INFLUENCE OF STRATEGIC POSITIONING ON ORGANIZATIONAL PERFORMANCE AMONG SUGAR COMPANIES IN KENYA

BY

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DECLARATION

This research project is my original work and has not been presented for the award of degree in any other university or institution for any other purpose.

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This research project has been submitted for examination with my approval as University supervisor.

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DEDICATION

This project is dedicated to my late father John M. M. Tiampati, to my mother, family and the entire Maa community.
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First and foremost my gratitude goes to our Almighty Father who has given me the guidance and strength from the beginning to the end of this project.

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ABSTRACT

In the 21st century business landscape, firms compete in a complex and challenging context that is being transformed by many factors from globalization, frequent and uncertain changes to the growing use of information technologies. Thus, achieving the desired performance is a major preoccupation of senior managers in the competitive and slow growth markets, which characterize many businesses today and the sources of competitive advantage have been a major concern for scholars and practitioners. Most organizations search for the best strategies in order to consolidate their position in the market. Maintenance of competitive position and application of appropriate strategy most frequently ensure company’s survival in the market and good results of its performance. As competition intensifies, many businesses continue to seek profitable ways in which to differentiate themselves from competitors. The objective of the study was to determine the influence of strategic positioning on organizational performance among sugar companies in Kenya. The study adopted descriptive cross sectional research design. The population of the study consisted of all the ten sugar companies operating in Kenya. The used primary data which were collected through self-administered questionnaires. The data collected was analyzed using descriptive statistics and inferential statistics (measures of central tendency, dispersion, and regression and correlation analysis). Pearson product moment correlation was used to establish the relationship between the variables in the regression. The findings of the study was that the companies uses positioning strategies to fine tuning the strategy, provides the framework upon which to build and coordinate the elements of the marketing mix, knowing where to confront competition from and where to avoid, increase sales, provides the company with a unique image in the market place, increase the company market share, reduce response time for product volume changes, reduce total cost, and reduction of response time for product design change. Costing and promotion strategy was achieved by the companies through buying in bulk in order to reduce on costs, undertaking promotion of products in order to appeal to its customers, selling products at the lowest competitive price thus increasing market share and accepting multiple forms of payment from its customers. The price charged by the companies was the same as the competitors, reflect organizational goals, companies analyzes competitors’ costs, prices before fixing prices of its products, prices are lower than those of competitors in some cases and that the company monitors movement of its product market share in order to determine the price. The companies were found to differentiate themselves through product reliability, brand image, firm reputation and customer service, packaging the products in a creative way, delivery system that ensures that the organization differentiates itself from the competitors and advertising campaign or other sales promotions. The quality of services influence the competitiveness of the companies through provision of reliable products to its customers, ability to convey trust to its customers, responsiveness to customers, providing quality services that exceeds its customers’ expectations, empathy to its customers, and presenting a realistic picture of their service to customers by checking the promotional messages for accuracy. The study further established that costing and promotion, pricing, differentiation and perceived quality of services influenced the performance of the sugar companies.
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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The intensity of competition in an industry is not a matter of luck. Rather, competition is rooted in underlying industry economics and goes well beyond the established competitors. Not all industries have equal potential. They differ fundamentally in their ultimate profit potential as the collective strength of the forces of competition differs (Woodward, 2008). In the 21st century business landscape, firms compete in a complex and challenging context that is being transformed by many factors from globalization, frequent and uncertain changes to the growing use of information technologies (DeNisi, Hitt and Jackson, 2003). Thus, achieving the desired performance is a major preoccupation of senior managers in the competitive and slow growth markets, which characterize many businesses today and the sources of competitive advantage have been a major concern for scholars and practitioners (Peteraf, 1993). Most organizations search for the best strategies in order to consolidate their position in the market. Maintenance of competitive position and application of appropriate strategy most frequently ensure company’s survival in the market and good results of its performance (Athiyaman, 2005). As competition intensifies, many businesses continue to seek profitable ways in which to differentiate themselves from competitors.
The business environment in which organizations are operating has over the years witnessed drastic changes. The changes are both complex and ‘chaotic’ and organizations have found it difficult to cope with increasingly complex environments from internal resources and competences alone. Sometimes, firms can operate alone without formal relationship with others and remain successful. Certain developments in the environment are however making it attractive for firms to enter into collaborative arrangements. They may see the need to obtain materials, skills, innovation, finance, or access to markets, and recognize that these may be as readily available through cooperation through partnership (Daley-Harris et al., 2009). Businesses today operate in a market-driven, customer-oriented era. To survive, business has to be flexible, adaptable and above all provide superior service. Although the mechanics of a business operation can often be similar between businesses in the same industry, it is the ‘people part’ – the relationship with the individual customer – where the business gains an advantage over a competitor. To be a customer-oriented business, the customers’ needs have to take priority (Abratt and Russel, 2009).

