the specific contributions of the generic strategies relative to the Kenyan milk processing companies’ growth and performance.

The impact of low cost strategy as a generic measure has been evaluated with an intention to determine the competitive nature of businesses (Smith, 2010; Njuguna, 2013; Kasyoka, 2011). The strategy has also been studied to determine whether it had an effect on the performance of companies while deducing the challenges that exist in its implementation (Kihoro & Kepha, 2014; Oanda, 2013). In this study, the evaluation of its contribution to the overall performance and growth of the milk processing firms was undertaken. The evaluation was based on three major indicators that provides a deviation from the ordinary cause and effect relationship on management, and relating to the evaluation of competition among firms in different industries; cost minimization, modern technology, and economies of scale.
The differentiation strategy delineates a strategic decision whereby organizations specialize in the production of a variety of products other than those offered by the competitors. The differentiation strategy has been evaluated to determine the performance of companies on quality orientations (Prajogo, 2013), challenges and performance of managers in different firms (Jonyo, 2013), competitiveness of firms in USA (Olson & Slater, 2015). The application of the differentiation strategy in the context of performance of milk processing firms is inherently limited except for a study done in Jordan where 96 milk processing firms (80%) were found to be profitable. In this study, the differentiation strategy was evaluated based on creating corporate reputation on quality, efficiency of the supply chain distribution network, and low demand elasticity.

Another element of the generic strategies that was used to assess Kenyan milk processing firms' development and performance is the focus strategy. Its application is heavily tied with evaluating competition as a factor of organizational performance (Gunasekaran & Mavodo, 2013; Munyiri, 2014). The context in which the strategy is applied depends on the circumstances that it is applied in. The strategy has not been used as a strategic input in determining the growth and performance of Kenya's milk processing industries. This study evaluated the strategy as it was applied within the milk processors' industry based on three major constructs: creating brand loyalty, new technologies for narrow market segments, and effectiveness.

Finally, the product diversification strategy is also a strategy housed under Porter’s generic strategies. Of all the four strategies evaluated empirically, this strategy has been widely linked to the performance of firms or organizations (George & Kabir, 2008; La Rocca & Staglianò, 2012; Olade, 2012; Phung & Mishra, 2016). However, its application in determining its strategic application in the growth and performance...
of milk processing firms was highly lacking. The strategy was thus evaluated based on four key indicators: several products, related diversification, and unrelated diversification.

There exist, however, various theoretical gaps associated with the evaluation of Porter’s generic strategies on the performance of Kenyan milk processing companies. The goal-setting theory, for example, provides a benchmark for the profitability and growth of firms. The theory is widely linked to profitability based on sales volumes, profit margins, number of plants, and profit margins. These factors are also defined by the products offered, quality of service, and the defined goals. Much as there is a direct link established with product diversification, its application in the past is widely limited to corporate entities unrelated to milk processing firms' performance.

Also, the diffusion innovation theory links with the focus and the product diversification strategy since the theory defines the nature of adaptations by different firms. The innovative approaches and strategic models to spur growth and performance have been used in various technological companies as innovations are more prevalent in such industries. Their application within the confines of milk processing firms is minimal as was observed between the focus and the product diversification strategies. In this study, the application of these strategies on this theoretical premise was conducted to apply to product innovations and how they affect the growth of the Kenyan milk processing companies.

Finally, the Balanced Scorecard method provides a benchmark for organizations to measure their performance using financial and non-financial measures—notably, the traditional approaches to measuring performance inclined towards financial measures
while disregarding consumer satisfaction and learning. The study utilized the BSC to determine the performance of the Milk processors in the study.

### Table 2.1: Summary of Literature and Research Gaps

<table>
<thead>
<tr>
<th>Author</th>
<th>Title</th>
<th>Findings</th>
<th>Research gap</th>
<th>Focus on the current study</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kasyoka (2011)</td>
<td>The impact of strategic positioning contributes to Safaricom Kenya Limited achieving long-term competitive advantage.</td>
<td>Safaricom has strategically positioned itself by adopting a cost leadership strategy to attain and keep its long-term competitive advantage</td>
<td>The study narrowed itself to strategic positioning strategies to attain competitive advantage.</td>
<td>The researcher investigated the performance of the milk processing firms in relation to the BSC method for measuring organizational performance</td>
</tr>
<tr>
<td>Njuguna (2012)</td>
<td>Safaricom Kenya Limited's competitive strategies to combat competition</td>
<td>One of the competitive strategies used by Safaricom Limited to combat competition was cost leadership.</td>
<td>The study was limited to the strategies that Safaricom has adopted to tackle competition as opposed to how the strategies that influenced the performance of the firm</td>
<td>The study assessed the strategic contribution of Porter’s generic strategies for growth and performance of milk processing industries</td>
</tr>
<tr>
<td>Oanda (2013)</td>
<td>The challenges of implementing a cost leadership strategy among Kenyan private security companies</td>
<td>Environmental uncertainty, insufficient and improper communication, inadequate training, poor coordination, poor leadership styles, organizational culture, and technological change were all</td>
<td>The study was on the challenges experienced in implementing cost leadership strategies.</td>
<td>The current study evaluated the use of the cost leadership strategy to investigate its contribution to the growth and performance of milk processing firms.</td>
</tr>
<tr>
<td>Authors</td>
<td>Title</td>
<td>Context</td>
<td>Findings</td>
<td>Implications</td>
</tr>
<tr>
<td>-------------------------</td>
<td>-----------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Aliqah (2017)</td>
<td>The influence of differentiation strategy on Jordanian industrial firms' performance</td>
<td>When firms utilize the differentiation approach, there is no meaningful influence on their performance.</td>
<td>The study was not centred on Kenyan milk processing companies’ performance</td>
<td>In this study, an evaluation of the contribution of the differentiation strategy towards Kenyan milk processing firms' development and performance was done.</td>
</tr>
<tr>
<td>Prajogo (2013)</td>
<td>Influence of differentiation strategy on quality performance</td>
<td>Differentiation strategy predicted product quality of firms</td>
<td>This study focused on differentiation strategy on quality performance and left out cost leadership and focus strategies and their impact on performance</td>
<td>In this study, both the cost leadership and focus strategies were studied to determine whether they influenced growth of Kenyan milk processing companies.</td>
</tr>
<tr>
<td>Gunasekaran and Mavondo (2013)</td>
<td>The relationship between focus strategy and competitive advantage in Australian companies</td>
<td>There were significant differences in the performance configuration in adopting focus strategies</td>
<td>The research was carried out in an entirely different geographical context and market dynamics. The current study will be able to determine how growth strategies affect milk processing firms’ performance</td>
<td>This investigation was aimed at evaluating the different factors that contribute to Kenyan milk processing firms' expansion and performance</td>
</tr>
<tr>
<td>Authors</td>
<td>Title</td>
<td>Details</td>
<td>Source: Researcher (2023)</td>
<td></td>
</tr>
<tr>
<td>-------------------------</td>
<td>----------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Kihoro &amp; Kepha (2014)</td>
<td>The effect of competitive strategies on customer retention in G4S (K) Limited</td>
<td>The study found out that the company has a strategic account management department that comes up with strategies on customer retention, such as cost leadership and training. The study did not focus on how cost leadership may affect performance; hence, the relationship cannot be established from the findings. The contextual application of generic strategies in the milk processing industry has not been implemented. This study provided this evaluation.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2.5 Conceptual Framework

This section illustrates the variables of focus in a study and the relationships the researcher expects to find between them. (Kothari & Gaurav, 2014). As shown in Figure 2.1, the outcome variable is performance, while the predictor variables are cost leadership strategy, differentiation strategy, focus strategy, and product diversification strategy.
The low-cost leadership strategy application on milk processing firms was evaluated based on three significant constructs. One is cost minimization which was measured by asking respondents to provide their opinions on a 5 point Likert Scale on whether lower prices attracted more clients or not and whether the firms focus on efficiency to gain price advantages. Secondly, is the adoption of modern technology, which was measured by asking the respondents to provide their perceptions or attitudes on
whether the firms used technology to increase their profit margins? The last variable to evaluate low-cost leadership was low expenses in the production processes. Responders were requested to indicate whether they believed that the firms could wither competition due to low prices for better market survival and that specialization is essential in increasing company profits.

Two variables were used to determine the application of the differentiation strategy; corporate reputation in quality and efficiency of the distribution networks. The corporate responsibility was measured by asking the respondents to provide their perceptions on a five-point Likert scale for various variables. The variables to measure corporate reputation in quality included whether milk processing firms packaged products depending on the customer needs and whether the leading companies in the industry benchmark against each other to improve market positions. The efficiency of distribution networks was measured by asking the respondents whether there were many products to increase the customer base.

