

**COST LEADERSHIP STRATEGY AND PERFORMANCE OF FOOD AND
BEVERAGES MANUFACTURING FIRMS IN MOMBASA COUNTY, KENYA**

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D53/OL/MSA/26386/2015

**A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS IN
PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF
THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION IN
STRATEGIC MANAGEMENT OF KENYATTA UNIVERSITY**

JUNE 2022

DECLARATION

I declare that this research project is my original work and that it has not been presented in any other university.



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DEDICATION

To my family for their endless support.

ACKNOWLEDGEMENT

Special appreciation to my supervisor Dr. Kinyua for guiding me throughout my research. I greatly appreciate my family for their support and understanding. Finally, I thank God for granting me good health throughout the research process. With Him, everything is possible!

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ABBREVIATIONS AND ACRONYMS

DNP	Development of New Products
GDP	Gross Domestic Product
JLMC	Jordanian Listed Manufacturing Companies
NSE	Nairobi Security Exchange
ROA	Return on Assets
ROE	Return on Equity
SPSS	Statistical Package for Social Sciences
USD	United States Dollar
VI	Vertical integration

ABSTRACT

Organizations all over the world are operating in a very dynamic and unclear circumstances where competitiveness is unavoidable. Thus, firms that wish to still be a head of competitors ought to get proper strategies. It has been noted that firm performance and growth is directly influenced by business strategies. This study aims at establishing how cost leadership influences performance of manufacturing firms in Mombasa County with the following objectives guiding the study; to establish the influence of pricing strategy on performance of manufacturing firms in Mombasa County, to evaluate the influence of operation strategy on performance of manufacturing firms in Mombasa County and to investigate the influence of vertical integration in enhancing market share of manufacturing firms in Mombasa County. The weber-fechner law, resource-based view, lifecycle theory and capability-based theory informed the study. A descriptive research design was adopted with a target population of 5,368 top managers in the department of strategic management, operations management, procurement and finance department in the manufacturing firms in Mombasa County. A sample size of 372 respondents was deployed. The study utilized primary which was gathered by use of structured questionnaires and secondary data. Statistical Package for Social Sciences was used in data analysis using descriptive and inferential statistics. Descriptive statistics included standard deviation, mean, percentage and frequency, whereas inferential statistics comprised of correlation analysis and regression analysis. The results were displayed using bar charts, graphs and tables. A multiple regression model was utilized in demonstrating how the variables relate. The study found that pricing strategy, operation strategy and vertical integration significantly and positively influenced the performance of food and beverage manufacturing firms in Mombasa County, Kenya. The study concludes that pricing strategy enables the organization in controlling the competition by preventing customer and market share loss to the competitors. Operations strategy has a long-run regard on the organization's operation resources are determined and developed for them to be highly compatible with the business strategy and that vertical integration allows an organization to acquire a new brand and geographically expand through addition distribution centers in new places. The study recommended that the organization should design different pricing strategies, such as creating personalized offers for its loyal customers. The operations strategy of the firm ought to be conducive for development of policies in infrastructure design and process choice in terms systems, procedures and controls which are in line with identified competency of the firm. The organization can choose to carry out backward integration to control cost, maintain quality and mitigate against market vulnerabilities maintain quality and control cost which is the decision of owning the product distribution logistics further down the supply chain and be able to ascertain whether the firm need a middleman to be successful.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The Kenyan food manufacturing sector plays a big role in the nation's economy (Muteshi & Awino, 2018). The food manufacturing sector in Kenya offers employment, acts as an added value and a market outlet for primary farming products in the country. According to Okumua and Faith (2018), the food processing sector in Kenya has been identified to be among the priorities in the manufacturing industry for industrial advancement. Such priority has been ascertained based on how it contributes to manufacturing development, especially in creating employments, value addition and foreign exchange saving. Additionally, the sector's development rationale is in the fact that the industry strongly relates with other industries of the Kenyan economy (KNBS, 2017).

Manufacturing companies around the world are operating in a very dynamic and unclear circumstances where competitiveness is unavoidable (Knoke, 2018). Thus, firms that wish to still be a head of competitors ought to get proper strategies. It has been noted that firm performance and growth is directly influenced by business strategies. Dess, McNamara, Eisner and Lee (2019) posit that, cost leadership strategy is a group of action which a firm takes to come up with services or goods which have features that the clients accept with a relatively lower price compared to competitors. Rather than client oriented, cost leadership is normally competitor oriented (Mohamed, Ndinya & Ogada, 2019). According to Ramdani, Primiana, Kaltum and Azis (2018), "a company that effectively goes after expenditure management approach highlights energetic search of expense

reduction, limited expense and overhanging control, research and development in addition to promo among others to complete an inexpensive placement.”

Over the last two decades, rapid changes have been experienced by the global manufacturing scene (Arunachalam, Zwet & Snailum, 2018). Rapid economic growth is experienced by most of the developing nations worldwide; the aim of the manufacturing industry is generating growth and revenue in Kenya. A report by the 2015 Kenya Economic Survey made an estimation that the Kenyan manufacturing industry contributed 11% to the GDP explaining the favorable environment campaigns and policies present in encouraging the sector’s growth.

The purpose of companies is to maximize the equity value and consequently maximizing the company stock and value (Noe, Hollenbeck, Gerhart & Wright, 2017). The manager should use optimal strategy and financial resources and correctly perform to maximize the value of the company. Herman, Hady and Arafah (2018) believe that, staying ahead of competitors and efficiently allocating the limited resources is among every firm’s objective. Cost leadership strategy helps in minimizing the resources that a company is using so as to get the best results, (Richard, 2015). There being a need to know how to sustain in the insurance company business it has motivated me to look at the cost leadership strategy which largely affect the activities of company in general over all the departments. The study benefits policy makers, insurance companies, scholars and researchers in their future study.

In addition to increasing the firm's market value, any firm's good performance results to the entire sector's growth ultimately leading to the economy's overall economy (Banafa, Muturi & Ngugi, 2015). Alshatti (2015) defines a firm's profitability as the condition or state to yield a financial gain or profit. Return on Equity (ROE), Return on Assets (ROA), profit after tax, market share amongst others are used to measure a firm's profitability. All capital supporters' gainfulness is measured by ROA which may be viewed as the capacity of an organization to generate profit by utilizing its available resources (Omesa, 2015).

The food manufacturing sub-sector has a substantial contribution to economic development and growth at local, national, regional and global levels. Felipe, Widyasanti, Foster-McGregor and Sumo (2019) posit that, a noticeable demand source of demand for services and goods in the economy's other sectors is provided by manufacturing, the sales to other sectors are counted in the its gross output's broader measure and not captured in the manufacturing industry GDP measures. According to the statistics released by United Nations (2017), to the global economy, £ 6.7 trillion is contributed by manufacturing. In 2017, 8.8% of the cumulative employment or 12.4 million employees got jobs in the manufacturing industry in the US (Bhayani & Ajmera, 2018). 12.5% of the GDP in the U.S (\$2.1 trillion in GDP) was generated by manufacturing sectors in 2017. 2.7 million People are employed directly in manufacturing, the sector further contributes to 45% of the exports and 10% of GVA in the United Kingdom (Audax, 2018).

Banerjee & Majundar (2014) note that even though in majority of countries in Africa, even by international standards the best performing organizations are productive and enterprises in other parts are as productive as the ones in East Asia, in sub-Saharan Africa, averagely the manufacturing company is not as productive as an average company in the East Asian best performing countries. Ajibike & Arema (2015) highlights that, an approximate of \$3,300 production per employee is produced by an average company in Sub-Saharan Africa. In comparing, a successful East Asian exporting economies' average firm (Vietnam, Thailand, the Philippines, Malaysia, Indonesia, and China) makes a production of approximately \$6,500 of the production per employee. This agrees with Fafchamps and Quinn (2016) who disclosed that China based firms produce more than the Vietnam firms and that both produce more compared to the three African countries' firms the investigate.

Cost leadership strategy is brought forward as cost advantage that reflects the sale of services and goods at a price lower compared to rivals with regards to production and design (Bounds, Mbombo & Rossouw, 2018); its aim is gaining competitive advantage by reduction of prices of Research and development, marketing, sales and service activities (Lu, & Huang, 2019). According to Shingo (2019), organizations can obtain competitive advantage economic scale through the utilization of systems that are effective in reducing the human resources cost and reducing the prices with low priced raw materials, producing and distributing massively. Competitive advantage is provided by cost leadership in markets where clients are price sensitive. Organizations which conduct this strategy aim at reducing ever cost in the value chain (Ruto, 2018).

The key principle is reducing all actions' costs. Through this, the gap between costs and market prices get longer and an organization gets a competitive advantage by getting a higher profit and income. Paauwe and Boon (2018) affirms that cost leadership's strategic logic normally require that an enterprise be the cost leader amongst the enterprises competing to satisfy the same customers' need. By not recognizing this, majority of the organizations have made strategic errors. With more than one cost leaders aspiring, the competition among them is normally stive since each market share point is regarded important.

In India, Kharub, Mor and Sharma (2018) did not find any direct association between firm performances and cost leadership strategy, but quality management was the meditating factor. Empirically, the outcomes indicated firm performance was significantly impacted by supplier management and constant improvement. Hence, emphasizing on quality management and a clear understanding by a firm that is pursuing cost leadership competitive strategy gives optimum benefits thus competitive sustainability. It was indicated that, quality management fully mediates the association between firm performance and cost leadership competitive strategy. At least one statically significant path is required to exist between indicators of firm performance and quality management components to support this. Research findings illustrate that all four components of quality management fully mediate the connection between cost leadership strategy and firm performances.

In Nigeria, Oluwatoyin, Olufunke and Salome (2018) indicated that in predicting performance of hotels, cost leadership is a good. It was indicated that, hotels in Nigeria have a tendency of using differentiation and low-price strategies, implying that consumer base demands that want low priced services but need high individualized service because of the low technology level usage is reflected by the low-cost strategy. Hence, unlike in majority of the developed nations where internet banking and other similar technologies have aided in transforming a number of monetary services to hard services, consumers in Nigeria are still demanding for low-priced individualized flexible services.

In Kenya, Onyango (2017) found that BOC Kenya had highly adopted competitive strategies for competing in market. The study findings disclosed that cost leadership significantly influenced the competitiveness of the firm in the market. The study also indicated that, firm competitiveness highly relied on the company's adopted strategies in outperforming its market competitors like cost leadership strategy. It was also indicated that, while cost leadership did have influence an organization's competitiveness, cost leadership, differentiation and focus strategies combined brought forth a higher competitive edge. However, it was noted that differentiation strategy had the greatest impact when each strategy is applied separately.