1.1.1 The concept of strategy

A strategy is a pattern or plan that integrates an organizations major goal, policies and action sequences into a cohesive whole (Porter, 1980). According to Tan and Litschert (1994) strategy refers to the competitive methods used by firms to establish their positions in a particular market. It reflects the firm’s short-term and long-term responses to challenges and opportunities posed by the business environment. Company strategy determines how a firm attracts its customers and deals with its competitors, suppliers and
other institutions for survival and growth. Strategy must be judged on its performance and effectiveness to meet the overall vision mission and objectives.

Johnson and Scholes (2000 pg. 12) define strategy as “the direction and scope of an organization over long term, which achieves advantage for the organization through its configuration of resources within a changing environment and to fulfill stakeholder expectations. Strategy therefore can be seen as the matching of the resources and activities of an organization to the environment in which it operates. Strategy helps to achieve success whether in business or otherwise, success in this context refers to the realization of objectives that are desired. Effective strategy is formulated around four factors. These are, the goals and objectives are simple, consistent and relate to the long term, there is profound understanding of the competitive environment, there is an objective appraisal of the resources available and that there is effective implementation (Hitt et al., 2008). The concept of strategy is therefore built around winning. Strategy helps to achieve success whether in business or otherwise, success in this context refers to the realization of objectives that are desired.

1.1.2 The Concept of Strategic Positioning
Strategic positioning is the placing of an organization (unit) in the future, while taking into account the changing environment, plus the systematic realization of that positioning (Hooley et al., 2004). The strategic positioning of an organization includes the devising of the desired future position of the organization on the basis of present and foreseeable developments, and the making of plans to realize that positioning. Chew (2003) strategic positioning is defined in this paper as a managerial process within the organization to
develop an organization level positioning strategy that aims to effectively distinguish the organization from other service providers. Hooley et al., (2004) posit that positioning may occur at three distinct levels: the organization level, product/service level, and brand level. Hooley et al., (2004) argued that a positioning strategy is a key component of the strategic marketing planning process and is aligned with organizational goals/objectives, internal resource capabilities and external market opportunities. The positioning strategy comprises of three major inter-related components: the choice of target audience(s), the choice of generic (main) positioning strategy, and the choice of positioning dimensions that the organization uses to distinguishing itself and to support its generic positioning strategy (Chew, 2003). The positioning strategy provides the framework upon which to build and coordinate the elements of the marketing mix to implement the positioning strategy (Lovelock et al., 2006), and to communicate the desired position to target audiences. Positioning at the organization level is therefore distinct from but provides direction for positioning at the other levels.

Strategic positioning is outward-focused, more fully recognizing the competitive and market environment within which an organization operates (Hooley et al., 2004). With a strong strategic position, the organization is poised for ongoing success, sustainability, and distinct competitive advantage. Positioning more fully defines the organization’s identity and helps to create distinction in a competitive environment. Organizations that are well positioned have a presence which allows them to achieve strategic goals in a seemingly effortless manner. Pashiardis (2009) claims that, defining the strategic position of the organization is the base of effective strategic planning, because, before any
decision, organization needs to know about its environment to adapt to it. Experts in strategic management believe that strategic positioning is the most serious phase of strategic planning process (Kalafatis et al., 2000). It’s obvious that organizations enhance their chance of developing strategies that optimize the environmental opportunities by analyzing their competitive position. Comparing rivals in the industry, let the manager to define the weaknesses and strengths of each rival versus his organization’s strategies.