Based on three significant variables, the focus strategy was evaluated: creating brand loyalty measured by assessing the agreement levels on whether the firms invest in new technologies for narrow market segments. The second variable was adopting new technologies for narrow market segments, measured by assessing respondents’ perception of efficient service for narrow market segments. The efficiency and effectiveness of the focus strategy was measured by evaluating the company’s tight control on overheads for narrow market segments and ongoing investment in capital to preserve cost advantage for limited market segments. All the factors assessed were determined through the 5-point agreement Likert scale variables.
The product diversification strategy was evaluated based on three variables. The first variable considered is the presence of different products. The variable was measured by asking the respondents to indicate the degree of agreement on whether the firms develop new and other products. The presence of related diversification was measured by asking the respondents whether their companies introduced fighter brands to counter new entrants in the market and whether their companies sold generic versions to counter their competitors. Finally, the third variable evaluated was the unrelated diversification by asking the respondents whether their companies had patent protections for innovations and total linkages to their suppliers and buyers.

The study relied on the following measures to determine the performance of Kenyan milk processing companies; profitability, market share, annual turnover, and annual volume. Profitability was measured based on the respondents’ perception of how well the company has improved its Return on Equity Ratios over time and whether their incentives increased as a result. In determining the market share, employees were asked to indicate their perception on a 5-point Likert scale whether they believed value addition by employees was well above the industry average and if they thought its market share had increased significantly. In terms of annual turnover, the managers were required to evaluate whether the company’s capacity has improved considerably. The yearly turnover was measured by providing options for the respondents on what they believed to be the company’s turnover in Kenyan Shillings. Finally, the respondents indicated the annual output volume for their companies between 2017 and 2021.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers the research design, target population, sampling design, data collection instruments, procedures, and data analysis and presentation.

3.2 Research Design

Research design refers to the overall strategy that a researcher chooses to integrate the different components of a study in a coherent and logical way, thereby, ensuring the research problem will effectively be addressed (Nayak & Singh, 2015). A descriptive research design was used in the study to help the researcher collect data from a population sample and minimize the respondents’ interaction and influence. This helped ensure that the researcher collected basic information and not interfered with advice or any other form of influence. A descriptive research design can be used whenever the researcher desires to study a concept about the larger population but sets the target to a smaller one with the same characteristics as the general population (Kothari & Gaurav, 2014). However, the study design’s choice was due to the timely nature of the study’s information to enumerate or study. The study sought to understand how the different growth strategies, as implemented at the time of the research, influence the performance of Kenyan milk processing companies.

3.3 Target Population

Bryman and Bell (2015) define the target population as the entire group of individuals or subjects under consideration in a study with common characteristics and generalizations. The study’s target population were the management level employees from all 35 Kenyan milk processing companies licensed by the Kenya Dairy Board were surveyed (KDB) (Appendix VI) and were in operation between 2017 to 2021.
This target population’s choice was justified because the employees’ management level are well conversant and have experience with their firms’ competitive strategies. The managers were the units of observation while the milk processing firms were the units of analysis.

3.4 Sample Size and Sampling Technique

Bryman and Bell (2015) define a sample as a subset of a broader population of persons, items, or things chosen for assessment. In this study, a census of the licensed milk processing companies was conducted, whereby, all the 35 milk processing enterprises licensed by KDB were included in the study. The researcher then used purposive sampling technique to sample 175 participants from the 35 milk processors, with at least five participants from each milk processor being selected depending on the roles they were engaged in.

3.5 Data Collection Instruments

The questionnaire was used to collect data for the study. This choice was pegged because it is easier to administer and that the researcher wields minimal influence in the respondent. Further, It is possible to distribute the questionnaires to many persons at once. This helped reduce time wastage, costs for data collection, and one other advantage is that the tool’s administration does not require an advanced skillset (Nayak & Singh, 2015). Additionally, it is flexible in terms of the types of responses that can be collected through them. The questions were closed-ended which allowed the researcher to gather quantitative data. However, one of the significant disadvantages is that the instrument can easily get lost in the researcher’s hands or respondents.
3.6 Reliability and Validity of Research Instruments

A pilot study was necessary for this research study because it helps in achieving the validity and reliability of the research instruments and tools (Busetto, Wick, & Gumbinger, 2020). Purposive sampling technique was used to select 5 licensed milk processing companies located in Nairobi (Appendix VI) for piloting of the research instruments. Purposive sampling was then used This was because of the ease of access to the companies by the researcher. Purposive sampling was then used to sample 10 participants, 2 from each company, from the management level employees to participate in the pilot study. The participants in the pilot study were not included in the actual study to eliminate bias. The pilot study enabled the researcher to familiarize with research administration procedures and to identify items that required modification, addition, or deletion. The efficiency of data collection was tested using researcher-produced instruments and matching these tools with the research objectives and questions.

3.6.1 Reliability of Research Instruments

Mugenda and Mugenda (2009) define reliability as a measure of the degree to which a research instrument yields consistent results or data after repeated trials. The pilot study enabled the researcher to assess the clarity of the questionnaire items so that those items found to be inadequate or vague were modified to improve the quality of the research instrument thus increasing their reliability. Cronbach’s alpha (1951) was used in the study to assess scale reliability of the likert scales used in the research instrument, that is, how closely related the set of items in the likert scales were as a group. According to Sekeran & Bougie (2016), the acceptable levels of reliability range from alpha coefficients of 0.6-0.8. In this study, an alpha coefficient of 0.70 and
above was considered an acceptable level of internal consistency of the likert scales used to measure the variables in the study.

### 3.6.2 Validity of Research Instruments

Validity is defined as the accuracy and meaningfulness of inferences, which are based on the research results (Asenahabi, 2019). To ensure that the information to be collected from the field was accurate and reliable, there was need for the researcher to determine the content validity of the instruments. Content validity of the instruments was determined by going through the items one at a time and comparing the contents to ensure that they contain all the information in line with the study objectives and variables of the study. Expert judgments was sought from university supervisors. The research instruments were scrutinized by the departmental supervisors to judge the items on their appropriateness of the content, and the need for modification to achieve the objectives of the study. The feedback obtained was then incorporated into the final instruments before the actual study.

### 3.7 Data Analysis and Presentation

The raw data obtained from the research instrument was validated, edited, and coded to prepare for qualitative and quantitative data analysis. Quantitative data were analyzed using IBM Statistical Package for Social Sciences (SPSS) for Windows, Version 25 (IBM Corp, 2017). Descriptive statistics such as, frequencies, percentages, means, standard deviations, and coefficient of variation were computed to summarise the findings. Inferential statistics such as Pearson correlation and multiple regression analysis were used in the study to establish relationships between the respective predictor variables and the outcome variable, and meaningful conclusions. In order to ensure that the data followed a normal distribution, data on the dependent variable was log transformed with a base of 10. The analyzed information are presented in
tables and other information presented in prose, especially for the qualitative data. The regression analysis model is as follows:

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \]

Where:

- \( Y \) is the Organizational Performance
- \( \beta_0 \) is the constant
- \( \beta_{ij(x)} \) are the coefficients of determination
- \( X_1 \) - Cost Leadership Strategy
- \( X_2 \) - Differentiation Strategy
- \( X_3 \) - Focus Strategy
- \( X_4 \) - Product Diversification Strategy
- \( \varepsilon \) Error term

### 3.8 Ethical Considerations

Ethics are a set of rules or principles that guide an individual’s behaviour, of a community, or even an organization (Mwangi & Gakobo, 2018). Researchers and scholars have a specific set of principles they live by to ensure that their studies’ authenticity is beyond reproach. This study was bound by the set of regulations that govern scientific research in Kenya. To accomplish this, the researcher defended the proposal before the university. Before beginning data collecting, permission was obtained from the university (Appendix IV) and NACOSTI (Appendix V). The study protected the participants’ anonymity by guaranteeing that the information gathered was only utilized for the purpose of the study and nothing else. Furthermore, upon introduction, respondents were given a consent form (Appendix II), allowing them to choose whether or not to engage freely in the study.
CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter contains the findings and discussions on the effect of growth strategies on performance of Kenyan milk processing companies. The study respondents were 175 managers from all the 35 Kenyan milk processing companies. The study was completed satisfactorily, and IBM SPSS for Windows, version 25, was used to evaluate the data. Tables with the results are then followed by their explanation. The outcomes are arranged in respect to the goals of the study.

4.1.1 Response Rate

The study participants received 175 questionnaires in total, of which 146 were returned. Six questionnaires were removed from the analysis after they were processed because they were not completely filled out. Hence, 140 surveys with an 80% response rate were selected in the data analysis. The acceptable range for response rates, according to Baruch and Holtom (2008), should be 50%-80%. Table 4.1 provides a summary of the response rate.