1.1.1 Cost Leadership Strategy

According to Dutse & Aliyu (2018), "cost leadership is a term used when a company projects itself as a certain commodity or product's cheapest provider or manufacturer in a competition." Deploying a strategy is challenging as the management has to continually work to reduce cost and each step to still be competitive. According to Alonso-Almeida,

Bremser as well as Llach (2015), expense management is an advertising strategy, although it is extremely reliable in obtaining market share in addition to attracting clients' attention, releasing it is challenging. The firm's monitoring group continuously work to lower the price of not simply one item but all products in the business's profile. Chen and Liu (2019) suggest that, "price leadership does not mean that a firm produces items which are of inferior quality at fairly inexpensive prices that strategy will inevitably lead to failure." To utilize this approach, a firm needs to produce items of acceptable top quality as well as certain clients at a lower/affordable price than various other business creating a similar product.

Cost leaders have a tendency to share some essential features; the capacity to costs affordable rate and still gain a profit is tough (Blanchard, 2018). Cost leaders handle by considering efficiency at each value chain step: customer service, sales, manufacturing and production. Little is spent by most cost leaders in research and development, market research and advertising as a way of being effective. Gure and Karugu (2018) posit that, beyond current rivals, benefits relative to potential new entrants are created by a cost-leadership strategy. Cost leaders' presence in a sector has a tendency of discouraging upcoming enterprises from joining the business since they would struggle attracting clients by undercutting or matching the prices of cost leaders (Dess, McNamara, Eisner & Lee 2019). Consequently, a cost-leadership technique aids create obstacles to entrance that secure the company along with its existing competitors from brand-new opponents.

Cost management method involves developing a competitive advantage by having the lowest operation cost. Kiprotich, Gachunga and Bonuke (2018) assert that cost management is frequently driven by business effectiveness, size, range, extent and

collective experience (discovering curve). A price management strategy purposes to manipulate manufacturing scale, well-established scope and various economic, generating items of very high standards, making use of enhanced technology (Chen & Liu, 2019). Over the last few years, increasingly more business have picked a strategic mix to accomplish market management. Desyllas, Miozzo, Lee and Miles (2018) believe that cost leadership strategy performs good in particular conditions. First of all, the cost management approach can be used if the cost rivalry amongst competing vendors is strong; Also, if, the method is appropriate for readily available or standardized items from other enterprises in the sector and lastly, it functions well if the company has couple of methods of achieving product differentiation for consumers to be sensitive to differences in prices.

According to Klima (2018), in situations the requirement for high volumes of sales is a cost-leadership strategy's big disadvantage; a small opportunity for attracting high customer numbers is offered by markets involving a lot of brand loyalty and highly fragmented markets. For instance, in beer and soft-drink industries, clients have a will of paying more for enjoyment of the choice of brand. Lower-end brand name of soda and beer interest rate a minority of clients, nevertheless prominent trademark name like Budweiser, Pepsi, Coca-Cola and Molsons still control the markets (Galpin & Hebard, 2018). Another concern is that attaining a big sales amount normally needs substantial upfront monetary investments in distribution/production capability. Not all companies agree and are capable of making such investments. In addition to research and development, market research and advertising are kept minimal by the cost leaders to

lessen their costs, nonetheless, in the long run, this strategy proves to be pricey (Desyllas, Miozzo, Lee & Miles, 2018).

Cost leaders in some firms may be less knowledgeable in the detection of crucial environmental trends and changes due to a relative absence of marketing research. On the other hand, if research and development is downplayed, cost managers' capability of responding to detected changes can be slowed down. Lagging opponents in regard to uncovering and responding to external adjustments can be a dangerous combination leaving cost leaders out of answers and touch with the market.

1.1.2 Firm Performance

Performance is the firm's capability in achieving its objectives by utilizing resources in an effective as well as trustworthy means (Ahmad, Hadyait & Rashid, 2019). Better performance is the goal of any firm since a firm can progress and grow only through performance (Gavrea, Ilies & Stegorean, 2011). As researchers frequently acknowledge the concept of performance cannot be universally defined, it is uncertain. Researchers commonly concur that performance is an organizational context as well as a time function. Determining the effectiveness of a business as attested by Mathews, Maruyama, Sakurai and Sok (2018) assures alignment of strategic activities to the strategic plan, boosting the bottom line through mission effectiveness, improving productivity and reducing process cost. Performance measurement is defined by Erhardt (2018) as the process to evaluate how best firms are managed and what their value delivery to clients and other stakeholders or process to quantify the effectiveness and efficiency of previous happenings.

Kariithi and Kihara (2017) indicate that, the measures of performance entail monetary and non-monetary; monetary include market share, profitability, market share, return on equity, assets, investment, and liquidity. Non-monetary measures include decision quality, client satisfaction and efficiency. McDavid, Huse and Hawthorn (2018) posit that, “performance measurement tools developed to incorporate aspects in measuring performance include; cleaner production, triple bottom line approach, economic value add, the balance score card, etc.” Kaplan & Norton (2012) proposed score card as a framework utilized in measuring performance of an organization. Four various approaches of looking at performance are identified and integrated by this model: innovation and learning, internal business processes, customer and financial perspectives. A balanced scorecard basically increases the organization’s mission and vision statement understanding in the entire organization, allow organizational change, link the organization’s objectives to the annual budgets and update and clarify the business strategy.

According to Taylor & Taylor (2014), the vision and mission statement of a firm can be translated into performance measures and a broad objective set by a balanced scorecard that can be appraised and quantified and gauge if the desired outcomes are achieved by the management. Another framework utilized in measuring an organization’s performance is the triple bottom line (Svensson, Ferro, Høgevold, Padin, Varela & Sarstedt, 2018). Three pillars utilized in measuring performance: natural capital, profit and people are integrated by the triple bottom line. Natural resources are sustainable environmental practices, at most a firm tries to keep minimal the environmental impact, do no harm and gain the natural order (Hadjer, 2017); profit in an economic value a firm

creates after all profit costs which include tied up capital have been deducted, it is an organization's actual impact on its economic environment and people associate to business' beneficial and fair practices the community and labour where the firm operates, it commonly attained by firms via corporate social responsibility (Tipape, & Jagongo, 2019). This study used Profit after tax, market share, return on investment, liquidity and return on marketing investment to measure the performance of manufacturing firms in Mombasa County.

1.1.3 Food and Beverages Manufacturing Sector

Kennedy & Brian, 2017 indicate that the Kenyan manufacturing sector adds to 65% of the contribution to GDP by the industrial sectors, with 30% being contributed by mining, construction and building under vision 2030, the Kenyan manufacturing industry is amongst the primary identified field that can initiate growth (Kirungu,2012). For long-term economic development, the manufacturing sector' importance has been recognized in Kenya. Absolutely, the advancement targeted for production indicated in the vision 2030 document by the government higher and needed constant levels of investment, finally getting to more than 30% of GDP (GoK, 2013). As efficient demand constantly shifted to favor imported manufactured goods that are relatively cheaper, the elevated poverty levels paired with the fundamental economy's slowdown of the economic situation constantly inhibited advancement of locally manufactured goods' demand. Of the Kenyan GDP, 10% is directly contributed by the manufacturing sector (World Bank, 2013). In the formal Kenyan sector, 3,500 manufacturing units constitute the sector and 300,000 individuals are employed and approximately 500,000 indirectly accounting for 13% of the labor force. This sector has high but untapped capacity contributing to GDP

growth and employment. In comparison to the agricultural industry, the industry has higher prospects of growth since it's not restricted to land size (Witjaksono, 2012). Smith (2011) notes that there has been an approximate 10% decline in its contribution to wage employment and a stagnated contribution to GDP. As compared to 0.3% of South Africa, the manufacturing exports share of Kenya to the world market is very low and remains at 0.02%.

Since the late 1990s, there has been a growth in the Kenyan manufacturing sector. In Kenya, the common industries are: commercial ship repair, cement industries, lead industries, steel industries, aluminum industries, oil refining, horticulture, agricultural products and small-scale consumer goods (flour, cigarettes, soap, clothing, textiles, batteries, furniture and plastic). A lot of these sectors are situated in Nairobi due to its closeness to crucial markets though many of them are further located in Mombasa (Rioba, 2015).

The manufacturing firms in Kenya are small and relatively diverse, but the most sophisticated in East Africa. The country has a vibrant manufacturing industry which offers a variety of products that meet world class standards. According to the web-site of the Kenya Association of Manufacturers (KAM, 2018). The industry continues to grow from strength to strength since the late 1990s despite challenges in the operating environment. Food, clothing and textile subsectors accounts for over 73% of the sector which is a representation of the complete picture of the industry.

Food, beverages and tobacco constitute over 73% of total production turnover in the agro-processing industry. "About 87% of the total registered manufacturing firms in

Kenya are active and majority of these firms are locally owned,” (Agbiogwu, Ihendinihu & Okafor, 2016). Different researchers and scholars have categorized the Kenyan manufacturing firms depending on diverse characteristics. Some firms are categorized depending on the number of facilities, the work force size, production or quality of service. The KAM directory (2017/2018) states that “in Kenya, large-scale manufacturing firms have more than 100 workers, medium-scale firms have from 51 to 100 workers, small-scale manufacturing firms have from 11 to 50 workers, and micro-scale firms are those with 10 or fewer workers,” (Achuora, Guyo, Arasa & Odhiambo, 2015).

1.2 Statement of the Problem

A number of Kenyan manufacturing companies have recently indicated a decline in performance. For example, for the recent years, East African Breweries Limited (EABL), a large East African brewing company has faced a respective 7% and 15% reduced market share and low profits in 2017 and 2016 as compared to 2015 (Baraza, 2017). According to KNBS (2016), there was a 3.2 % growth in the Kenyan manufacturing industry in 2014 and 3.5% in 2015, this contributed to the GDP. Averagely, the growth rate of manufacturing has been slower than the economy that went up by 5.6% in 2015. Meaning that, over time, the manufacturing share in GDP has been declining. Phillips (2009) notes that, it can hence be argued that Kenya is undergoing premature deindustrialization conditions where there is still under development of industry manufacturing. It seems that Kenya has reached its industrialization peak at a much lower point as compared to other parts of the world.