1.1.3 Organizational Performance
Organizational performance is the final achievement of an organization and contains a few things, such as the existence of certain targets are achieved, has a period of time in achieving the targets and the realization of efficiency and effectiveness (Gibson et al., 2010). On the other hand, organizational performance refers to ability of an enterprise to achieve such objectives as high profit, quality product, large market share, good financial results, and survival at pre-determined time using relevant strategy for action (Koontz and Donnell, 2003). Organizational performance can also be used to view how an enterprise is doing in terms of level of profit, market share and product quality in relation to other enterprises in the same industry. Consequently, it is a reflection of productivity of members of an enterprise measured in terms of revenue, profit, growth, development and expansion of the organization.

All types of organization, whether small or big, public or private, for-profit or non-profit, struggle for survival. In order to survive, they need to be successful (effective and efficient). To assure their success, organizations must perform well. Ultimately, performance lies at the heart of any managerial process and organizational construct and is therefore considered as a critical concept in the strategic management field.
Organizational performance includes multiple activities that help in establishing the goals of the organization, and monitor the progress towards the target (Johnson et al., 2006). It is used to make adjustments to accomplish goals more efficiently and effectively. Organization performance is what business executives and owners are usually frustrated about. This is so, because even though the employees of the company are hard-working and are busy doing their tasks, their companies are unable to achieve the planned results. Results are achieved more due to unexpected events and good fortune rather than the efforts made by the employees. However, for any business to be successful, functions must be defined and accomplished. It is important for an organization to develop strategies that are designed around the skills that would enhance the performance of the organization.

1.1.4 The Sugar Companies in Kenya
The Kenyan sugarcane industry is a major employer and contributor to the national economy. Sugarcane is one of the most important crops in the economy alongside tea, coffee, horticulture and maize. By far, the largest contribution of the sugarcane industry is its silent contribution to the fabric of communities and rural economies in the sugar belts (Kenyasugar.co.ke). The Kenya Sugar Board (KS B) is the regulatory body of the Sugar Industry, established on 1st April, 2002, under the Sugar Act 2001, succeeding the defunct Kenya Sugar Authority. The mandate of the Kenya Sugar Board as stipulated in Section 4 (1) and 4 (2) of the Sugar Act 2001 is regulate, develop and promote the Sugar Industry; Co-ordinate the activities of individuals and organizations within the industry and to Facilitate equitable access to the benefits and resources of the industry by all interested parties.
There are several sugar processing factories in Kenya and are divided into parastatal and private owned factories. Parastatal run factories include; Nzoia, Sony, Muhoroni and Chemelil sugar companies while the private sugar companies include Kibos and Allied, Butali, SOIN, Mumias, TransMara and West Kenya sugar factories. Currently, the industry directly supports approximately 250,000 small-scale farmers who supply over 92 percent of the cane milled by the sugar companies. An estimated six million Kenyans derive their livelihoods directly or indirectly from the industry. In 2008, the industry employed about 500,000 people directly or indirectly in the sugar cane business chain from production to consumption. The industry is regulated by the Kenya Sugar Board (KSB) whose mandate is to regulate, develop and promote the sugar industry.

The Kenyan sugar industry is protected by COMESA safeguard measures. The safeguards were first granted in 2004 and were to expire in February 2008. Despite the remarkable progress made during the safeguard period, the industry was not ready for an open trade regime in sugar. Kenya therefore sought and was granted an additional four years of protection from March 2008 to February 2012, with a declining tariff and an increasing quota. This safeguard measures were further granted to the end of 2013 and comes into force at the beginning of 2014. With this in mind, the issue of strategic positioning of the sugar sectors has become paramount and all the sugar factories are preparing for stiff competition from new entrants. The sugar production in the COMESA region is at a relatively lower cost and this will be a major challenge compared to the high cost of production in Kenya. Most affected are the parastatal companies, as their
costs of production are extremely high. Many companies are now diversifying into other fields like ethanol production and water bottling (Kenyasugar.co.ke).

1.2 Research Problem

As companies seek to enhance their competitive positions in an increasingly global marketplace, they are discovering that they can cut costs and maintain quality by relying more on outside service providers for activities viewed as supplementary to their core businesses (Anderson, 2005). Companies are becoming progressively more dependent on service providers to deliver performance at a competitive level according to stakeholders and market demands. However, to be able to achieve this, the service delivery process need to be carefully defined, negotiated, and agreed upon considering involved parties' needs, wants and preferences. For an organization to become profitable it must put in place strategies that position itself in market dominance and improve the firm’s overall performance. Strategic positioning has been recognized as a vital tool to confront the competitive pressure in the oil market environment and also as a tool of improving the performance of these firms.