<table>
<thead>
<tr>
<th>Table 4.1: Response Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued Questionnaires</td>
</tr>
<tr>
<td>Returned questionnaires</td>
</tr>
<tr>
<td>Analyzed questionnaires</td>
</tr>
<tr>
<td><strong>Response Rate</strong></td>
</tr>
</tbody>
</table>

Source: Researcher (2023)

4.1.2 Data Processing

The 140 managers from the 35 milk processing businesses served as the study's observation units, while the 35 milk processing enterprises served as the study's analytical units. A sample which involved more than one manager from the same milk processor group was used. Therefore, in order to conduct an appropriate data analysis, the researcher used aggregation method to obtain data scores that represented the
average of a group of managers from the different milk processing firms. According to Kumar (2018), in aggregation method, data is collected of the variable at lower level (individual) and then the analysis is conducted at a higher level (organization). In this study, data was collected at managers’ level and analysis was conducted at the firm level. The researcher used arithmetic mean to aggregate the data. Therefore, analysis was conducted using aggregate data scores of the respective variables in the study.

4.1.3 Reliability of Results

The questionnaire was composed of Likert scales with five-point Likert-type items that were used to gauge respondents' attitudes toward the study's underlying constructs. To assess the internal consistency of the Likert scale data sets, the study used Cronbach's alpha. Six Likert-type items were used to assess the cost leadership strategy, which resulted in a Cronbach's alpha of 0.838; four Likert-type items were used to assess the differentiation strategy, which resulted in a Cronbach's alpha of 0.725; six Likert-type items were used to assess the focus strategy, which resulted in a Cronbach's alpha of 0.803; and six Likert-type items were used. All of the Likert scales' Cronbach's alpha test results were >0.7, indicating that they were accurate in capturing the study's underlying components. In Table, the dependability statistics are displayed in 4.2.
Table 4.2: Reliability Tests

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach's Alpha</th>
<th>No. of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost leadership strategy</td>
<td>.838</td>
<td>6</td>
</tr>
<tr>
<td>Differentiation strategy</td>
<td>.725</td>
<td>4</td>
</tr>
<tr>
<td>Focus strategy</td>
<td>.803</td>
<td>6</td>
</tr>
<tr>
<td>Product diversification strategy</td>
<td>.710</td>
<td>6</td>
</tr>
<tr>
<td>Firm performance</td>
<td>.823</td>
<td>14</td>
</tr>
</tbody>
</table>

Source: Researcher (2023)

4.2 Descriptive Analysis Results

To gauge the respondents' thoughts about the study's underlying constructs, data were gathered utilizing sets of likert scale items assessed on a 5-point evaluation scale. The respondents were asked to rate their responses to various data sets items. To rate their opinions, descriptive statistics such as mean, standard deviation, and coefficient of variation were calculated. Every point on the likert scale has a width/range of 0.8 [(5-1)/5], so point 1 ranged from 1 to 1.8, point 2 ranged from 1.81 to 2.6, point 3 ranged from 2.61 to 3.4, point 4 ranged from 3.41 to 4.2, and point 5 ranged from 4.21 to 5. The amount that individual responses deviated from the mean was calculated using the coefficient of variation (C.V), with a C.V > 30% being considered excessive. Thus, C.V. 30% suggested that the mean represented the respondents' overall perception.

4.2.1 Demographic Information

In order to comprehend the makeup, credentials, and experience of the survey respondents in the milk processing industry, the researcher acquired some background information on them. The data gathered included the respondents' gender, age, employment history, firm age, degree of education, and employment position within the business. The results indicated that 92 (66%) of the respondents were male, 80 (57%) were below 40 years, 80 (57%) had been employed for less than 6 years, 92 (66%) were degree holders, while 18 (51%) of the firms had operated in the milk
processing sector for less than 10 years. Additionally, the respondents were composed of 16 (11%) general managers, 40 (29%) operations managers, 28 (20%) accountants, 48 (34%) sales managers, and 8 (6%) logistics managers. The demographic results are presented in Table 4.3.

Table 4.3: Demographic Information

<table>
<thead>
<tr>
<th>Demographic Characteristic</th>
<th>N</th>
<th>F</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender of the Respondents</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>92</td>
<td>65.7</td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>140</td>
<td>48</td>
<td>34.3</td>
</tr>
<tr>
<td>Age of the Respondent</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below 30</td>
<td>140</td>
<td>12</td>
<td>8.6</td>
</tr>
<tr>
<td>30-39</td>
<td>68</td>
<td>48.6</td>
<td></td>
</tr>
<tr>
<td>40-49</td>
<td>40</td>
<td>28.6</td>
<td></td>
</tr>
<tr>
<td>50 and above</td>
<td>20</td>
<td>14.3</td>
<td></td>
</tr>
<tr>
<td>Employment Duration</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below 3</td>
<td>140</td>
<td>8</td>
<td>5.7</td>
</tr>
<tr>
<td>3-6</td>
<td>72</td>
<td>51.4</td>
<td></td>
</tr>
<tr>
<td>7-10</td>
<td>28</td>
<td>20.0</td>
<td></td>
</tr>
<tr>
<td>11-14</td>
<td>32</td>
<td>22.9</td>
<td></td>
</tr>
<tr>
<td>Education Level of the Respondent</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>College education</td>
<td>140</td>
<td>20</td>
<td>14.3</td>
</tr>
<tr>
<td>Degree</td>
<td>92</td>
<td>65.7</td>
<td></td>
</tr>
<tr>
<td>Post graduate degree</td>
<td>28</td>
<td>20.0</td>
<td></td>
</tr>
<tr>
<td>Functional area in the firm</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General manager</td>
<td>140</td>
<td>16</td>
<td>11.4</td>
</tr>
<tr>
<td>Operations manager</td>
<td>40</td>
<td>28.6</td>
<td></td>
</tr>
<tr>
<td>Accountant</td>
<td>28</td>
<td>20.0</td>
<td></td>
</tr>
<tr>
<td>Sales manager</td>
<td>48</td>
<td>34.3</td>
<td></td>
</tr>
<tr>
<td>Logistics manager</td>
<td>8</td>
<td>5.7</td>
<td></td>
</tr>
<tr>
<td>Length of firm in operation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below 3</td>
<td>35</td>
<td>3</td>
<td>8.6</td>
</tr>
<tr>
<td>3-6</td>
<td>7</td>
<td>20.0</td>
<td></td>
</tr>
<tr>
<td>7-10</td>
<td>8</td>
<td>22.9</td>
<td></td>
</tr>
<tr>
<td>11-14</td>
<td>12</td>
<td>34.3</td>
<td></td>
</tr>
<tr>
<td>15 and above</td>
<td>5</td>
<td>14.3</td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher (2023)

4.2.2 Performance of Milk Processing Firms

Performance of the milk processing firms was measured based on their profitability, market share, annual sales turnover and annual milk production volume.

4.2.2.1 Profitability

Profitability was measured based on the respondents’ perception of how well the firms had improved its Return on Equity Ratios over time and whether their incentives increased as a result. The results in Table 4.4 show that the firms had very
much improved their ROE (\( \bar{X} = 3.86, \sigma = 0.94, CV = 24\% \)), while incentives had
moderately increased as a result (\( \bar{X} = 3.21, \sigma = 1.09, CV = 33\% \)). However, the
increase in incentives seemed to significantly differ across the firms (CV>30\%).

**Table 4.4: Profitability of the Milk Processing Firms**

<table>
<thead>
<tr>
<th>Statements</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>( \bar{X} )</th>
<th>( \Sigma )</th>
<th>CV</th>
</tr>
</thead>
<tbody>
<tr>
<td>The milk processing firm has improved its return on equity over the last five (2017-2021).</td>
<td>35</td>
<td>2</td>
<td>5</td>
<td>3.86</td>
<td>0.94</td>
<td>24%</td>
</tr>
<tr>
<td>As a result of improvement in ROE, incentives have increased over the same period</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>3.21</td>
<td>1.09</td>
<td>33%</td>
</tr>
</tbody>
</table>

**Source:** Researcher (2023)

**4.2.2.2 Market Share**

In determining the market share, employees indicated their perception on whether they believed value addition by employees was well above the industry average and if they thought its market share had increased significantly. The results in Table 4.4 show that value addition by employees in most of the firms was lower than the industry average (\( \bar{X} = 2.34, \sigma = 0.96, CV = 41\% \)), while market share for most firms increased between 2015 to 2019 (\( \bar{X} = 3.47, \sigma = 1.29, CV = 37\% \)). However, value addition by employees and increase in market share seemed to significantly differ across the firms (CV>30\%).