Okello (2018) indicated lack of competitive strategies as a barrier to growth and productivity of manufacturing companies in Kenya and is among the factors which may

result to failure. A KNBS (2017) report stated that within the first few months of operating 3 out of 5 manufacturing firms fail and the ones that still operate 80% collapse before the fifth year. The national GDP is directly impacted by this high failure and leads to lack of employment.

A number of scholars have conducted studies addressing the performance of manufacturing firms in Kenya. For example, Okello (2018) by adopting mixed method design investigated how the Kenyan micro and small furniture manufacturing firms' growth was influenced by entrepreneurial management and found that, micro and small furniture manufacturing firms' growth is influenced by entrepreneurial management as composed of entrepreneurial culture, reward philosophy, resource orientation and strategic orientation. The study presents both conceptual and methodological gaps. Kariithi and Kihara (2017) by adopting descriptive design assessed the factors affecting Kenyan manufacturing firms' performance and disclosed that, the market share of a manufacturing enterprise was enhanced by adequate infrastructure innovation and that the competitive edge of manufacturing enterprises that participated in online services would be boosted. The study presents a conceptual gap. This research sought to address the gaps by establishing how Manufacturing Firms' Performance in Mombasa County is influenced by Cost Leadership Strategies.

1.3 Objectives of the Study

1.3.1 General Objective

To investigate the effect of cost leadership strategy on the performance of food and beverage manufacturing firms in Mombasa County, Kenya.

1.3.2 Specific Objectives

- i. To establish the effect of pricing strategy on the performance of food and beverage manufacturing firms in Mombasa County, Kenya.
- ii. To evaluate the effect of operation strategy on the performance of food and beverage manufacturing firms in Mombasa County, Kenya.
- iii. To investigate the effect of vertical integration in enhancing market share of food and beverage manufacturing firms' performance in Mombasa County, Kenya.

1.4 Research Questions

- i. What effect does pricing strategy have on performance of food and beverage manufacturing firms' performance in Mombasa County, Kenya?
- ii. What is the effect of operation strategy on food and beverage manufacturing firms' performance in Mombasa County, Kenya?
- iii. What is the effect of vertical integration enhancing market share of food and beverage manufacturing firms' performance in Mombasa County?

1.5 Significance of the Study

This research will contribute to the understanding of how cost leadership strategies affect the food and beverage manufacturing firms' performance in Mombasa County; the beneficiaries are the food and beverage manufacturing firms' managers, the government, employees and other stakeholders. Food and beverage manufacturing firms based in Mombasa County ascertained if whatever cost leadership strategies they have in place are of any importance to them.

The information will be used by scholars in the field of strategic management in understanding better the sector's state. The information could be used as a point of reference in other sectors for strategy formulation and innovations. Further, the information could be used by the Government to diagnose the issues that affect Food and Beverage manufacturing sector in the country and come up with regulative solutions.

1.6 Scope of the Study

This study focused on food and beverage manufacturing firms only. The focus was on one county; Mombasa County; yet Kenya has forty-seven counties. The study sought to interview the manufacturing firms' management targeted in this study.

1.7 Limitations of the Study

The food and beverage manufacturing firms' managers targeted declined to provide information on their organization's performance because of fear of privacy code and competitors. To curb this, the motive of the study was explained to them by the researcher prior to embarking on collection of data. Since the enterprises are operating on a schedule that is very tight, time was a limiting factor; the investigator scheduled interviews with the participants on days they not so engaged.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter reviews the related literature. The theoretical as well as the empirical literature is covered. The conceptual framework illustrating the independent variables and the dependent variable's relationship is also covered.

2.2 Theoretical Review

The Weber-Fechner Law, resource-based view theory, lifecycle theory and Capability-based theory informed the study.

2.2.1 The Weber-Fechner Law

The Weber-Fechner's law was established by Gustav Theodor Fechner (1801-- 1887). This law connects modifications in a stimulus to the perceived feedback as: $\Delta S/S = k$, where S is the stimulus, ΔS is the "simply obvious difference" (i.e. to make sure that S + ΔS is regarded to differ from S), and k is constant for each sensory stimulus. Fechner reviewed subjective experiences utilizing differential increments and got the Weber-Fechner guideline (Monroe, 1971). Many authors have made use of the Weber-Fechner law in the examination of price limitations (Adam 1970; Monroe 1973; Gabor & Granger 1966).

The proof given in the documents is supported by the concept of lower and upper expenditure limitations, hence, a price range that is regarded acceptable. The Weber-Fechner law uses an approach of experimentally ascertaining the thresholds. Prices that are too high fall above the upper threshold and too low prices are below the lower

threshold. According to Monroe, (1973), Adam exposed this empirically. This theory is relevant to this research since it is utilized in explaining how consumers' price perception influences their choice in buying manufactured products. Consumers will purchase more if the prices are positively perceived thus help in the firm pricing decision making particularly comprehending such strategies' price thresholds.

2.2.2 Resource Based View Theory (RBV)

Wernerfelt (1984) proposed this theory. It is of the suggestion that by delivering superior value innovatively to clients, competitiveness can be attained. The resultant resource-based theory (RBT) and resource-based view of the firm (RBV) give a crucial framework to help explain and predict the organization's performance basis (Vorhies and Morgan 2005; Slotegraaf, Moorman & Inman, 2003; Barney, Ketchen & Wright, 2011). Even with previous studies identifying those firm resources play an important in the success of a firm, The RBV took shape since the 1980s (Penrose 1959). Peteraf and Barney (2003), during this time, if compared to the marginal competitor in the product market, an organization can generate more economic value, it achieves competitive advantage. The RBV as the firm's competitive advantage basis lies entirely in applying intangible of tangible resources' bundle at the disposal of the firm (Muema, 2014). According to Peteraf (1993), transforming a short-run competitive advantage to a competitive advantage that is sustainable calls for heterogeneity of the resources. Barney (1991) cites that this is translating to resources that are valuable which cannot be substituted or imitated without much struggle. The firm can be sustained by the resources beyond average returns if the conditions hold. The theory suggests that an organization's resources determine its performance hence contributing to sustainable competitive

advantage (Wenerfelt, 1984; Hoffer & Schendel, 1978). The resources concept includes all the knowledge, information, firm attributes, organizational processes, capabilities, assets etc. that the firm controls and enables the conception and implementation of strategies by a firm for improvement of effectiveness and efficiency (Daft, 1983; Barney, 1991). If the existing strategy is not presently implemented by current or potential future rivals and is value creating, a competitive advantage can be achieved.

According to Rumelt (1984), sustainability of a competitive advantage happens if the rivals' effort to provide competitive advantage redundant stop. The major concern of RBV in its early stages was identifying the resources attributes which cannot be imitated by the competitors. The advantage will be short-lived if a firm's resources can be replicated easily by the rivals. The position of a firm's asset sustainability depends on how easy it is to imitate or substitute its resources, imitability is associated to the asset's accumulation process attribute like inter-connectedness, asset erosion, asset mass efficiencies casual ambiguity, and time compression diseconomies (Dierickx & Cool, 1989)

Similarly, many attributes have been investigated like isolating mechanism, social complexity (Rumelt, 1984; Lippman & Rumelt, 1982; Barney, 1991), causal ambiguity, unique historical conditions (Reed & DeFillippi, 1990). The conditions that competitive advantage may be produces by a firm might be highlighted as: the resources ought to be rare and valuable (Barney, 1991). It is however worth noting that, the valuable concept of Barney is an ambiguous criterion of measuring a firm's competitive advantage. Profitability should not gauge the value of the resources; hence it should take the shape of

an economic asset without regarding its tangibility. Any resource's value must be gauged by the anticipated future income stream's discounted value which may be tied to it.

Further, the rare resource concept does not essentially ensure the firm's competitive advantage, even though a large rent is generated by that resource because of it being scarce. According to Lewin & Phelan (2002), the resources yield service prices referred to as rents. In these circumstances, rent is not anything compared to the resource service's rental prices even if it is rare or not. After all the production factors have been remunerated, the firm is not left with any profit (Rumelt, 1987; Barney, 1986; Demsetz, 1973). If a company gains benefits from the resources, it means that the company is squeezing some portion of the rent from the resource owner. The theory affirms that performance determinants are majorly the firm's possessed resources and how efficiently and effectively they utilize in driving the performance of an organization. Consequently, forms this research's main part on ways of measuring the resources and how to restructure them affects the firms' performance.

2.2.3. Lifecycle Theory

The product life-cycle theory is an economic theory that was developed by Raymond Vernon in response to the failure of the Heckscher-Ohlin model to explain the observed pattern of trade. The theory suggests that early in a product's life-cycle all the parts and labor associated with that product come from the area in which it was invented. After the product becomes adopted and used in the world markets, production gradually moves away from the point of origin. In some situations, the product becomes an item that is imported by its original country of invention. A firm grows and eventually matures while moving through different stages of the corporate lifecycle (Miller & Friesen, 1984). Each

of the stages differs from the other in terms of characteristics and firm structure. Lifecycle theory suggests the unique firm lifecycle characteristics of birth, growth, maturity and decline and how these characteristics affect the decisions a firm makes, especially in situations such as financial distress and the threat of bankruptcy (Koh, Dai, & Chang, 2012).

At birth phase a firm is in the initial stage of starting up business operations. The firm is therefore more geared towards expansion and is mostly action oriented. As it progresses into growth stage, the firm is more or less successful and experiencing growth in terms of strong business and cash flows. The firm then enters maturity. Here, the firm is cash rich, financially oriented, and focuses more on low risk projects.

Eventually, at decline stage firms has limited investment opportunities and generally are incapable of generating sufficient resources. Given that at different lifecycle stage a firm is faced with different challenges, management must have adjusted decisions that account for these differences. According to Koh, Dai, & Chang, (2012), Lifecycle characteristics present limited options for restructuring to managers, this especially when firms are faced with distress. Depending on the stage in the Lifecycle in which the firm is, the specific lifecycle characteristics will affect the restructuring strategies that the firm may employ if in financial distress, namely; managerial, operational, asset and financial strategies. For example, mature firms replace top level management while growth, mature and decline firms reduce dividend payments and raise funds from external sources. Corporate finance theory, on the other hand, argues that states of financial distress, default and bankruptcy present a fundamental stage in the lifecycle of firms (Wruck, 1990).

The survival of a firm is therefore not only dependent on its ability to remain profitable, to maximize shareholder wealth and to avoid financial distress but also on its ability to make decisions which take into consideration its stage in the lifecycle, (Koh, Dai, & Chang 2012). There is therefore a need to effectively deal with financial distress and immediately so, especially given that it precedes bankruptcy. How effectively a firm responds when it is in financial distress is crucial when it comes to recovery.