The sugar sector in Kenya plays an important role in the country's economy. The industry contributes significantly to the national economy and to knowledge globally. However, realization of the full benefits of the sector will hinge on the extent to which various stakeholders will tackle the problems hampering growth of the industry. The sugar sector in Kenya currently faces a multitude of constraints and problems, both at the farm (cane producing) and the factory (sugar producing) stages. Both the farm and the factory level constraints make the sugar industry in Kenya very inefficient and
uncompetitive. Many sugar factories are forced to constantly operate below capacity, leading to a situation in which our national consumption of milled sugar (which currently stands at an average of 600,000 metric tonnes per year) outweighs the production level (at 400,000 to 450,000 metric tonnes). This shortfall creates room for cheaper imported sugar (from COMESA countries) which is sold at a much lower price than the local sugar - a scenario which further hurts the Kenyan sugar industry. To survive, the companies must be agile enough to respond to the pressures to compete on levels unrivalled in the past. Focus has now shifted to internal processes in order to offer the company the best opportunity to take up the unique challenges facing the company today. In order for sector to know if it is competitive in an industry with a lot of competition, effective strategic positioning is important. Clarifying the firm’s strategy and the strategic capabilities needed to execute it is a crucial first step in the process of developing a differentiated workforce.

Recent studies done on the effect of strategic positioning on organizational performance in the oil industry include; Muriet (2011) focused on strategic positioning and performance of commercial banks in Kenya and found out that strategic positioning, positively and significantly enhances organizational performance through performance measurement. Kasyoka (2011) researched on the use of strategic positioning to achieve sustainable competitive advantage at Safaricom limited and the findings were that cutting edge technology was helping Safaricom limited in achieving a sustainable competitive advantage. The study also found that resource based view in Safaricom limited was highly influencing the achievement of a sustainable competitive advantage. The major
resources in Safaricom limited include technological resources, human resources, knowledge resources, financial resources and assets. Nyakondo (2010) researched on the factors influencing banking industry to adopt strategic positioning on mobile banking and found out that some banks had adopted mobile banking to a moderate extent with emphasis on the implementation of mobile banking as a method of strategic positioning for source of revenue, image product and to increase customer satisfaction. From the studies provided, there are no studies that have been done on the strategic positioning on organizational performance in the sugar industry, which is a very important sector in Kenya. This study will therefore seek to determine the influence of strategic positioning on organizational performance. What influence does strategic positioning have on organizational performance of sugar companies?

1.3 Research Objective

To determine the influence of strategic positioning on organizational performance of sugar companies in Kenya

1.4 Value of the Study

The study will be of value to:

The management of sugar companies in Kenya as they will be able to know the importance of having positioning its strategies as it will enable them to reach their customers whenever they are and these would improve their financial performance. The findings of this study will form part of the action plans that will help the sugar millers to gain competitive advantage over its competitors.
The study will also create a monograph which could be replicated in other sectors which are facing high competition from the private sector. Most importantly, this research is further aimed at offering some practical suggestions on the role of strategic positioning in order to gain competitive advantage. The policy makers will obtain knowledge of the energy sector dynamics and the appropriate positioning strategies; they will therefore obtain guidance from this study in designing appropriate policies that will regulate the sector.

Future and present scholars may use the results of this study as a source of reference. The findings of this study can be compared with positioning strategies in other sectors to draw conclusions on various ways an institution can respond to competitive forces in the environment. It will also benefit consultants who endeavor to provide assistance to successful running of organizations in developing and sustaining a competitive edge in their environment.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter is concerned with the review of literature related to the study. An overview of theoretical foundation of the study, strategic positioning strategies, organizational performance and strategic positioning and organizational performance will be discussed.