**Table 4.5: Market Share of the Milk Processing Firms**

<table>
<thead>
<tr>
<th>Statements</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>( \bar{X} )</th>
<th>( \Sigma )</th>
<th>CV</th>
</tr>
</thead>
<tbody>
<tr>
<td>I believe value addition by employees over the last five years (2017-2021) was well above the industry average. The firm’s market share has increased significantly over the last five years (2017-2021).</td>
<td>35</td>
<td>1</td>
<td>4</td>
<td>2.34</td>
<td>0.96</td>
<td>41%</td>
</tr>
<tr>
<td></td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>3.47</td>
<td>1.29</td>
<td>37%</td>
</tr>
</tbody>
</table>

**Source:** Researcher (2023)
4.2.2.3 Annual Turnover

Annual turnover was measured in millions of shillings using a 5-point rating scale (1 = 100-1000, 2 = 1000-2000, 3 = 2000-3000, 4 = 3000-4000, 5 = Over 4000). The results in Table 4.6 indicate that the average annual turnover for the firms was between Kshs 1 billion to Kshs 2 billion in the years 2017 and 2018. The results also show that the average annual turnover for the firms was between Kshs 2 billion and Kshs 3 billion in the years 2019, 2020 and 2021. The coefficient of variations are ≤30% except for 2018, which shows that the average annual turnover figures in 2017, 2019, 2020 and 2021 are representative of the annual turnover of the respective firms. The annual turnover of some firms differed significantly from the average annual turnover in 2018.

<table>
<thead>
<tr>
<th>Year</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>( \bar{X} )</th>
<th>( \Sigma )</th>
<th>CV</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>35</td>
<td>1</td>
<td>3</td>
<td>2.17</td>
<td>0.51</td>
<td>24%</td>
</tr>
<tr>
<td>2018</td>
<td>35</td>
<td>1</td>
<td>4</td>
<td>2.60</td>
<td>0.80</td>
<td>31%</td>
</tr>
<tr>
<td>2019</td>
<td>35</td>
<td>2</td>
<td>4</td>
<td>2.89</td>
<td>0.62</td>
<td>22%</td>
</tr>
<tr>
<td>2020</td>
<td>35</td>
<td>2</td>
<td>5</td>
<td>2.80</td>
<td>0.82</td>
<td>30%</td>
</tr>
<tr>
<td>2021</td>
<td>35</td>
<td>2</td>
<td>4</td>
<td>2.89</td>
<td>0.62</td>
<td>22%</td>
</tr>
</tbody>
</table>

Source: Researcher (2023)

4.2.2.4 Annual Milk Processing Volume

Annual milk processing volume was measured in millions of litres using a 5-point rating scale (1 = Below 50, 2 = 50-100, 3 = 100-150, 4 = 150-200, 5 = Over 200). The results in Table 4.7 indicate that the average annual milk processing volume for the firms was less than 50 million litres in the years 2017 and 2018. The results also show that the average annual milk processing volume for the firms was between 50 million to 100 million litres in the years 2019, 2020 and 2021. The coefficient of variations
are >30%, which shows that the average annual milk processing volume in 2017, 2018, 2019, 2020 and 2021 are not representative of the annual milk processing volume of the respective firms. This means that the annual milk processing volume of some firms differed significantly from the average annual milk processing volume in the respective years.

Table 4.7: Annual Milk Processing Volume in Millions of Litres

<table>
<thead>
<tr>
<th>Year</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>X</th>
<th>Σ</th>
<th>CV</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>35</td>
<td>1</td>
<td>3</td>
<td>1.43</td>
<td>0.60</td>
<td>43%</td>
</tr>
<tr>
<td>2018</td>
<td>35</td>
<td>1</td>
<td>3</td>
<td>1.74</td>
<td>0.73</td>
<td>43%</td>
</tr>
<tr>
<td>2019</td>
<td>35</td>
<td>1</td>
<td>4</td>
<td>2.29</td>
<td>0.85</td>
<td>38%</td>
</tr>
<tr>
<td>2020</td>
<td>35</td>
<td>1</td>
<td>4</td>
<td>2.29</td>
<td>1.03</td>
<td>46%</td>
</tr>
<tr>
<td>2021</td>
<td>35</td>
<td>1</td>
<td>4</td>
<td>2.37</td>
<td>0.96</td>
<td>41%</td>
</tr>
</tbody>
</table>

Source: Researcher (2023)

4.2.3 Cost Leadership Strategy Associated with Performance of Milk Processing Firms

Cost leadership strategy was measured using a set of 6 likert scale items. The results in Table 4.8 indicate that the respondents agreed with all the statements regarding cost leadership strategy. The respondents agreed that in order to attract more customers, their firms offer services at a lower prices (X = 3.69, σ = 0.92, CV = 25%), focus on service efficiency in order to gain a price advantage (X = 4.26, σ = 0.50, CV = 12%), and that their businesses can withstand competition due to low service prices, resulting in better market survival (X = 4.11, σ = 0.62, CV = 15%). The respondents also agreed that in order to increase profit margins, their companies concentrate on specialization (X = 4.00, σ = 0.64, CV = 16%), their companies use technology to reduce costs and thus increase profit margins (X = 3.57, σ = 0.97, CV = 27%), and that since its implementation, the low-cost leadership strategy has helped to improve performance and growth (X = 3.83, σ = 1.03, CV = 27%).
Table 4.8: Cost Leadership Strategies by Milk Processing Firms in Kenya

<table>
<thead>
<tr>
<th>Statements</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>( \bar{X} )</th>
<th>( \Sigma )</th>
<th>CV</th>
</tr>
</thead>
<tbody>
<tr>
<td>In order to attract more customers, our firm offers services at a lower prices</td>
<td>35</td>
<td>2</td>
<td>5</td>
<td>3.69</td>
<td>0.92</td>
<td>25%</td>
</tr>
<tr>
<td>Our firm focuses on service efficiency in order to gain a price advantage</td>
<td>35</td>
<td>3</td>
<td>5</td>
<td>4.26</td>
<td>0.50</td>
<td>12%</td>
</tr>
<tr>
<td>Our company can withstand competition due to low service prices, resulting in better market survival</td>
<td>35</td>
<td>3</td>
<td>5</td>
<td>4.11</td>
<td>0.62</td>
<td>15%</td>
</tr>
<tr>
<td>In order to increase profit margins, our company concentrates on specialization</td>
<td>35</td>
<td>2</td>
<td>5</td>
<td>4.00</td>
<td>0.64</td>
<td>16%</td>
</tr>
<tr>
<td>Our company uses technology to reduce costs and thus increase profit margins</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>3.57</td>
<td>0.97</td>
<td>27%</td>
</tr>
<tr>
<td>Since its implementation, the low-cost leadership strategy has helped to improve performance and growth</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>3.83</td>
<td>1.03</td>
<td>27%</td>
</tr>
</tbody>
</table>

Source: Researcher (2023)

4.2.4 Differentiation Strategy Associated with Milk Processing Firms

Differentiation strategy was measured using a set of 4 likert scale items. The results in Table 4.9 show that the respondents disagreed with all the statements regarding differentiation strategy. The respondents disagreed that in order to improve their market position, their companies benchmark with industry leaders three times in a year (\( \bar{X} = 2.03, \sigma = 0.94, CV = 47\% \)), their companies package products based on the needs of their customers, thereby attracting more customers (\( \bar{X} = 2.80, \sigma = 1.12, CV = 40\% \)), to increase their market share, their companies offer a diverse range of products (\( \bar{X} = 2.11, \sigma = 0.95, CV = 46\% \)), and that differentiation strategy helped improve the performance and growth of their firms since implementation (\( \bar{X} = 2.34, \sigma = 1.27, CV = 55\% \)). The results indicated a CV>30% for all the statements which implies that some of the responses differed significantly from the average.
Table 4.9: Differentiation Strategies by Milk Processing Firms in Kenya

<table>
<thead>
<tr>
<th>Statements</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>$\bar{X}$</th>
<th>$\sigma$</th>
<th>CV</th>
</tr>
</thead>
<tbody>
<tr>
<td>In order to improve our market position, our company benchmarks with industry leaders three times in a year</td>
<td>35</td>
<td>1</td>
<td>4</td>
<td>2.03</td>
<td>0.94</td>
<td>47%</td>
</tr>
<tr>
<td>Our company packages products based on the needs of our customers, thereby attracting more customers</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>2.80</td>
<td>1.12</td>
<td>40%</td>
</tr>
<tr>
<td>To increase the our market share, our company offers a diverse range of products</td>
<td>35</td>
<td>1</td>
<td>4</td>
<td>2.11</td>
<td>0.95</td>
<td>46%</td>
</tr>
<tr>
<td>Differentiation strategy helped improve performance and growth since implementation</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>2.34</td>
<td>1.27</td>
<td>55%</td>
</tr>
</tbody>
</table>

Source: Researcher (2023)