Restructuring strategies available to a firm when in distress is limited by the lifecycle stage it is in. For instance, it is more likely for mature firms in distress to replace their managers if incompetent. Firms at birth while open to this option may not choose to do so.

Distress firms at decline stage are also more likely to employ operational and asset restructuring strategies as compared to birth firms. Growth, mature and decline firms are more likely to reduce dividend payments to preserve investments and resources due to increased creditor pressure. Consistent with the pecking order hypothesis, distress firms will raise external funding through the issuance of common shares, (Osoro 2012). Manufacturing firms in Kenya have undergone various forms of restructuring based on the different stages of their corporate life cycle. Mergers and acquisitions, management restructure, product redefinition, cost cutting measures such as product reprising and staff competency leading to downsizing. All these have relevance to this study considering the dynamics of the restructuring measures taken by different manufacturing firms based on their thirst for success and their own structural capacity.

2.2.4 Capability-Based Theory

The principle was advanced by Amartya and Nussbaum (1980). The principle mentions that, resources are what produce capabilities while abilities are what is carried out to get enhanced market efficiency. Amit & Shoemaker (1993) developed the certain similar concept and made an argument that for an organization, sustained competitive advantages hardly results from resources, contrary, its abilities make a contribution to this. Capabilities are important and depending on how best an organization utilizes the available capabilities, it can obtain high market performance (Haas and Hansen, 2005). A firm's capacity in using its assets in conjunction with activities influencing the end product is what entail capabilities (Amit and Shoemaker,1993). The available data and steps taken by an organization in ensuring it uses all the inputs available for the consumers' benefit is what mostly determines them.

Through dynamic competencies, an organization is allowed to gather, evaluate and come up with strategies of dealing with the market dynamics (Teece et al., 1997). An organization's capability is its capacity in performing particular functions directly influence its ability to make value by utilizing the available resources (Grant, 1996). Grant further states that capability is in four categories: specific, activity-related, broad-functional and cross functional competencies. Simon (2003) posits that a firm's organizational learning is affected greatly by capabilities thus affecting the overall monetary performance. In gaining competitive advantage, the way a firm is coming up with innovative ideas is very crucial. An analysis by Lee et al. (2001) on outside relations and internal competencies or capabilities' influence the performance of an organization

Slater and Olson (2001) notes that, the flow approach and rationalism of that channel work together and impact significantly a particular firm's selected strategy for enhanced market performance. If an organization purposes in using one of the distribution strategies, a number of external factors may not agree with the stated strategies' success. Slater and Olson (2001) further highlight that, wide advertising to make sure consumers know about the available products, extensive research, a proper rapport with consumers and producing new dynamic products are what entails aggressive marketing. This theory is relevant to this research by explain the manufacturing firm's various capabilities that if a firm purposes in using one of the distribution strategies, a number of external factors may not agree with the stated strategies' success.

2.3 Empirical Literature Review

2.3.1 Pricing Strategies and Performance

An investigation on how insurance companies' profit maximization is impacted by risk pricing was carried out by Ekundayo (2012). The purpose of the study was to investigate how Nigeria Insurance market' profitability is impacted by risk pricing and how non-life insurance market's profitability is related with operation expenses. The study targeted workers in broking firms and underwriting firms in Lagos state. It was disclosed that firms had to adopt some kind of economy pricing strategy if they wanted to meet particular objectives and within the factor content. For instance, if a construction company targets a specific construction market, it can tender for the jobs at a lower cost level. The study made a conclusion that in profitability pricing, the economy is very crucial. To insurance and purchase demand, the economic state is very essential.

Wawaka and Muchelule (2018) assessed “the effect of pricing strategies on competitive advantage of selected cement manufacturing firms in Kenya.” quantitative approaches were deployed using an explanatory research method. 5 heads of department (Manufacturing, environmental, Safety Health, Finance and Commercial Managers) and 553 workers from five cement manufacturing companies were targeted. The findings indicated that the selected Kenyan manufacturing firms’ competitive advantage was significantly and positively affected by value-based pricing strategy and competition-based pricing strategy. The research benefited Kenyan cement companies by providing insights best pricing strategy for enhancing competitive advantage as well as the difficulties faced and how organizational performance was affected by those strategies.

Nyaga and Muema (2017) examined how Kenyan insurance firms’ profitability is affected by pricing strategies with the aim of establishing how the firms were affected by premium, penetration, skimming and economy pricing strategies. Descriptive research design was adopted and 45 Kenyan firms operating as at 2012, December 31st. 900 workers from the companies formed the sample size. The findings disclosed that price optimization strategies, premium pricing, penetration pricing, economy pricing, skimming pricing and profitability relate positively and significantly. Additionally, premium, penetration, skimming and economy pricing positively affect insurance companies’ profitability. Further, the variables and profitability correlated positively and strongly and that they satisfactorily explained profitability.

Another study on expenditure and pricing strategies undertaken by Milan, De Toni, Larentis, and Gava (2013) indicated that organizational performance is influenced by factors relating to their objectives’ attainment through new product development.

Alternatively, a better organizational performance was exhibited by firms that attained their profit margins, market participation and sales objectives. Hence, it clear that not organizations' success is connected to new product development adding customer value. Profitability is obtained and more value added to clients by a firm adopting constant innovative strategies mostly on released products (De Toni, Milan, and Reginato, 2011).

2.3.2 Operation Strategy and Performance of Manufacturing

In Jordan, a study on how Jordanian listed manufacturing companies' performance was impacted by strategic operation was undertaken by Al-Ghazzawi and Joudeh (2015). The manufacturing companies were surveyed with 91 questionnaires being administered to the firms; the exercises yielded around 65.9%. It was evident that, in comparison to time before the adoption of strategic costing techniques, better performance was achieved by JLMC. One-sample t-test indicated that JLMC utilized all the strategic costing techniques. Multiple regression results indicated that JLMCs performance high variation percentage was explained and significantly contributed by these techniques. JLMCs' market, financial and overall performance was affected significantly and positively statistically by 3 of explanatory variables (COQ, TC and ABC). All the explanatory variables but attribute costing significantly and positively affected JLMC's production performance.

Misore (2017) carried out an examination purposed to evaluate "the impact of financial factors on profitability of manufacturing firms listed on the Nairobi securities exchange." In the study, the researcher determined the level to which the firms' profitability was affected by financial factors.50 workers from the Kenyan manufacturing firms were

targeted with 44 participants being selected as the sample. The findings disclosed that, the participants agreed that they have been able to attainable low costs through automation, outsourcing technique has been applied to reduce remuneration, the firm maximizes profit by reducing operation costs; there was uncertainty on the firm adopting price leadership strategy and matching low price with quality and technological advancement. Regression analysis revealed that the variables: company maximizes profit by reducing operation costs, attainable low costs through automation, and the firm has adopted price leadership strategy were significant with p-value <0.05 . In addition, it was established that, the economic environment and interest rate fluctuations have an impact on the company's competitive position and operations in the industry. However, there was a lack of knowledge on the cost of hedging and the impact of interest rate on cash flow. The study concluded that, Manufacturing firms have had low costs through the implementation of automation and outsourcing technique. The firms should continue reducing operation costs so as to maximize profit. It was recommended that it is necessary for these firms to adopt measures to assist them mitigate the uncertainty on high volatility of stock markets. This could include getting into contracts with suppliers to minimize these risks.

Li and Li (2017) in a study found that price leadership tries to provide a customary, high-volume product at the foremost competitive worth to clients. A corporation could be a cost to leader however this doesn't essentially mean that corporate product may have an occasional price. Essentially, the corporate will as an example, charge a mean worth whereas depending on the low-priced management strategy and reinvesting the additional gains in the business. Most companies are looking for a property competitive advantage;

to outline the strategy direction, the porter's generic methods simply are often guided for companies.

Hamilton and Chernev (2013) conducted a study dubbed "Low prices are just the beginning: Price image in retail management." The study indicated that, Price image impacts both customer ideals and customer conduct. The study indicated also that, price image influence how consumers understand the store's price stage and how honest costs are. It'll additionally affect shop choice, whether or not the customer makes a purchase in the shop or makes a decision to postpone it in order to test on charges and deals at other stores, in addition to the scale of the basket on each go to the store. Rate image may additionally affect store strategies which includes decisions whether or not to spend money on price sports compared to different components of the customer presenting which might also have a massive effect on fee notion. As a bad charge image is difficult to exchange, it's far a doubtlessly large hassle when new competitors enter the marketplace no longer the least e-tailers and discounters.

2.3.3 Vertical Integration and Performance

At the Norwegian fish processing industry, Isaksen, Dreyer and Grønhaug (2011) examined how Vertical integration (VI) and performance were related. The study findings indicated that, in overcoming market imperfections, VI is a commonly applied strategy hence enhancing the performance of firms. Mixed findings are however shown by past studies' empirical findings. The study also found that, if utilized under circumstances characterized by market failures like high market uncertainty, demand variability and substantial transaction costs, Vertical integration creates different economies thus positively influencing performance. In addition, VI lowers risk of firms

in markets which have uncertainty in volume and demand consisting of less actors, enhancing gains for the ones who apply the VI strategy.

Isaksen and Dreyer (2016) investigated the impact of vertical integration on performance by focusing on demonstrating how the challenges facing VI's empirical studies can be overcome. According to the contingency view, the researches' focus has been on when to and not to integrate. Even though the competitive situation is fit uncertainty and cost reduction, implementing VI is evidently a difficult and costly strategy. Further, within a similar competitive setting, implementation of VI by some organizations is a success and a failure to others. The study revealed that, performance will be positively impacted by vertical integration when; "the market is too risky and unreliable it fails, companies in adjacent stages of the industry chain have more market power than companies in your stages of the industry chain, integration would create or exploit market power by raising barriers to entry or allowing price discrimination across customer segments and the market is young and the company must forward integrate to develop a market, or the market is declining and the independents are pulling out of adjacent stages." The study concluded that, unless it is extremely necessary, do not vertically integrate; firms' struggle for profit maximization and competitive position improvement seems to be the primary reason for VI. The empirical results state that, to better understand how performance is impacted by VI and VI spread, RBV is very crucial. Further, there is need to develop new measures incorporating the VI complexity and accounts for particularity concerning competitive and production setting.