2.2 Theoretical Foundation

The competitive strategy view and the resource-based view are the two major perspectives or determinants of strategic position and firm performance (Spanos and Lioukas, 2001). The competitive strategy view, rooted in industrial organization literature, maintains an outside-in perspective where firm performance is determined primarily by environmental factors such as industry structure. Companies formulate their strategic position by finding the best defensive position against competitive forces, by swaying the balance of the forces to enhance the company’s position, and by choosing a strategy for competitive balance prior to opponents’ movement (Oliver, 2007). Strategic positioning is thus the output of a complex understanding of market structure and conditions that determine the sustainability of firm performance (Petrick et al., 2009). The competitive strategy view maintains that resources are the results obtained from the implementation of strategy and/or purchase from the environment. Consequently, resources cannot achieve an independent status in relation to firm performance. The importance of resources is understood only in conjunction with the capability of those
resources to support the strategy pursued or the fitness of those resources for a particular industry structure (Pike and Ryan 2004). When resources fail to support a strategy or enhance a company’s fit for an industry, they are useless.

In contrast, the more recent resource-based view argues that firm-specific resources and capabilities are the factors determining firm performance. Industrial organization literature emphasizes the role of industry structure as the primary determinant of firm performance so that the unit of analysis is inevitably the industry. Porter (1991) relaxes this condition, allowing firms to choose their strategic position to gain sustainable rents, although individual firms cannot change industry structure. This change in the assumption allows the firm to be the unit of the analysis. Thus, the outside-in perspective represents a view where a firm performance is primarily determined by outside factors such as industry structure and firms can secure positions to exploit that structure (Fahy and Hooley, 2004).

The resource based theory suggests that competitive advantage and performance results are a consequence of firm-specific resources and capabilities that are costly to copy by other competitors (Barney, 1991). These resources and capabilities can be important factors of sustainable competitive advantage and superior firm performance if they possess certain special characteristics. They should be valuable, increasing efficiency and effectiveness, rare, imperfectly imitable and non-substitutable (Barney 1991). According to Day and Wensley (1988) positional and performance superiority is a result of the relative superiority in the skills and resources a company utilizes. The superiority of the
skills and resources is the consequence of former investments made to improve the competitive position. And in order to make the positional advantage sustainable, the company must continue to invest into the sources of advantage (Day and Wensley, 1988).

2.3 Strategic Positioning Strategies

Temporal (2005) states that strategic positioning is a planned initiative that convinces or persuades people to think about why they are different or better from what the competition has to offer. Positioning differentiates the ordinary from the special in people’s minds. Fahy and Hooley (2004) argues out that positioning couples the understanding of the marketplace (including customers and customer segments) with the appreciation of the product (including its competitors) and guides the development of the marketing message.

2.3.1 Costing and promotion strategy

Costing strategy involves the firm winning market share by appealing to cost-conscious or price-sensitive customers. This is achieved by having the lowest prices in the target market segment, or at least the lowest price to value ratio (price compared to what customers receive). To succeed at offering the lowest price while still achieving profitability and a high return on investment, the firm must be able to operate at a lower cost than its rivals. According to Calin (2004), one of the major functions of marketing strategies is the proper positioning of the organization in order to create the best competitive advantage. Promotion on the other hand is the function of informing, persuading, and influencing the customer’s decision process. It includes such areas as advertising, personal selling, public relations, and discounts. Of which, advertising is
considered as the most powerful promotion strategy. Advertising is a form of sponsored public notice that seeks to inform, persuade, and otherwise modify consumer attitudes toward a product, with the object of triggering an eventual purchase (Robbins and Coulter, 2009). The tools for promotion are consumer promotion, trade promotion and sales-force promotion.

According to Allen et al., (2006), when a firm designs, produces and markets a product more efficiently than its competitors such a firm has implemented a cost leadership strategy. Cost reduction strategies across the activity cost chain will represent low cost leadership. Attempts to reduce costs will spread through the whole business process from product design to the final stage of selling the product. Any processes that do not contribute towards minimization of cost base should be outsourced to other organizations with the view of maintaining a low cost base (Akan et al., 2006). Low costs will permit a firm to sell relatively standardized products that offer features acceptable to many customers at the lowest competitive price and such low prices will gain competitive advantage and increase market share. These explains that the cost efficiency gained in the whole process will enable a firm to mark up a price lower than competition which ultimately results in high sales since competition could not match such a low cost base.