4.2.5 Focus Strategy Associated with Performance of Milk Processing Firms

Focus strategy was measured using a set of 6 likert scale items. The findings in Table 4.10 The respondents disagreed that by charging premium prices, their companies built brand loyalty ( $\bar{X} = 2.51$, $\sigma = 1.13$, CV = 46%). Additionally, respondents neither agreed nor disagreed that their companies provided efficient and effective service to a specific strategic market ( $\bar{X} = 2.89$, $\sigma = 1.35$, CV = 47%). However, the respondents agreed that their firms exercised tight control on overheads for the narrow market segment ( $\bar{X} = 3.37$, $\sigma = 1.08$, CV = 32%), ensured ongoing capital investment to sustain the narrow market segment's cost advantage ( $\bar{X} = 3.54$, $\sigma = 1.06$, CV = 30%), the companies invested heavily in new technology for a specific market segment ( $\bar{X} = 3.63$, $\sigma = 1.05$, CV = 29%), and that focus strategy helped improve performance and growth since implementation ( $\bar{X} = 3.74$, $\sigma = 1.08$, CV = 29%). The results further indicate a CV<30 for statements that the companies invested heavily in new technology for a specific market segment, and that focus strategy helped improve performance and growth of the firms since implementation.
Table 4.10: Focus Strategies by Milk Processing Firms in Kenya

<table>
<thead>
<tr>
<th>Statements</th>
<th>N</th>
<th>Mi</th>
<th>Max</th>
<th>X</th>
<th>Σ</th>
<th>CV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our company provides efficient and effective service to a specific strategic market</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>2.89</td>
<td>1.3</td>
<td>47%</td>
</tr>
<tr>
<td>By charging premium prices, our company built brand loyalty</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>2.51</td>
<td>1.1</td>
<td>46%</td>
</tr>
<tr>
<td>Our company ensures tight control on overheads for the narrow market segment</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>3.37</td>
<td>1.0</td>
<td>32%</td>
</tr>
<tr>
<td>Our firm ensures ongoing capital investment to sustain the narrow market segment's cost advantage</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>3.54</td>
<td>1.0</td>
<td>30%</td>
</tr>
<tr>
<td>Our company invests heavily in new technology for a specific market segment</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>3.63</td>
<td>1.0</td>
<td>29%</td>
</tr>
<tr>
<td>The focus strategy helped improve performance and growth since implementation</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>3.74</td>
<td>1.0</td>
<td>29%</td>
</tr>
</tbody>
</table>

**Source:** Researcher (2023)

4.2.6 Product Diversification Strategy

Product diversification strategy was measured using a set of 4 likert scale items. The results in Table 4.11 indicate that the respondents disagreed with most of the statements regarding product diversification strategy. The respondents disagreed that their companies manufacture and sell low-cost generic versions/imitations of the competitor's product (\( \bar{X} = 1.86, \sigma = 1.02, CV = 56\% \)), that their companies acquire new agencies with new and distinct products (\( \bar{X} = 1.97, \sigma = 0.88, CV = 45\% \)), their firms introduce fighter brands to block new entrants (\( \bar{X} = 2.31, \sigma = 1.15, CV = 50\% \)), and that product diversification strategy helped improve the performance and growth of their firms since implementation (\( \bar{X} = 2.31, \sigma = 0.92, CV = 40\% \)). However, the respondents agreed that their firms use patent protection for their innovations (\( \bar{X} = 3.60, \sigma = 1.18, CV = 33\% \)), and that their firms have exclusive linkages with suppliers and buyers (\( \bar{X} = 4.11, \sigma = 0.89, CV = 22\% \)). The results further indicate a CV<30 for
the statement that the firms had exclusive linkages with suppliers and buyers, which shows that the respondents generally agreed with that statement.

Table 4.11: Product Diversification Strategies by Milk Processing Firms in Kenya

<table>
<thead>
<tr>
<th>Statements</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>( \bar{X} )</th>
<th>( \Sigma )</th>
<th>CV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our company manufactures and sells low-cost generic versions/imitations of the competitor's product</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>1.86</td>
<td>1.0</td>
<td>56</td>
</tr>
<tr>
<td>Our company acquires new agencies with new and distinct products</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>1.97</td>
<td>0.8</td>
<td>45</td>
</tr>
<tr>
<td>Our firm use patent protection for our innovations</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>3.60</td>
<td>1.1</td>
<td>33</td>
</tr>
<tr>
<td>Our firm introduces fighter brands to block new entrants</td>
<td>35</td>
<td>1</td>
<td>5</td>
<td>2.31</td>
<td>1.1</td>
<td>50</td>
</tr>
<tr>
<td>Our company has exclusive linkages with suppliers and buyers</td>
<td>35</td>
<td>2</td>
<td>5</td>
<td>4.11</td>
<td>0.8</td>
<td>22</td>
</tr>
<tr>
<td>Product diversification strategy helped improve performance and growth since implementation</td>
<td>35</td>
<td>1</td>
<td>4</td>
<td>2.31</td>
<td>0.9</td>
<td>40</td>
</tr>
</tbody>
</table>

Source: Researcher (2023)

4.3 Inferential Analysis Results

Using multiple regression analysis at 5% level of significance, the degree of influence of the cost leadership strategy, differentiation strategy, focus strategy, and product diversification strategy on the performance of Kenyan milk processing companies was determined. In order to ensure that the data followed a normal distribution, data on the dependent variable was log transformed with a base of 10.

4.3.1 Regression Analysis

4.3.1.1 Model Summary

The findings \((R^2 = 0.321)\) in Table 4.12 show that variation in cost leadership, differentiation, focus, and products diversification strategies account for 32% of the variation in Kenyan milk processing companies’ performance. The remaining 68% of
the variation in milk processing firm performance could be attributed to variation in other factors outside of this research model.

Table 4.12: Regression Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.566²</td>
<td>.321</td>
<td>.230</td>
<td>.093</td>
<td>2.247</td>
</tr>
</tbody>
</table>

Source: Researcher (2023)

4.3.1.2 Analysis of Variance

The F-test was used to determine the significance of the regression model. The results (F[4, 30] = 3.540, p.05) show that the regression model was significant in predicting the variability in performance of Kenyan milk processing companies at 5% level of significance. The ANOVA results are presented in Table 4.13.

Table 4.13: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>.123</td>
<td>4</td>
<td>.031</td>
<td>3.540</td>
<td>.018b</td>
</tr>
<tr>
<td>Residual</td>
<td>.260</td>
<td>30</td>
<td>.009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>.383</td>
<td>34</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher (2023)

4.3.1.3 Regression Coefficients

Given the regression expression:

\[ Y = \text{EXP}(0.053 + 0.008X_1 + 0.060X_2 + 0.042X_3 - 0.002X_4) + \varepsilon \]

Where: Y is the Organizational Performance, X_1 - Cost Leadership Strategy, X_2 - Differentiation Strategy, X_3 - Focus Strategy; and X_4 - Product Diversification Strategy.

The findings show that differentiation strategy (β = 0.060, p.05) and focus strategy (β = 0.042, p >.05) have a significant positive partial influence on the performance of Kenyan milk processing companies. The findings also show that the cost leadership strategy (β = 0.008, p >.05) and the product diversification strategy (β = -0.002, p
>.05) had no significant impact on Kenyan milk processing companies’ performance. The results are shown in Table 4.14.

Table 4.14: Regression Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>95.0% Confidence Interval for B</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td>t</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>.053</td>
<td>.134</td>
<td>.395</td>
<td>.696</td>
<td>-.221</td>
</tr>
<tr>
<td>Cost Leadership Strategy</td>
<td>.008</td>
<td>.028</td>
<td>.047</td>
<td>.295</td>
<td>.770</td>
</tr>
<tr>
<td>Differentiation Strategy</td>
<td>.060</td>
<td>.025</td>
<td>.456</td>
<td>2.360</td>
<td>.025</td>
</tr>
<tr>
<td>Focus Strategy</td>
<td>.042</td>
<td>.020</td>
<td>.323</td>
<td>2.076</td>
<td>.047</td>
</tr>
<tr>
<td>Product Diversification</td>
<td>-.002</td>
<td>.045</td>
<td>-.010</td>
<td>-.050</td>
<td>.961</td>
</tr>
</tbody>
</table>

Source: Researcher (2023)

4.3.1.4 Hypotheses Testing

The regression findings were used to test the hypotheses in the study. Table 4.15 presents the hypotheses tests. The decision rule was to reject the null hypothesis when p<0.05.

H01: Cost leadership Strategy has no significant influence on the performance of Kenyan milk processing companies.