Hamdaoui and Bouayad (2019) assessed "the determinants and effects of vertical integration on the performance of Moroccan manufacturing." The purpose of the research

was to investigate the Moroccan industrial sector's vertical integration, what determines it and how it affects the industry's performance and the economy generally. The analysis' primary aspect was presenting the connection between VI and firm theories, the incentives to VI based on 2 methodologies: efficiency and monopoly theory. The study findings revealed that, the issues brought about by price rationing when the market is characterized by a noticeable variation in equilibrium price and actual price can be solved by Vertical integration. Equally when there are fluctuations in prices as a result of extreme changes in intermediate demand or/and supply. The fluctuations mostly affect the downstream and upstream stages oppositely: a firm located at the downstream stage is negatively affected by an increment in the intermediate good's price and the firm at the upstream is positively affected. The negative fluctuation effects in these circumstances can be mitigated by vertical integration through production synchronization in both stages and integrated firm abstention from taking part in the intermediate good market.

A developed strategy whose aim is to lay a foundation for a dynamic and independent nation economy has been adopted by Morocco since its independence (Jay, 2018). The strategy came to an end, though with a social and economic crisis having the most noticeable indicators being social disparities becoming worse and financial imbalances both internally and externally. The development strategy's failure has led to the accentuation of the private and public's dualities at the industrial level, informal sectors on one hand and the formal on the other. A series of reforms which include the structural adjustment program whose aim is to clean up the economy of the country and enhance various production sectors' competitiveness were started in the second half of the 1980s by the Moroccan authorities. The reforms have had an effect on fundamental monetary

balances and questioning of the State role in the economic activity at financial, fiscal, legal and institutional level.

In the industrial sector, the reforms were aiming at enhancing the industry's competitiveness through domestic price liberalization, market deregulation and State withdrawal from the production activity. The focus of the reforms at the external level is the foreign trade progressive liberalization through substituting protection of tariff for the quota system and exports production. Even with the efforts, the manufacturing sector's production in Morocco is still very low. According to World Bank (2017), the industrial production's average annual growth was barely above 4 percent and the GDP share of the manufacturing industry hardly went beyond 18% between 1980 and 1989.

2.4 Summary of Research Gaps

An investigation on how insurance companies' profit maximization is impacted by risk pricing was carried out by Ekundayo (2012) disclosed that firms had to adopt some kind of economy pricing strategy if they wanted to meet particular objectives and within the factor content. For instance, if a construction company targets a specific construction market, it can tender for the jobs at a lower cost level. The study made a conclusion that in profitability pricing, the economy is very crucial. To insurance and purchase demand, the economic state is very essential. Employees in broking and underwriting in Lagos estate were targeted. Since the study was conducted in Nigerian insurance industry and used pricing as the only variable and since the study targeted only the employees, methodological, conceptual and contextual gaps were established. This research

addressed the gaps by establishing the Cost Leadership Strategies' influence on Manufacturing Firms' Performance in Mombasa County, Kenya.

In Jordan, a study on how Jordanian listed manufacturing companies' performance was impacted by strategic operation was undertaken by Al-Ghazzawi and Joudeh (2015) and found that JLMCs' market, financial and overall performance was affected significantly and positively statistically by 3 of explanatory variables (COQ, TC and ABC). The study presents contextual, methodological and conceptual gaps. The current study addressed the gaps by establishing the influence of Cost Leadership Strategies on the Food and Beverage Manufacturing Firms' Performance in Mombasa County, Kenya.

Isaksen, Dreyer and Grønhaug (2011) in their research in which they explored how Vertical integration and performance were connected established that in overcoming market imperfections, VI is a commonly applied strategy hence enhancing the performance of firms. From the study, contextual and conceptual gaps are established. This research addressed the gaps by establishing the influence of Cost Leadership Strategies on the Food and Beverage Manufacturing Firms' Performance in Mombasa County, Kenya.

2.5 Conceptual Framework

This is a model of presentation showing the relationship of the variables independent and dependent graphically, or diagrammatically (Orodho, 2004). Figure 2.1 displays the study's conceptual framework.

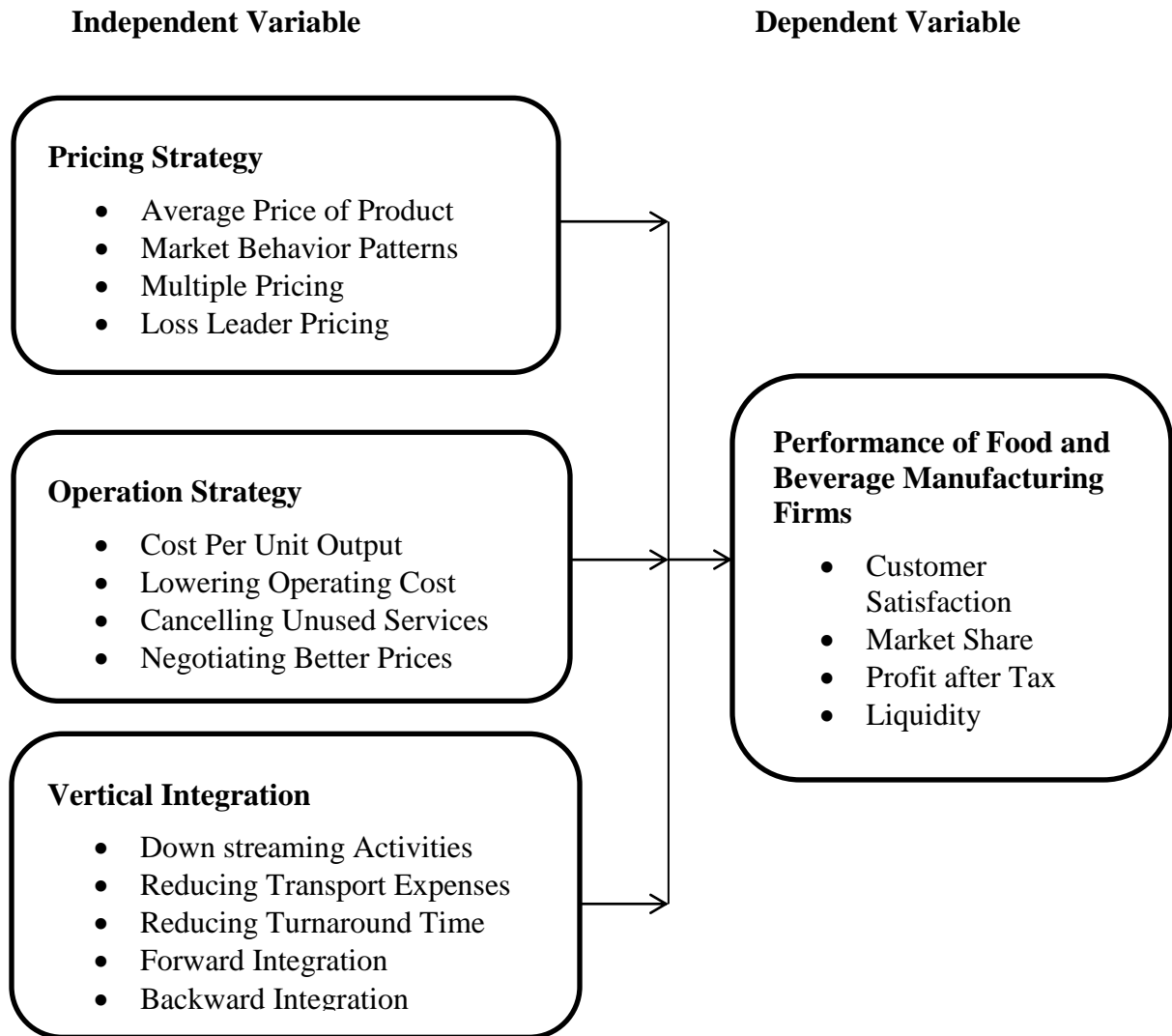


Figure 2.1: Conceptual Framework

Source: *Researcher (2019)*

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section presents the study methodology. Research design, target group, sampling procedure and sample, techniques for collecting and analyzing data.

3.2 Research Design

According to Lavrakas (2008) “research design is the overall plan for obtaining answers to the questions being studied and for handling some of the difficulties encountered during the research process.” It entails the highlight of what a researcher undertook from hypotheses writing and how they operationally implicate the final data analysis. Orodho (2009) observed that “research design is the scheme, outline or plan that is used to generate answers to research problems.” It comprised of the scheme for collecting, measuring and analyzing data (Neuman, 2013). This research applied descriptive research design. Descriptive research is a way of gathering information for responding to inquiries regarding the study subject’s current status (Cooper & Schindler, 2014). The descriptive research design was used because the study sought to gather quantitative data that described the nature and the influence of cost leadership strategies on the Food and Beverage Manufacturing Firms’ performance in the County of Mombasa

3.3 Target Population

John and Johnson (2012) posit that, “population refers to the entire group of people, events or things of interest that the researchers wish to investigate.” Kothari (2008) defines target population as “the portion of entire population in which the researcher is

interested, has access to or is more likely to get the required data.” Population is defined by Kombo & Tromp (2006) as “a group of individuals, objects or items from which samples is taken for measurement or it is an entire group of persons, or elements that have at least one thing in common.” This study targeted 24 registered food and beverages manufacturing firms in Mombasa County as per Kenya Association of Manufacturers Directory 2018. The units of observation were the top managers in the following departments; strategic management, operations management, procurement and finance department in the Food and Beverages manufacturing firms in Mombasa County, Kenya, whereas the analysis unit was food and beverages manufacturing firms in Mombasa County. From each food and beverages manufacturing firms, 2 top managers were purposively chosen from each department giving a total of 192 participants from all the registered food and beverage manufacturing companies in Mombasa County.

Table 3.1: Target Population

Category	Top Managers
Strategic Management	48
Operations Management	48
Procurement	48
Finance	48
Total Population	192

Source: *Kenya Association of Manufacturers Directory (2018)*

3.4 Sample size and Sampling procedure

Sampling is systematically selecting a restricted number of elements out of a population that is specified theoretically. The justification to this is that it helps drawing conclusions regarding the whole group. Kothari (2007) defines a sample as “a small proportion of a population selected for observation and analysis while sampling is a deliberate rather than

a haphazard method of selecting subjects for observation to enable scientists infer conclusions about a population.” The benefit of choosing a sample that is representative by making a sampling frame is underscored by Ngechu (2004). Cooper & Schindler (2003) states that, a list of the entire population units from which selection of a sample is done is described by the sampling frame. Since the target population is small, a census approach was deployed in collecting data from participants thus the study did not use any sampling technique. “A census is a count of all the elements in a population,” (Kothari, 2008). Hence, the sample size was 192 participants.