2.3.2 Pricing Strategy
The value of any pricing strategy is questionable if it is not congruent with the overall strategy of the firm. Pricing strategies, which do not reflect organizational goals, can detrimentally affect performance outcomes. Price is also one of the most flexible elements: it can be changed quickly, unlike product features and channel commitments. A firm must set a price for the first time when it develops a new product, introduces its
regular product into a new distribution channel or geographical area, and enters bids on new contract work. Price is also a key element used to support a product’s quality positioning. In making a pricing strategy, a marker must follow a six-step procedure: selecting the pricing objective; determining demand; estimating costs; analyzing competitors’ costs, prices, and offers; selecting a pricing method, and selecting the final price (Kotler, 2006).

An organization may also seek to gain strategic advantage by its pricing strategy. In this situation, the management accounting function can assist by attempting to assess each competitor’s cost structure and relate this to their prices. Particularly, Simmonds (2007, p.29) suggested that it may be possible to examine the cost-volume-profit relationship of competitors in order to predict their pricing responses. By monitoring movement in the market share of major products, a firm can find out the strengths of their market position; the market share also indicates the strengths of different competitors. That information may not be reflected in company’s annual report, but according to Simmonds’ (2007) argument, the market share details can help management accounting more strategically relevant.

2.3.3 Differentiation Strategy
Product differentiation positioning strategy is mainly involved with the merchandise assortment that retail offers its customers. According to Porter (1980), differentiation strategy involves creating a product that is perceived as unique. The unique features or benefits should provide superior value for the customer if this strategy is to be successful. Because customers see the product as unrivaled and unequaled, the price elasticity of
demand tends to be reduced and customers tend to be more brand loyalists. This can provide considerable insulation from competition. Valley and Rafiq (2004) describe product differentiation as the stocking of unique or exclusive products or brands, own branded products, and unusually broad and deep merchandise assortment. Merchandise decisions are concerned with the core merchandise policy, branding, assortment profiles, branch stocking policies and merchandise augmentation (Walters and Levi, 1996).

Services are largely intangible offerings and they are normally experienced simultaneously with the occurrence of production and consumption. Often, the interaction between the buyer and the seller renders the service to customers. Since the interactions between a customer and a service provider create opportunities for customers to evaluate services, service quality can be broadly conceptualized as a customer's overall impression of the relative inferiority/superiority of the organization and its service provisions (Gronroos, 2000). Lewis and Soureli (2006) noted that loyalty in the services sector is more difficult to conceptualize than in the product domain due to the characteristics of services. As the relationship is developed between their service provider and customer, it is less likely for customers to switch. Services are also intangible and heterogeneous. Customers also generally associate higher risk with services more than with goods. The evaluation of services quality is not simple. Often customers will rely on credence attributes to evaluate services quality (Javalgi and Moberg, 2007). Moreover, lack of standardization may lead to concern about reliability and affect confidence in building or maintaining loyalty.
2.3.4 Perceived Quality of Service Strategy
Provision of quality services should exceed customer’s expectation as customers’ compare the perceived service with the expected service. If the perceived service is below expectation; they lose interest with the provider while the opposite creates loyalty. According to Parasuraman, Zeithaml and Berry, (1991) five determinants of service quality by order of importance are reliability, responsiveness, (willingness to help customers and prompt service assurance), the ability to convey trust, empathy and individualized attention to customers. Studies have found that well managed service companies have the following practices; strategic concept and top management support, high standards of service delivery, service monitoring systems, satisfying customer’s complaints and an emphasis on employee satisfaction. According to Kotler (2002) service companies face three tasks i.e. competitive differentiation, service quality, and productivity. Differentiation is where the service provider adds secondary service features to the primary service. Delivery differentiation is where the company hires and trains people to deliver the services or through image differentiation by symbols and branding. Tax and Brown (1998) found that companies that encourage customers to complain achieve higher profits. Well managed service companies carry internal marketing and provide employees with support and rewards for good performance.

Berry and Parasuraman (1992) posit that in order to exceed customer expectation, companies need to present a realistic picture of their service to customers by checking the promotional messages for accuracy, performing the service right to customers by stressing to employees to provide reliable service, effectively communicating with customer to ascertain their needs by using the service delivery process as an opportunity
to impress on customers and also continuously evaluating and improving their performance against customer expectations. According to Kotler (2002) there are seven approaches to increasing service productivity, these are having skilful workers through the process of recruitment and selection, increasing quantity of service by surrendering quality, industrializing the services, reducing or making absolute the service need by inventing a product solution, designing of more effective services, presenting customers with incentives to substitute own labour with company labour and also harnessing power of technology to give customers better services. Kotler (2002) also says that a service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product.