The p-value was greater than 0.05 and therefore the decision was to accept the null hypothesis. Therefore, cost leadership strategy was found not to be a significant determinant of Kenyan milk processing companies’ performance. The findings are inconsistent with the findings of Njuguna (2012) who investigated the cost leadership strategies adopted by Safaricom Kenya Limited to gain a competitive superiority over competitors in the Telcos sector in Kenya. Njuguna established that low-cost strategy was a major determinant of performance when interactively applied alongside other strategic decisions. The findings are also inconsistent with the findings of Pimtong et al. (2012) who evaluated the low-cost strategy as a determinant for performance. The authors found that low-cost strategy had a positive influence on hotel performance in the United States.
*H₀₂: Differentiation Strategy has no significant influence on the performance of Kenyan milk processing companies.*

The p-value was less than 0.05 and therefore the decision was to reject the null hypothesis and accept an alternative hypothesis that differentiation strategy has a significant influence on the performance of Kenyan milk processing companies. According to the findings, a one-unit increase in the use of differentiation strategy would result in a 6.2% \([(\exp(0.060) - 1) \times 100]\) improvement in Kenyan milk processing companies’ performance. The findings are not consistent with the findings of Aliqah (2012) who investigated the impact of differentiation strategy on Jordanian industrial firms' organizational performance. The previous study found that the differentiation strategy was not particularly impactful in determining the performance of milk processing firms in Jordan.

*H₀₃: Focus Strategy has no significant influence on performance of Kenyan milk processing companies.*

The p-value was less than 0.05 and therefore the decision was to reject the null hypothesis and accept an alternative hypothesis that focus strategy has a significant influence on the performance of Kenyan milk processing companies. The findings suggest that a one-unit increase in the use of the focus strategy would result in a 4.3% \([(\exp(0.042) - 1) \times 100]\) improvement in the performance of Kenyan milk processing companies. The findings are consistent with the findings of Chelang’a et al., (2017) who endeavored to determine how focus strategy affected the performance of SMEs in Nairobi County Kenya. Findings of the previous study indicated that market focus strategy had positive and significant effect on the financial performance of SMEs. The findings are also consistent with the findings of Malika & Kising’u (2019) who assessed how Mombasa based bus transport companies’ performance is affected by competitive strategies. The regression coefficients of the previous study revealed that focus strategy had statistically significant and positive influence on the companies’ performance.

*H₀₄: Product diversification strategy has no significant influence on the performance of Kenyan milk processing companies.*

The p-value was greater than 0.05 and therefore the decision was to accept the null hypothesis. Therefore, product diversification strategy was found not to be a
significant determinant of Kenyan milk processing companies’ performance. The findings are inconsistent with the findings of a study of Italian firms by Hann et al. (2013) concerning the influence of diversification strategy on firm performance. The previous study showed that unrelated diversification approaches positively influenced firm performance. The findings are also inconsistent with the findings of Phung and Mishra (2016) conducted among listed firms in Vietnam, which indicated a positive correlation between those firms that had adopted diversification as a growth strategy compared to those that did not.

Table 4.15: Hypotheses Testing

<table>
<thead>
<tr>
<th>Hypotheses Statement</th>
<th>β</th>
<th>t</th>
<th>p-value</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H₀¹: Cost leadership Strategy has no significant influence on the performance of Kenyan milk processing companies</td>
<td>.008</td>
<td>.295</td>
<td>.770</td>
<td>Accept H₀¹</td>
</tr>
<tr>
<td>H₀²: Differentiation Strategy has no significant influence on the performance of Kenyan milk processing companies</td>
<td>.060</td>
<td>2.630</td>
<td>.025</td>
<td>Reject H₀²</td>
</tr>
<tr>
<td>H₀₃: Focus Strategy has no significant influence on performance of Kenyan milk processing companies</td>
<td>.042</td>
<td>2.076</td>
<td>.047</td>
<td>Reject H₀₃</td>
</tr>
<tr>
<td>H₀₄: Product diversification strategy has no significant influence on the performance of Kenyan milk processing companies</td>
<td>-.002</td>
<td>-.050</td>
<td>.961</td>
<td>Accept H₀₄</td>
</tr>
</tbody>
</table>

Source: Researcher (2023)
CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The study's findings, conclusions, recommendations, and areas for further investigation are outlined in this chapter.

5.2 Summary of Findings

The general objective of the study was to investigate the effect of growth strategies on the performance of Kenyan milk processing firms. The study used a descriptive research design and conducted a census of 35 Kenyan milk processing companies. Data was collected using a questionnaire from 140 managers. The researcher used aggregation method to obtain aggregate data scores that represented the average of a group of managers from the same milk processing firms. Therefore, descriptive and inferential analyses were conducted using aggregate data scores of the respective variables in the study. Descriptive analysis findings showed that the performance of the milk processing firms improved in 2017, 2018 and 2019 compared to 2015 and 2016. The regression analysis also demonstrated that the four growth methods under consideration had a substantial combined influence on the performance of Kenyan milk processing enterprises.

The first specific objective was to investigate the effect of low-cost leadership strategy on the performance of Kenyan milk processing companies. The findings of the descriptive analysis revealed that all of the firms used a low-cost leadership strategy. Correlation analysis revealed that the cost leadership strategy was significantly related to the performance of Kenyan milk processing companies. However, the results of the regression analysis revealed that the cost leadership
strategy had no significant effect on the performance of Kenyan milk processing companies.

The study's second specific objective was to determine the impact of differentiation strategy on the performance of Kenyan milk processing companies. According to the results of the descriptive analysis, the majority of the firms did not use a differentiation strategy in their business. Correlation analysis revealed that Kenyan milk processing companies' performance was significantly related to their differentiation strategy. The results of the regression analysis also revealed that the differentiation strategy had a significant positive effect on the performance of Kenyan milk processing companies. This implies that a shift from not using differentiation strategy to using differentiation strategy would be accompanied by improved performance among milk processing firms.

The third specific objective was to establish the effect of focus strategy on the performance of Kenyan milk processing companies. The descriptive analysis revealed that the majority of the firms used a focus strategy in their business. Correlation analysis revealed that focus strategy was significantly associated with the performance of Kenyan milk processing companies. The results of the regression analysis also revealed that the focus strategy had a significant positive effect on the performance of Kenyan milk processing companies. This implies that shifting from a non-focus strategy to a focus strategy would be accompanied by improved performance among milk processing firms.

The fourth specific objective of the study was to find out the effect of product diversification strategy on the performance of Kenyan milk processing companies. The descriptive analysis revealed that the majority of the firms did not use a product
diversification strategy in their business. According to the findings of the correlation analysis, product diversification strategy had a significant positive association with the performance of Kenyan milk processing companies. However, the results of the regression analysis revealed that the product diversification strategy had no significant impact on the performance of Kenyan milk processing companies.

5.3 Conclusions of the Study

The study concludes that variations in the cost leadership strategy have no significant effect on the performance of Kenyan milk processing companies. It suggests that all Kenyan milk processing companies seem to employ a cost leadership strategy, indicating that this strategy does not provide a competitive advantage to the companies. In other words, simply competing on the basis of low cost does not necessarily lead to improved performance in the industry. This finding implies that Kenyan milk processing companies need to explore other strategies beyond cost leadership to enhance their performance and gain a competitive edge in the market.

On the other hand, the study concludes that variations in the differentiation strategy would have a significant effect on the performance of Kenyan milk processing companies. By adopting differentiating strategies, milk processing firms can create a unique value proposition and stand out from their competitors. The study suggests that the lack of widespread use of this strategy among Kenyan milk processing companies presents an opportunity for firms that effectively employ differentiation strategies to gain a competitive advantage and improve their overall performance. Thus, the study highlights the importance of exploring and implementing effective differentiation strategies to enhance competitiveness in the industry.
Additionally, the study concludes that variations in the focus strategy would also have a significant effect on the performance of Kenyan milk processing companies. By adopting a focused approach and targeting specific market segments, milk processing companies can tailor their products and services to meet the specific needs and preferences of their target customers. The study suggests that while many Kenyan milk processing companies already adopt a focus strategy, effective implementation of this strategy can further enhance their competitive advantage and improve their overall performance. Therefore, it is important for companies to refine and optimize their focus strategies to maximize their impact on performance.

Lastly, the study concludes that variations in product diversification strategy by Kenyan milk processing companies would not have a significant effect on their performance. Despite the limited utilization of product diversification by most milk processing firms, the study indicates that this strategy is not being effectively employed to generate a competitive advantage in the industry. This finding suggests that simply expanding product offerings without proper strategic alignment and market positioning may not lead to improved performance. Therefore, the study highlights the need for Kenyan milk processing companies to carefully evaluate and implement product diversification strategies that align with market demands and create a distinct competitive advantage.

5.4 Recommendations of the Study

Based on the research findings, it is recommended that the management of Kenyan milk processing companies should focus on developing and investing in sound strategies to drive the growth of milk processors from a local scope to a national and eventually global level. This involves identifying opportunities for expansion, such as entering new markets or partnering with international distributors. By expanding their
reach beyond local markets, milk processing companies can increase their market share and tap into larger customer bases, which can lead to enhanced profitability and overall performance.

In order to successfully adopt and implement various competitive strategies, the study suggests that the boards of individual milk processing companies should allocate substantial resources to knowledge acquisition for managers and employees. This includes investing in training programs, workshops, and seminars to enhance their understanding of strategic management concepts, competitive analysis, and innovation. By equipping their teams with the necessary knowledge and skills, companies can effectively navigate the dynamic and competitive milk processing industry, leading to improved performance and the creation of a sustainable competitive advantage.