Table 3.2: Sample Size

Category	Top Managers
Strategic Management	48
Operations Management	48
Procurement	48
Finance	48
Total Population	192

Source: *Kenya Association of Manufacturers Directory* (2018)

3.5 Data Collection Methods

According to Gall, Gall & Borg (2007), data collection is obtaining data that is raw and unprocessed for processing through scientific data analysis process into information that is meaningful. This research utilized primary and secondary data. The manufacturing firms’ records for a 5 years duration helped in obtaining secondary data and structured questionnaire containing closed-ended questions for primary data. A structured questionnaire is suitable since it can be replicated, easily analyzed, affordable and help gather both qualitative and quantitative data as requested by the investigator

3.6 Pilot Testing

A pilot test was undertaken before the actual study to refine the questionnaire so participants would answer questions straightforward. According to Saunders, Lewis, & Thornhill (2012), the test was done to make sure that obtained information answered the research questions. The respondents that participated in the pretest were not included in the final exercise. This is in line with Kothari (2004) statement that “the size of a sample to be used for piloting testing varies depending on time, costs and practicality, but the same would tend to be 5- 10 per cent of the sample.” The pretest was done at 10% level; hence 19 questionnaires were utilized for pilot testing and the questionnaires used for piloting were not included in the actual findings.

3.6.1 Instrument Validity

Validity assesses if a questionnaire measures what it supposed to (Newing, 2011). Experts examined the questionnaires to ensure content validity. The participants were requested do a relevance and meaningful evaluation of the statements in the questionnaires. Before the questionnaires were subjected to the final exercise of collecting data, the instruments were appropriately adjusted based on the evaluation. The comments from the review were deployed in ensuring enhancement of content validity. Ten of the questionnaires were evaluated for the validity of the study.

3.6.2 Instrument Reliability

Reliability is “a measure of the level to which a data collection tool obtains consistent findings or data after repeated trials” (Mugenda, 2013). Cronbach’s Alpha coefficient was deployed in ascertaining reliability. All the items were tested on how they were

relating to all other items. This is expressed as coefficient between 0 and 1. Sekaran, & Bougie (2003) indicate that the data collection tool is reliable if it yields a more than 0.7 coefficient and is unreliable if the coefficient is below. After the pilot, responses from the questionnaires were entered and Cronbach's Alpha coefficient generated. The reliability results tests are displayed in Table 3.3.

Table 3.3: Results of Reliability Test

Variable	Cronbach's value	alpha	Number of Items	Remarks
Pricing strategy	0.865		7	Acceptable
Operation strategy	0.796		6	Acceptable
Vertical integration	0.803		5	Acceptable
Performance	0.854		7	Acceptable
Aggregate Score	0.829			Acceptable

Source: Pilot Study (2021)

Internal consistency was assessed using Cronbach's Alpha index, this further helped in determining whether the items within the scale real are measuring the same construct. From the results, the values were varying between 0.796 and 0.865 for operation and pricing strategy respectively with aggregate index of 0.829, this is within the 0.7 recommended minimum value (Sekaran, & Bougie, 2003).

3.7 Analysis and Presentation of Data

Analyzing data is the application of reasoning to comprehend the data collected with an objective to determine patterns that are consistent and coming up with the study's disclosed details summary (Zikmund, Babin, Carr, & Griffin, 2010). The data collected was quantitative in nature. Evaluation of descriptive statistics was done using frequencies and mean. Frequencies were produced using SPSS. Generalization and conclusions were

derived using inferential and descriptive statistics. Specific inferential statistics included regression and correlation analysis.

To ascertain how the dependent variables were affected by independent variables multiple regression models were fitted into the information. Multiple regression Analysis was utilized because it uses the independent variables in the prediction of dependent variable. The connection between the variables was measured using multiple regression models.

In the determination of any causal relationship, multiple linear regression analysis was conducted. Linear regression analysis best explains causation models (Gujarati, 1995) and thus, linear regression results were utilized by the study for each variable;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

Where;

Y = Performance of Food and Beverages Manufacturing Firms

X₁ = Pricing Strategy

X₂ = Operation Strategy

X₃ = Vertical Integration

β_0 = the constant term while the coefficient $\beta_i = 1 \dots 3$ measured the dependent variable (Y) sensitivity to unit change in the predictor variables X₁, X₂, X₃ and X₄. The unexplained variations in the model is captured by the error (ϵ) term.

3.8 Variables' Operationalization and Measurement

Table 3.4: Operationalization of the Study Variables

Variable	Variable Type	Indicators	Measurement Scale
1.Pricing Strategy	Independent Variable	- Average Price of Product -Market Behavior Patterns -Multiple Pricing -Loss Leader Pricing	Ordinal
2. Operation Strategy	Independent Variable	-Cost Per Unit Output -Lowering Operating Cost -Cancelling Unused Services -Negotiating Better Prices	Ordinal
3. Vertical Integration	Independent Variable	-Down streaming Activities -Reducing Transport Expenses -Reducing Turnaround Time -Forward Integration -Backward Integration	Ordinal
4.Firm Performance	Dependent Variable	- Customer Satisfaction -Market Share -Profit after Tax -Liquidity	Ratio/Ordinal

3.9 Ethical Considerations

To make sure the respondents were not subjected to loss of self-esteem, embarrassment, unusual stress, or prejudice, the researcher took appropriate measures. An informed consent was obtained from the participants, they were further informed of the study purpose and that participation was voluntary. Confidentiality of the obtained data was maintained. A plagiarism originality report was obtained as proof of observation of the required level and attached to the document.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

The analysis results are highlighted in this section. Further, the section discusses the analyses' interpretation and discussion.

4.2 Response Rate

192 questionnaires were administered and of these, 185 were duly filled and returned.

Figure 4.1 illustrates the results

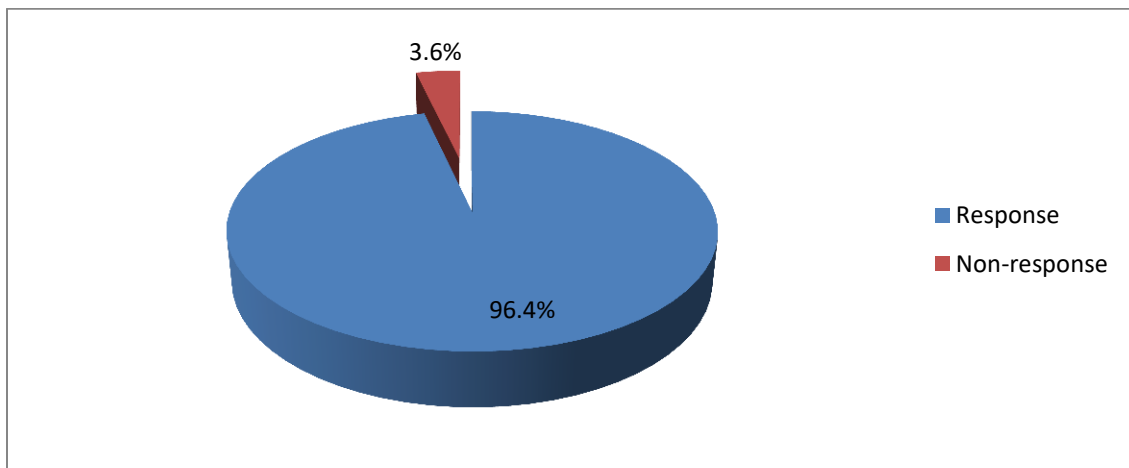


Figure 4.1: Response Rate

Source: Field Data (2021)

Based on Figure 4.1, the response rate was 96.4%. Conversely, 3.6% of the questionnaires were not gotten back. This was fit for analysis based on Mugenda and Mugenda (2003) recommendation that, for data analysis, a 70% and above response rate is very good.

4.3 Respondents' General Data

The participants' general data was analyzed in terms of work experience, highest education qualifications, age and gender. The findings are as below:

Table 4.1: Analysis of Respondents General Data

Category	Sub-category	Frequency	Percent
Gender	Male	102	55.1
	Female	83	44.9
	Total	185	100
Age	20 -29	26	14.1
	30 – 39	54	29.2
	40 – 49	94	50.8
	50 and above	11	5.9
	Total	185	100
Highest Academic	Doctorate	3	1.6
Qualification	Diploma	12	6.5
	Master's Degree	64	34.6
	Bachelor's Degree	106	57.3
	Total	185	100
Work experience	Less than 5	17	9.2
	6 to 9	39	21.1
	10 to 13	81	43.8
	14 and more	48	25.9
	Total	185	100

Source: Researcher Data (2021)

As presented in Table 4.2, most 55.1% of the participants were male and females were 44.9%. Implying that gender balance aspects was factored. 29.2% of the participants were 30 to 39 years old, 50.8% were 40 to 49 years old, 14.1% were aged between 20 to 29 and 5.9% accounted for those respondents who were aged 50 years and above. Implying that

within the workplace, participants of all ages were involved in the study. Combining older and young workers was crucial since they possess different working styles that helped the investigator in obtaining information depending of diverse perspectives.

The findings further illustrated that the participants majority were bachelor's degree holders as represented by 57.3%, 34.6% master degree, 6.5% diploma and 1.6% doctorate. This illustrated that most participants had a highest education qualification. In addition, 43.8% had been working for a range of 10 to 13 years, 25.9% had worked for 14 years and more, 21.1% for 6 to 9 years and 9.2% for less than 5 years. It was a clear demonstration that the participants had a good working experience.

4.4 Descriptive Analysis Results

Mean (M), Standard Deviation (SD) and Coefficient of Variation (CV) were used in presenting the results of descriptive data. The results are presented below:

4.4.1 Pricing Strategy

Participants gave their responses to the items on pricing strategy which were analyzed and results displayed as below:

Table 4.2: Descriptive Statistics for Pricing Strategy

	n	M	SD	CV
We set the prices of our products according to the prevailing market rates	185	4.42	0.58	13
Our companies invest a lot of money in studying the market behavior Patterns.	185	4.07	0.93	23
In our company we engage in multiple pricing of our products to cater for different classes of customers	185	4.30	0.70	16
In our company we practice loss leader pricing where our products are sold at a price below their market price for stimulation of other more profitable goods' sale	185	4.14	0.86	21
In our company products are priced in such a way that the consumers get value for their money	185	4.23	0.77	18
Our company conducts market research to identify the opinion of our customers on prices of our products for action	185	3.69	1.31	36
Our organization continuously seeks to reduce prices without sacrificing its quality product essential features	185	3.72	1.28	34
Aggregate Score		4.08	0.92	23

Source: Field Data (2021)

The responses on pricing strategy statements lied between 13% and 16%. The variation of these coefficient levels were low hence an indication that all item responses concentrated around the responses' mean values. The responses' sample means were 3.69 to 4.42 which is roughly 4, this agrees to the adopted rating scale with a 4.08 aggregate score. The participants agreed with practices and activities which were used to measure pricing strategy. Participants agreed that the activities and practices for pricing strategy are very important in the food and beverage manufacturing companies' performance in the County of Mombasa.