2.4 Organizational Performance

Organizational performance is described as the extent to which the organization is able to meet the needs of its stakeholders and its own needs for survival (Griffin, 2003). According to Swanson (2000), organizational performance is the valued productive output of a system in the form of goods or services. Organizational performance can be subdivided into three categories: financial performance (profit), internal non-financial performance (productivity) and external non-financial performance (customer satisfaction). Private sector organizations strive for good financial results whereas public organizations are aimed at non-financial aims like delivering good public services to citizens. To achieve performance through employees, the organization must consider them as asset and must be treated with attention so that the employees become
productive. There are a number of indicators by which company performance may be judged. The balanced scorecard offers both qualitative and quantitative measures that acknowledge the expectations of different stakeholders and related an assessment of performance in choice of strategy. In this way performance is linked both to short term outputs and process management (Johnson et al., 2006).

Due to the realization that people are the most valuable assets in an organization, the importance of performance management has been pushed to the fore (Bartlett and Ghoshal, 2005). The performance measurement system employed in an organization must therefore measure the performance of all assets including the human ones. The balance scorecard of Kaplan and Norton (1996) is a mechanism which provides a holistic measure of organizational performance. It is a set of measures that provide managers a fast but comprehensive view of the business. The Balanced Scorecard is not only a measurement system but also a management system, which enables organizations to clarify their vision and strategy and translate them into action (Kaplan and Norton, 1996). It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. When fully deployed, the balance scorecard transforms strategic planning from an academic exercise into the nerve centre of an enterprise. The Balance Scorecard includes both financial measures that tell the results of actions already taken, and operational measures that are the drivers of future financial performance (Kaplan and Norton, 1996).
2.5 Strategic Positioning and Organizational performance

Strategic positioning and performance superiority is a result of the relative superiority in the skills and resources a company utilize (Day and Wensley, 2008). The superiority of the skills and resources is the consequence of former investments made to improve the competitive position. And in order to make the positional advantage sustainable, the company must continue to invest into the sources of advantage. According to Barney (1991), improved organizational performance arises when the firm’s resources are valuable (the resources help the firm create valuable products and services), rare (competitors do not have access to them), inimitable (competitors cannot easily replicate them) and appropriate (the firm owns them and can exploit them at will). Acquiring and preserving sustainable competitive advantage and superior performance are a function of the resources and capabilities brought to the competition (Barney, 1995).

The resource-based theory (Barney, 1991), stresses the importance of the intangible resources and capabilities of the firm in the context of the competitive environment. In this way, the firms that devote their internal forces to exploit the opportunities of the environment and to neutralize threats while avoiding weak points are most likely to improve its performance than those that do not do the same and they are able to build a good reputation. The company’s positioning strategies are its response to the situation in the competitive environment. These are important, as with the implementation of the right positioning strategies, the company can sustain its positive growth and high rates of return- the two most important value drivers (Kolleret et al., 2010). According to Reilly and Brown, (2009), a company can either position itself to deflect the effect of the
competitive forces in the industry (defensive strategy) through investing in technology that will lower production costs or through increased advertising and creating a strong brand. Both, the defensive and offensive competitive strategies can incorporate low cost and differentiation strategy.

The competitive strategy view and the resource-based view emphasize different sides of the same coin (Wernerfelt, 2004). The competitive strategy view focuses on the influence of industry structure on firm performance, whereas the resource-based view maintains the role of firms’ heterogeneous resources in determining firms’ sustainable competitive advantage. Strategic fit is a core concept in strategy formulation, and the pursuit of strategic fit has traditionally been viewed as having desirable performance implications. Companies formulate their strategic position by finding the best defensive position against competitive forces, by swaying the balance of the forces to enhance the company’s position, and by choosing a strategy for competitive balance prior to opponents’ movement (Kipley and Lewis, 2009). In this view, the strategic positioning of a firm reflects the firm’s ability to generate competitive advantage. The competitive strategy view maintains that resources are the results obtained from the implementation of strategy and/or purchase from the environment (Porter, 1991). Consequently, resources cannot achieve an independent status in relation to firm performance. The importance of resources is understood only in conjunction with the capability of those resources to support the strategy pursued or the fitness of those resources for a particular industry structure (Spanos and Lioukas, 2001).
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction
The chapter describes the proposed research design, the target population, data collection instruments and the techniques for data analysis.