Furthermore, the researcher recommends that the Kenyan Dairy Board (KDB) should actively engage with the respective milk processing firms to design suitable policies and strategies that can sustain the expansionary programs of the milk processing industry. This involves fostering strong partnerships between the regulatory body and the industry players, facilitating open dialogue, and collaboratively addressing challenges and opportunities. By working closely with the KDB, milk processing companies can benefit from supportive policies, streamlined regulations, and coordinated efforts aimed at promoting the growth and development of the industry as a whole. This collaboration can contribute to an enabling environment for milk processors to thrive and achieve their growth objectives.
5.5 Suggestions for Further Research

The researcher advises that future studies should employ longitudinal research designs to provide more robust and conclusive findings regarding the cause-and-effect relationship between the variables under investigation. Longitudinal research designs allow for the collection of data over an extended period, enabling researchers to observe changes and trends over time. By using such designs, researchers can establish more reliable and valid conclusions regarding the impact of competitive tactics on the performance of Kenyan milk processing enterprises. This recommendation highlights the importance of conducting comprehensive and in-depth studies to gain a deeper understanding of the factors influencing the performance of these enterprises.

The results of the study indicate that the competitive tactics considered in this research do not fully explain the variations in the performance of Kenyan milk processing enterprises. Therefore, the report suggests that further investigation should be conducted to explore other factors that may influence the success of these enterprises. By examining additional variables and factors, such as market dynamics, technological advancements, supply chain management, or organizational capabilities, researchers can gain a more comprehensive understanding of the determinants of performance in the milk processing industry. This recommendation emphasizes the need for a holistic approach in studying the performance of Kenyan milk processing enterprises.

In order to generate more knowledge about competitive strategies that are associated with improved performance in the milk processing industry, and to assist managers and business strategists in adopting effective performance-improving strategies, the study should be replicated in other countries. By replicating the study in different
national contexts, researchers can compare the results and identify commonalities or variations in the impact of competitive strategies on performance. This cross-country analysis would provide valuable insights into the transferability and applicability of different competitive strategies across diverse market environments. It would also help validate the findings and enhance the generalizability of the study's recommendations.

Furthermore, the study should be replicated in other industries to facilitate comparisons and contribute to the expansion of knowledge on competitive strategies associated with improved organizational performance. By examining the impact of competitive strategies in various industries, researchers can identify patterns, trends, and best practices that transcend specific sectors. This broader perspective would enrich the body of knowledge on competitive strategies and their relationship with organizational performance, benefiting not only the milk processing industry but also other sectors. The recommendation emphasizes the importance of exploring the applicability of competitive strategies across different industries and broadening the understanding of their potential impact.
REFERENCES


Mutunga, S. L., & Minja, D. (2014). Generic strategies employed by food and beverage firms in Kenya and their effects on sustainable competitive


APPENDICES

Appendix I: Introductory Letter

Joseph Kimiti Njogu

Kenyatta University

February 03, 2022

TO WHOM IT MAY CONCERN

Dear Sir/ Madam,

RE: INTRODUCTORY LETTER- RESEARCH PROJECT

I am a Kenyatta University graduate student seeking a Masters of Business Administration degree. I am currently conducting research for my thesis titled "Growth Strategies and Performance of Milk Processing Firms Licensed by Kenya Dairy Board, Kenya" after completing my coursework.

Please help me collect data for this study by filling out the accompanying questionnaire. Your honest comments will be absolutely confidential and used exclusively for academic reasons. I recognize the multiple demands on your time and appreciate your involvement in this study.

Thank you in advance for your help.

Yours Sincerely,

Joseph Kimiti Njogu

REG NO: D53/MSA /PT/38771/2017
Appendix II: Consent Form

Dear Participant,

My name is Joseph Kimiti Njogu. I am a graduate student at Kenyatta University. I'm working on a project titled "Growth Strategies and Performance of Milk Processing Firms Licensed by Kenya Dairy Board, Kenya". The outcomes of this study will produce new information in this area and will be used to enhance the knowledge of growth strategies and their effect on performance in the milk processing industry in Kenya.

Procedure to be followed

To participate in this study, you will be required to answer the questions on the questionnaire given.

Participation in the study is entirely voluntary and you will not be fined or persecuted for choosing not to be involved in the study, and your choice will not be used against you or impact your employment.

You are free to ask questions about the research at any stage. You may choose not to answer any questions or even withdraw from the research at any moment without penalties.

Discomfort and Risks

If you feel uncomfortable to respond to some questions, you have the option of refusing to respond.

Benefits

By taking part in this study, you will be assisting enhancing the knowledge of growth strategies and their effect on performance in the milk processing industry in Kenya.

Rewards

There is no monetary incentive for anyone who opts to take part in the study.
Confidentiality

The questionnaires will be self-administered. Your identity will not be written on the questionnaires, and the questionnaires will be kept in the researcher's secure custody.

Dissemination

The study's findings will be submitted to Kenyatta University for the award of degree in master of business administration and published in a renowned academic journal.

Contact Information

If you have any questions about the study or your involvement in it, please contact the researcher at 0723-971947 or the Dean, Graduate School, Kenyatta University, at email address dean-graduate@ku.ac.ke.

Participant’s Statement

The above information about my involvement in the study is apparent to me. I was given the opportunity to ask questions, and my queries were well answered. My participation in this study is completely voluntary on my part. I accept that my records will be kept confidential and that I may withdraw from the research at any time. I realize that whether I quit the study or not, I will not be mistreated at work, and my decision will have no impact on how I am treated at work.

Participant’s Name ..................................Signature.............Date............

Researcher’s Statement

I, the undersigned, have described to the volunteer the methods to be followed in the research, as well as the risks and advantages associated, in a language that s/he understands.

Researcher’s Name .................................Signature.............Date.............
Appendix III: Research Questionnaire

SECTION A: DEMOGRAPHIC INFORMATION

1. Gender of the respondent
   Male [ ]   Female [ ]   Others [ ]

2. Age of the respondent
   Below 30 years [ ]   30-39 years [ ]
   40-49 years [ ]   50 years and above [ ]
   Others [ ]

3. What is the range in time that you have worked with the company?
   Below 3 years [ ]   3-6 years [ ]
   7-10 years [ ]   11-14 years [ ]
   15 years and above [ ]   others [ ]

4. What is the range in years of operation for the firm you work in?
   0-3 [ ]   4-6 years [ ]
   7-10 years [ ]   11-14 years [ ]
   15 years and above [ ]

5. Level of Education
   College education [ ]
   Degree [ ]
   Post graduate [ ]
   Others [ ]

6. What is your position in the firm in which you are involved?
   General Manager [ ]
   Operations manager [ ]
   Accountant [ ]
   Sales Manager [ ]
   Logistics Manager [ ]
SECTION B: COST LEADERSHIP STRATEGY

7. On a scale of 1 to 5, please indicate your level of agreement with the following statement on cost leadership strategy.

<table>
<thead>
<tr>
<th>Statements</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>In order to attract more customers, our firm offers services at a lower prices</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our firm focuses on service efficiency in order to gain a price advantage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our company can withstand competition due to low service prices, resulting in better market survival</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In order to increase profit margins, our company concentrates on specialization</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our company uses technology to reduce costs and thus increase profit margins</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Since its implementation, the low-cost leadership strategy has helped to improve performance and growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SECTION C: DIFFERENTIATION STRATEGY

8. On a scale of 1 to 5, please indicate your level of agreement with the following statement about differentiation strategy.

<table>
<thead>
<tr>
<th>Statements</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>In order to improve our market position, our company benchmarks with industry leaders three times in a year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our company packages products based on the needs of our customers, thereby attracting more customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To increase the our market share, our company offers a diverse range of products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Differentiation strategy helped improve performance and growth since implementation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SECTION D: FOCUS STRATEGY

9. 11. On a scale of 1 to 5, please indicate your level of agreement with the following statement about focus strategy.