4.4.2 Operation Strategy

Participants gave their responses to the items on operation strategy which were analyzed and results displayed in Table 4.3.

Table 4.3: Descriptive Statistics for Operation Strategy

	n	M	SD	CV
Our company strives to reduce the unit cost per output so as to maximize on profitability	185	4.55	0.45	10
We reduce operational costs regularly with the aim of increasing profit.	185	4.51	0.49	11
We cancel unused services so as to reduce wastage of funds	185	4.63	0.37	8
We engage in negotiation of prices in the market to ensure we get the best prices	185	3.84	1.16	30
We normally select the cheapest packaging materials in the market to cut cost	185	3.21	1.79	56
In our company we embrace the adoption of technology in our operations to reduce operation cost	185	3.39	1.69	50
Aggregate Score		4.02	0.98	24

Source: Research Data (2021)

Based on the findings, responses on operation strategy statements were between 8% and 56%. The variation of these coefficient levels illustrate a wide variation illustrating that various operation strategy's individual responses measured in the food and beverage manufacturing companies' performance in the County of Mombasa, Kenya concentrated around the responses' mean values. To underscore the reported sample men's stability, the variability level is essential and demonstrates the probability to make population characteristics' reliable estimation.

The responses' sample mean varies between 3.21 and 4.63 which is roughly 4, this agrees to the adopted rating scale. The variation' sample coefficient, standard deviation and sample means' aggregate values of 24%, 0.98 and 4.02 validate these typical responses.

Participants agreed that the activities and practices for operation strategy are very important in the food and beverage manufacturing companies' performance in the County of Mombasa.

4.4.3 Vertical Integration

Participants gave their responses to the items on vertical integration which were analyzed and results displayed in Table 4.4.

Table 4.4: Descriptive Statistics for Vertical Integration

	n	M	SD	CV
We conduct Down streaming Activities in which we process the materials collected during the upstream stage into a finished product to reduce cost	185	4.53	0.47	10
In our company we explore Opportunities to Consolidate Shipments to reduce transport cost	185	4.49	0.51	11
We strive to reduce amount of time taken to complete a processing or fulfill a request for processed products	185	4.01	0.99	25
We conduct forward integration in which we our company activities are broadened to consist of control of the straight supply or distribution of our firm's items	185	3.98	1.02	26
We conduct backward integration where we expand our duty to fulfill tasks originally completed by companies up the supply chain	185	4.25	0.75	18
Aggregate Score		4.25	0.75	18

Source: Field Data (2021)

From the findings, responses on vertical integration statements' sample mean was between 3.98 and 4.53 which is estimately 4 on the investigator's adopted rating scale. Alternatively, the SD set values are equally high as demonstrated from the variation coefficient's value range with all the responses' highest level being 26%.

The findings demonstrate that participants agreed that the activities and practices for vertical integration were being practiced in the food and beverage manufacturing companies' performance in the County of Mombasa. The variation, sample coefficient, standard deviation and sample means' aggregate values were 18%, 0.75 and 4.25. Participants agreed that the activities and practices for vertical integration as a cost leadership strategy are very important in food and beverage manufacturing companies' performance in the County of Mombasa.

4.4.4 Performance

Participants gave their responses to the items on cost leadership strategy in food and beverage manufacturing companies in Mombasa County which were analyzed and results displayed in Table 4.5.

Table 4.5: Descriptive Statistics of Performance

	n	M	SD	CV
Our return on investment has been on the upward trend for the last 5 years	185	4.53	0.47	10
Our market share has increased over the past five years	185	4.79	0.21	4
Our operational cost has been reducing	185	4.06	0.94	23
Our organization profits after tax have been on the rise	185	4.70	0.30	6
Our organization has been achieving its target goals	185	4.52	0.48	11
In our organization, changes in vision has contributed to improved performance	185	4.01	0.99	25
Our organization's customer base has been increasing	185	4.29	0.71	17
Aggregate Score		4.53	0.47	10

Source: Survey Data (2021)

From the findings, responses on food and beverage manufacturing companies' performance in the County of Mombasa statements' sample mean was between 4.01 and 4.79. Alternatively, these responses' variability is narrow as illustrated by the variability sample coefficient values of between 4% and 25%. This implies that participants agreed that cost leadership strategy of food and beverage manufacturing firms in Mombasa County, Kenya had the ability to produce results demonstrated by items utilized by the study in measuring performance. The variation' sample coefficient, standard deviation and sample means' aggregate values for food and beverage manufacturing firms' variation for outcomes in the County of Mombasa of 18%, 0.71 and 3.91 form a basis to undertake further statistical evaluation to draw conclusion on how cost leadership strategy and performance are related in line with the study objective.

4.5 Results of Inferential Statistics

Multiple linear and correlation analysis were done using SPSS to ascertain the connection between cost leadership strategy and performance of food and beverage manufacturing firms in Mombasa County, Kenya

4.5.1 Correlation Analysis

This was done to quantify the association between the independent and dependent variables. Table 4.6. has the findings.

Table 4.6: Correlation Analysis

		Pricing strategy	Operation strategy	Vertical integration
Performance	Pearson Correlation	0.698	0.754	0.821
	Sig. (2-tailed)	0.02	0.000	0.000
	N	185	185	185

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

Source: Survey Data (2021)

Based on the findings, all the correlation coefficients are significant statistically at 0.01 significance level for two-tailed test. Hence, the pairs of variables have a positive linear correlation. vertical integration and performance' correlation coefficient was 0.821 implying that they had a positive strong linear association.

Pricing strategy and performance have a 0.698 correlation coefficient implying that pricing strategy and performance have a moderate positive linear association. operation strategy and performance equally had a 0.754 correlation coefficient illustrating a strong positive linear association. The results demonstrated that an increment in the food and beverage manufacturing firms' performance would be as a result of an increment in any of the three cost leadership strategy aspects studied.

This is in agreement with the findings of Kaiser and Obermaier (2020) study that investigated the influence of VI and firm performance and found a positive, but diminishing association between financial performance and extent of VI. This agrees with Wandiga, Kilika and James (2019) who explored how consultancy firms' performance was affected by operations strategy and discovered that management consultancy firms' performance in Nairobi County and operations strategy' association was partially

mediated by organizational competences. This concurs with Chepkemoi (2020) study that examined commercial banks' profitability in Kenya and pricing strategy's influence and discovered that the ability of banks to get gains was enabled by Value based pricing strategy. Commercial banks are provided with new product by price skimming thus enhanced profitability.

4.5.2 Regression Analysis

This was undertaken to ascertain how one variable affected the other. This was realized by regressing pricing strategy, operation strategy and vertical integration on performance.

Tables 4.7, 4.8 and 4.9 display the findings respectively:

Table 4.7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.558 ^a	.628	.615	.773	.128	4.142	4	181	.001

Source: Survey Data (2021)

Based on the findings, the value of adjusted R square is 0.615(61.5%) indicating the extent to which performance of food and beverage manufacturing firms in Mombasa County is determined by the pricing strategy, operation strategy and vertical integration. Hence, other variables not investigated account for the remaining 38.5%.

Table 4.8: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.907	4	2.477	4.142	.001 ^a
	Residual	67.560	181	.598		
	Total	77.466	185			

Source: Survey Data (2021)

The model's statistical significance on how performance of food and beverage manufacturing firms in the County of Mombasa was influenced by pricing strategy, operation strategy and vertical integration was shown by the 0.001a value which is less than 0.05 significance level. The F calculated value (4.142) is > F tabulated value (2.477) at 5% significance level illustrating the model's significance.

Table 4.9: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.581	.698		4.273	.001
	Pricing strategy	0.659	.164	4.045	1.360	.000
	Operation strategy	0.699	.091	1.369	2.192	.001
	Vertical integration	0.580	.086	3.324	2.081	.003

Source: Survey Data (2021)

The findings revealed that holding pricing strategy, operation strategy and vertical integration to a constant zero, food and beverage manufacturing firms in the County of Mombasa, Kenya would be at a0.581 factor. A unit increment in the food and beverage manufacturing firms' performance, Kenya by a factor of 0.659 would be a result of a unit rise in pricing strategy. A unit increment in the food and beverage manufacturing firms'

performance, by a 0.699 factor would be a result of a unit rise in operation strategy and A unit increment in food and beverage manufacturing firms in the County of Mombasa by a 0.580 factor would be a result of a unit rise in vertical integration

The established regression equation was;

$$Y = 0.581 + 0.659X_1 + 0.699X_2 + 0.580X_3$$

Where, Y= Performance

 X₁= Pricing strategy

 X₂ = Operation strategy

 X₃ = Vertical integration

The study established that pricing strategy significantly and positively influence food and beverage manufacturing firms' performance in Mombasa County, as illustrated by beta value ($\beta = 4.045$, $p < 0.05$). This concur with Chepkemoi (2020) study that examined commercial banks' profitability in Kenya and pricing strategy's influence and discovered that the ability of banks to get gains was enabled by Value based pricing strategy. Commercial banks are provided with new product by price skimming thus enhanced profitability. The findings are also in line with Gustav Theodor Fechner (1801–1887) Weber- Fechner law that was utilized in explaining how clients' price perception influence their purchase of manufactured products. The purchases are higher with more positive client perception of the prices thus helping firms to make price decisions Moreso to understand the price threshold of such strategies.

The study found out that operation strategy significantly and positively impacted food and beverage manufacturing firms' performance in Mombasa County, Kenya as demonstrated by beta value ($\beta= 1.369, p < 0.05$). This agrees with Wandiga, Kilika and James (2019) that explored how consultancy firms' performance was affected by operations strategy and discovered that management consultancy firms' performance in Nairobi County and operations strategy' association was partially mediated by organizational competences. The findings also concur with Raymond Vernon's product life-cycle theory whose aim was to Heckscher-Ohlin model' failure in explaining the trade pattern's observation. This is very important considering the restructuring measures dynamics by various manufacturing firms depending on their structural capacity and aim to be successful.

The study revealed that vertical integration significantly and positively influenced the food and beverage manufacturing firms' performance in Mombasa County, Kenya as illustrated by beta value ($\beta=3.324, p < 0.05$). This agrees with the findings of a study by Clinton-Etim (2020) that investigated the vertical integration strategy' impact on Olam Nigeria Limited's performance and the study findings indicated that VI components positively impacted on performance measures in Olam Nigeria Limited. This results are consistent with the capabilities-based theory that was put forward by Amartya and Nussbaum (1980) and states that capabilities are brought about by resources and capabilities are what are undertaken to improve market performance. The theory explains manufacturing firms' diverse capabilities of the that if an organization is aiming at using one of the distribution strategies some external factors may not be in line with the distribution strategies' success.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

Summary of the findings, conclusions, recommendations for policy and practice and recommendations for further studies are discussed here.

5.2 Summary

The general study objective was to investigate the effect of cost leadership strategy on the food and beverage manufacturing firms' performance in Mombasa County, Kenya. The study is of benefit to the managers of the food and beverage manufacturing firms, the government, employees and other stakeholders in understanding of how cost leadership strategies affect the performance. Cost leadership strategy was operationalized in terms of pricing strategy, operation strategy and vertical integration influenced performance. Performance was operationalized in terms of customer satisfaction, market share and profit after tax.

The study variables were guided by the Weber-Fechner Law, RBV theory, lifecycle theory and Capability-based theory. The variables' relationship was empirically tested using regression analysis, the research was quantitative in nature. First, the study tried to establish pricing strategy' impact on the performance of food and beverage manufacturing firms in the County of Mombasa. Pricing strategy was measured using average price of product, market behavior patterns, multiple pricing and loss leader pricing. Variation' coefficient, standard deviation and means confirmed practice of

pricing strategy' signifying activities were actually practiced in food and beverage manufacturing firms in the County of Mombasa.

Secondly, the study sought to evaluate operation strategy' effect on the food and beverage manufacturing firms in the County of Mombasa. Operation strategy was measured in terms of cost per unit output, lowering operating cost, cancelling unused services and negotiating better prices. Descriptive analysis disclosed that activities utilized in measuring operation strategy in food and beverage manufacturing firms in the County of Mombasa, Kenya were significantly practiced. Based on regression and correlation analysis, food and beverage manufacturing firms in the County of Mombasa is positively affected by operation strategy.

Thirdly, the study sought to investigate the effect of vertical integration in enhancing market share of the food and beverage manufacturing firms in the County of Mombasa, Kenya. Vertical integration was measured in terms of down streaming activities, reducing transport expenses, reducing turnaround time, forward integration and backward integration. Descriptive analysis disclosed practice of vertical integration in food and beverage manufacturing firms in the County of Mombasa. Additionally, statistical analysis disclosed that vertical integration positively affects performance of food and beverage manufacturing companies in Mombasa County.

5.3 Conclusions

The research concludes that pricing strategy enables the organization in controlling the competition through prevention of customer and market share lose to rivals. High sales volume to compensate for low prices can be generated by using penetration pricing.

Going into the market with lower prices than the rivals will surely draw potential clients' attention.

The study concludes that how operations abilities will be employed by an organization in supporting specified by operations strategy. This has a long-run regard on the organization's operation resources are determined and developed for them to be highly compatible with the business strategy. A marketing edge will be provided via development of unique, distinct technology in processes unmatched by the competitors.

The study concludes that vertical integration allows an organization to acquire a new brand and geographically expand through addition distribution centers in new places. Maintain of higher quality standards can be done with organization with more control over the production process. Vertical integration may allow an organization in setting itself apart from its competitors. Through VI an organization can create new profit centers by selling directly to customers anywhere and anytime.

5.4 Recommendations for Policy and Practice

The study recommended that the organization should design various pricing strategies like creation of personalized offers for its loyal customers. For the firms to remain ahead of its key rivals, it should monitor its prices. As the organization grows, its distribution channels should be expanded to optimize sales, increase the area of influence by the brand and improve service

The study recommends that the operations strategy of the firm ought to be conducive for development of policies in infrastructure design and process choice in terms systems, procedures and controls which are in line with identified competency of the firm. The

study recommends that, integration of operations with other functionalities at corporate level should be done to attain world-class status.

The study recommends that the organization can choose to carry out backward integration to mitigate against market vulnerabilities maintain quality and control cost which is the decision of owning the product distribution logistics further down the supply chain and be able to ascertain whether the firm need a middleman to be successful.

5.5 Suggestions for Further Studies

The study focused on how the performance of food and beverage manufacturing firms in Mombasa County, Kenya is influenced by cost leadership strategy. Cost leadership strategy was evaluated in terms of pricing strategy, operation strategy and vertical integration.

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APPENDICES

Appendix I: Introductory Letter

Dear Sir/Madam,

RE: DATA COLLECTION

I am a master's student at Kenyatta University (KU), Kenya. I am working on a research project titled "*Cost Leadership Strategies and the Performance of Food and Beverages Manufacturing Firms in Mombasa County*".

Kindly respond to this interview guide/questionnaire. Confidentiality of the obtained data is guaranteed and will be solely utilized for academic reasons.

Yours faithfully,

Khadija Abdulaziz Abdalla

D53/OL/MSA/26386/2015

Appendix II: Questionnaire

Dear Respondent;

This questionnaire is aimed at collecting data on “*Cost Leadership Strategies and the Performance of Food and Beverages Manufacturing Firms in Mombasa County*” for a master’s project. Confidentiality of the obtained data will be maintained and utilized solely for academic purposes. Kindly take part in the study by responding to the items as indicated in the sections.

Instructions

Kindly provide your answer in the space provided or tick (√) appropriately.

SECTION A: Demographic data

Answer appropriately

1. Gender: Female Male
2. Age Bracket: 50 years and above 40-49 years 30-39 years 20-29 years
3. Highest Academic Qualifications:
Doctorate Master Degree Bachelors’ degree Diploma
Other (specify) _____
4. Current Position held
Finance manager Procurement manager Operations manager Strategic manager
5. Work experience:
Over 14 years 10-13 years 6-9 years Less than 5 years

SECTION B: Pricing Strategy

This section is concerned with determining the influence of pricing strategy on the performance of food and beverages manufacturing firms in Mombasa County. Respond appropriately.

No	Statement	Strongly Disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly Agree 5
1	We set the prices of our products according to the prevailing market rates					
2	Our companies invest a lot of money in studying the market behavior Patterns.					
3	In our company we engage in multiple pricing of our products to cater for different classes of customers.					
4	In our company we practice loss leader pricing where our products are sold at a prices below their market cost to stimulate other sales of more profitable goods or services.					
5	In our company products are priced in such a way that the consumers get value for their money					
6	Our company conducts market research to identify the opinion of our customers on prices of our products for action.					
7	Our organization continuously seeks to reduce prices without sacrificing its quality product essential features					

SECTION C: Operation Strategy

This part helps determine the influence of operation strategy on the performance of food and beverages manufacturing firms in Mombasa County. Respond appropriately.

No	Statement	Strongly Disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly Agree 5
1	Our company strives to reduce the unit cost per output so as to maximize on profitability					
2	We reduce operational costs regularly with the aim of increasing profit.					
3	We cancel unused services so as to reduce wastage of funds					
4	We engage in negotiation of prices in the market to ensure we get the best prices					
5	We normally select the cheapest packaging materials in the market to cut cost					
6	In our company we embrace the adoption of technology in our operations to reduce operation cost					

SECTION D: Vertical Integration

This part helps determine the influence of vertical integration strategy on the performance of food and beverages manufacturing firms in Mombasa County. Respond appropriately.

No	Statement	Strongly Disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly Agree 5
1	We conduct Down streaming Activities in which we process the materials collected during the upstream stage into a finished product to reduce cost					

2	In our company we explore Opportunities to Consolidate Shipments to reduce transport cost					
3	We strive to reduce amount of time taken to complete a processing or fulfill a request for processed products					
4	We conduct forward integration in which we our business activities are expanded to include control of the direct distribution or supply of our company's products					
5	We conduct backward integration where we expand our role to fulfill tasks formerly completed by businesses up the supply chain.					

SECTION E: Performance

This part helps ascertain the influence of cost leadership strategies on the performance of food and beverages manufacturing firms in Mombasa County. Respond appropriately

No	Statement	Strongly Disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly Agree 5
1	Our return on investment has been on the upward trend for the last 5 years					
2	Our market share has increased over the past five years					
3	Our operational cost has been reducing					
4	Our organization profits after tax have been on the rise					
5	Our organization has been achieving its target goals					
6	In our organization, changes in					

	vision has contributed to improved performance					
7	Our organization's customer base has been increasing					

Appendix III: Approval Letter



KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke

P.O. Box 43844, 00100
NAIROBI, KENYA
Tel. 810901 Ext. 4150

Website: www.ku.ac.ke

Internal Memo

FROM: Dean, Graduate School

DATE: 29th April, 2021

TO: Khadija Abdulaziz Abdala
C/o Business Administration Dept.

REF: D53/MSA/OL/26386/2015

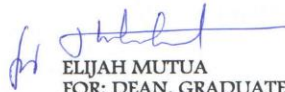
SUBJECT: APPROVAL OF RESEARCH PROJECT PROPOSAL

This is to inform you that Graduate School Board at its meeting of 28th April, 2021 approved your Research Project Proposal for the MBA Degree Entitled, "Cost Leadership Strategy and the Performance of Food and Beverages Manufacturing Firms in Mombasa County, 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.


ELIJAH MUTUA
FOR: DEAN, GRADUATE SCHOOL



c.c. Chairman, Business Administration Department.

Supervisor:

1. Dr. Godfrey Kinyua
C/o Department of Business Administration
Kenyatta University

EM/enj


Appendix IV: Research Permit


REPUBLIC OF KENYA


**NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY & INNOVATION**

Ref No: **925194** Date of Issue: **11/June/2021**

RESEARCH LICENSE




This is to Certify that Ms.. KHADIJA ABDULAZIZ ABDALLA of Kenyatta University, has been licensed to conduct research in Mombasa on the topic: cost leadership strategy and the performance of food and beverages manufacturing firms in Mombasa county Kenya for the period ending : 11/June/2022.

License No: **NACOSTI/P/21/11186**

925194
Applicant Identification Number


Director General
**NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY &
INNOVATION**

Verification QR Code



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