<table>
<thead>
<tr>
<th>Statements</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our company provides efficient and effective service to a specific strategic market</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>By charging premium prices, our company built brand loyalty</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our company ensures tight control on overheads for the narrow market segment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our firm ensures ongoing capital investment to sustain the narrow market segment's cost advantage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our company invests heavily in new technology for a specific market segment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The focus strategy helped improve performance and growth since implementation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SECTION E: PRODUCT DIVERSIFICATION

10. On a scale of 1 to 5, please indicate your level of agreement with the following product diversification statement.

<table>
<thead>
<tr>
<th>Statements</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our company produces and sells low-cost generic versions/copies of the competitor's product.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our firm acquires new agencies with unique products.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Patents are used by our company to protect our innovations.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our firm introduces fighter brands to block new entrants</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Our company has exclusive linkages with suppliers and buyers

Product diversification strategy helped improve performance and growth since implementation

11. a) How well has your firm improved its Return on Equity Ratios over the last five years, between 2017 to 2021?
   Not at all [ ] Slightly [ ] Moderately [ ] Very [ ] Extremely [ ]

b) Did your incentives increase as a result of improvement in the firm’s ROE ratios?
   Not at all [ ] Slightly [ ] Moderately [ ] Very [ ] Extremely [ ]

12. a) Do you believe value addition by employees of the firm was well above the industry average?
   Much Lower [ ] Lower [ ] About the Same [ ] Higher [ ] Much Higher [ ]

b) How significantly do you think your firm’s market share has increased over the last five years between 2017 to 2021?
   Not at all [ ] Slightly [ ] Moderately [ ] Very [ ] Extremely [ ]

13. What was the annual turnover for your firm in the following years?

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Range of Annual turnover (*Millions)</td>
<td>100-1000</td>
<td>100-1000</td>
<td>100-1000</td>
<td>100-1000</td>
<td>100-1000</td>
</tr>
<tr>
<td></td>
<td>3000-4000</td>
<td>3000-4000</td>
<td>3000-4000</td>
<td>3000-4000</td>
<td>3000-4000</td>
</tr>
<tr>
<td></td>
<td>Over 4000</td>
<td>Over 4000</td>
<td>Over 4000</td>
<td>Over 4000</td>
<td>Over 4000</td>
</tr>
</tbody>
</table>
14. What was the annual volume for your firm in the following years in litres?

2017 _____________

2018 _____________

2019 _____________

2020 _____________

2021 _____________

15. Using an agreement scale of 1-5 as indicated below, how would you rate the following aspects of growth and performance?

<table>
<thead>
<tr>
<th>Aspects of growth and performance</th>
<th>Strongly Agree (1)</th>
<th>Agree (2)</th>
<th>Do not know (3)</th>
<th>Disagree (4)</th>
<th>Strongly Agree (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on assets (ROA, %) in our company is well above the industry average</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value-added per employee in our company is well above the industry average.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our company has increased its market share and is catching up with its competitors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our daily capacity has significantly increased over the past year or two.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees have been receiving incentives and bonuses because of the increased profitability of the company</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

THE END
THANK YOU FOR YOUR COOPERATION
Appendix IV: Approval of Research Proposal

KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean.gradschool@ku.ac.ke
Website: www.ku.ac.ke

FROM: Dean, Graduate School
TO: Joseph Kimutti Njogu
C/o Business Administration Dept.

DATE: 16th November, 2021

SUBJECT: APPROVAL OF RESEARCH PROPOSAL

We acknowledge receipt of your revised Research Proposal as per our recommendations raised by the graduate school board 29th September, 2021 entitled “Growth Strategies and Performance of Milk Processing Firms in Kenya”.

You may now proceed with your data collection, subject to clearance with Director General, National Commission for Science, Technology and Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School completed Supervision Tracking and progress report forms per semester. The forms are available at the University’s Website under Graduate School webpage downloads.

Thank you.

ELIAH MUTUA
FOR: DEAN, GRADUATE SCHOOL

Cc: Chairman, Department of Business Administration
Supervisors

1. Dr. Elvina M. Murgai
C/o Department of Business Administration
Kenyatta University

86
Appendix V: Research License

This is to certify that Mr. JOSEPH NGURI KIMITI of Kenyatta University, has been licensed to conduct research in Kiambu on the topic: GROWTH STRATEGIES AND PERFORMANCE OF MILK PROCESSING FIRMS IN KENYA, for the period ending: 31 December 2022.

License No: NACOSTEP/21/14677

Applicant Identification Number

[QR Code]

NOTE. This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.
Appendix VI: Milk Processing Companies Licenced by the Kenya Dairy Board

<table>
<thead>
<tr>
<th>No.</th>
<th>License Category</th>
<th>Licensed Processor Name</th>
<th>County</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Processor</td>
<td>Highland Creamers &amp; Foods</td>
<td>Kisii</td>
</tr>
<tr>
<td>2</td>
<td>Processor</td>
<td>Bahati Agro processors</td>
<td>Nakuru</td>
</tr>
<tr>
<td>3</td>
<td>Processor</td>
<td>Happy Cow Dairy</td>
<td>Nakuru</td>
</tr>
<tr>
<td>4</td>
<td>Processor</td>
<td>Suka Dairy Farmers</td>
<td>Nakuru</td>
</tr>
<tr>
<td>5</td>
<td>Processor</td>
<td>Egerton University</td>
<td>Nakuru</td>
</tr>
<tr>
<td>6</td>
<td>Processor</td>
<td>Superior Highland Dairy</td>
<td>Embu</td>
</tr>
<tr>
<td>7</td>
<td>Processor</td>
<td>Meru Central Dairy Farmers</td>
<td>Meru</td>
</tr>
<tr>
<td>8</td>
<td>Processor</td>
<td>Meru Highlands Dairy</td>
<td>Meru</td>
</tr>
<tr>
<td>9</td>
<td>Processor</td>
<td>Kinangop Dairy Limited</td>
<td>Nyandarua</td>
</tr>
<tr>
<td>10</td>
<td>Processor</td>
<td>Countryside Dairies</td>
<td>Nyandarua</td>
</tr>
<tr>
<td>11</td>
<td>Processor</td>
<td>Lucky Dairies</td>
<td>Nyandarua</td>
</tr>
<tr>
<td>12</td>
<td>Processor</td>
<td>Devyani Food Industries</td>
<td>Nairobi</td>
</tr>
<tr>
<td>13</td>
<td>processor</td>
<td>New KCC</td>
<td>Nairobi</td>
</tr>
<tr>
<td>14</td>
<td>Processor</td>
<td>Bio Foods</td>
<td>Nairobi</td>
</tr>
<tr>
<td>15</td>
<td>Mini Dairy</td>
<td>Eldoville</td>
<td>Nairobi</td>
</tr>
<tr>
<td>16</td>
<td>Processor</td>
<td>Glacier Products</td>
<td>Nairobi</td>
</tr>
<tr>
<td>17</td>
<td>Processor</td>
<td>Uplands Premium Dairies</td>
<td>Kiambu</td>
</tr>
<tr>
<td>18</td>
<td>Processor</td>
<td>Brookside Dairies</td>
<td>Kiambu</td>
</tr>
<tr>
<td>19</td>
<td>Processor</td>
<td>Githunguri DFCS</td>
<td>Kiambu</td>
</tr>
<tr>
<td>20</td>
<td>Processor</td>
<td>Wimssy Dairies</td>
<td>Kiambu</td>
</tr>
<tr>
<td>21</td>
<td>Processor</td>
<td>Ndumberi DFCS</td>
<td>Kiambu</td>
</tr>
<tr>
<td>22</td>
<td>Processor</td>
<td>Afrodane Food Industries</td>
<td>Kiambu</td>
</tr>
<tr>
<td>23</td>
<td>Mini Dairy</td>
<td>Sunpower products</td>
<td>Kiambu</td>
</tr>
<tr>
<td>24</td>
<td>Processor</td>
<td>Canaan Dairies</td>
<td>Kiambu</td>
</tr>
<tr>
<td>25</td>
<td>Processor</td>
<td>Kiambaa DFCS</td>
<td>Kiambu</td>
</tr>
<tr>
<td>26</td>
<td>Processor</td>
<td>Limuru DFCS</td>
<td>Kiambu</td>
</tr>
<tr>
<td>27</td>
<td>Processor</td>
<td>Kabianga Dairy</td>
<td>Kericho</td>
</tr>
<tr>
<td>28</td>
<td>processor</td>
<td>Aspendos Dairy</td>
<td>Muranga</td>
</tr>
<tr>
<td>29</td>
<td>Processor</td>
<td>Muranga Coop Creameries</td>
<td>Muranga</td>
</tr>
<tr>
<td>30</td>
<td>processor</td>
<td>Wakulima Dairies</td>
<td>Nyeri</td>
</tr>
<tr>
<td>31</td>
<td>Mini Dairy</td>
<td>Raka Milk Processors</td>
<td>Nyeri</td>
</tr>
<tr>
<td>32</td>
<td>Mini Dairy</td>
<td>Demka</td>
<td>Nyeri</td>
</tr>
<tr>
<td>33</td>
<td>Mini Dairy</td>
<td>Morani</td>
<td>Nyeri</td>
</tr>
<tr>
<td>34</td>
<td>Mini Dairy</td>
<td>Italian Gelatti</td>
<td>Mombasa</td>
</tr>
<tr>
<td>35</td>
<td>mini Dairy</td>
<td>Malindi Milk Products</td>
<td>Mombasa</td>
</tr>
</tbody>
</table>