3.2 Research Design
The study adopted a descriptive cross sectional design. According to Cooper and Schindler (2000), a descriptive research design is concerned with finding out the; who, what, where, when and how much. The design was deemed appropriate because the main interest was to determine the viable relationship and describe how the factors support matters under investigation.

A cross sectional study seeks to collect data and provides a snapshot of the population at a single point in time. This kind of study was used because it enabled the researcher to have an insight of the influence of strategic positioning on organizational performance among sugar companies in Kenya. This design provided further insight into research problem by describing the variables of interest.

3.3 Target Population
The population of interest in the study consisted of all the sugar companies operating in Kenya. According to Kenya Sugar Board (Homepage, 2013) there are 10 sugar
companies currently operating in Kenya and all of them participated hence the study was a census.

3.4 Data Collection

The study used primary data which were collected through self-administered questionnaires. The structured questionnaires were used to collect data on the influence of strategic positioning on organizational performance in the sugar industry in Kenya. The questionnaires consisted of both open and closed ended questions designed to elicit specific responses for qualitative and quantitative analysis respectively. The questionnaire was administered through “drop and pick later” method.

The respondents for the study were the production, human resource and strategy and planning managers or their equivalent in the sugar companies operating in Kenya. The questionnaire was divided into two sections, with section A covering the demographic characteristics while section B covered strategic positioning and organizational performance.

3.5 Data Analysis

The data collected was analyzed using descriptive statistics and inferential statistics (measures of central tendency, dispersion, and regression and correlation analysis). In particular, Pearson Product Moment Correlation was used to establish the relationship between the variables in the regression. Once the data was collected, the questionnaires were edited for accuracy, consistency and completeness. However, before final analysis was performed, data was cleaned to eliminate discrepancies and thereafter, classified on
the basis of similarity and then tabulated. The responses were then coded into numerical form to facilitate statistical analysis. Data was presented using tables, pie charts, percentages to summarize the respondent answers.

The focus was on various strategic positioning strategies such as costing and promotion, pricing, differentiation and perceived service quality on the performance of the sugar companies, resulting in the regression model:

\[ y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon, \]

Where \( y \) = Organizational performance,
\( \alpha \) = Constant term,
\( \beta \) = Beta coefficients,
\( X_1 \) = costing and promotion strategy,
\( X_2 \) = Pricing strategies,
\( X_3 \) = Differentiation strategy,
\( X_4 \) = Perceived service quality
\( \epsilon \) = Error term.
CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The research objective was to establish the influence of strategic positioning on organizational performance among sugar companies in Kenya. This chapter presents the analysis, findings and discussion. The findings are presented in percentages and frequency distributions, mean and standard deviations. A total of 10 questionnaires were issued out of which 9 were returned. This represented a response rate of 90%. Mugenda and Mugenda (2003) noted that a response rate of 70% and over was adequate and therefore the response rate was adequate for data analysis.

4.2 Demographic Characteristics

The demographic information considered in the study was respondents’ highest level of education attained, length of service with the sugar company, number of employees and the duration of company existence.

4.2.1 Level of education attained

The respondents were requested to indicate the highest level of education they have attained. The level of education was important in order to show the adequacy of the respondents on the concept of the study. The results are presented in figure 4.1.
The findings in figure 4.1 on the highest level of education attained was that 55.6% of the respondents had attained university level, 33.3% of the respondents indicated that they have attained post graduate level while 11.1% of the respondents said that tertiary college was their highest level of education. The results indicate that majority of the respondents were university graduate and above an indication that they understand the need for the companies to position itself in the industry which is faced by eminent inflow of sugar from comesa market.

**4.2.2 Length of continuous service**

The respondents were requested to indicate length of service with the company. This was important to the study in order to determine the respondents’ knowledge of the company functions and the strategies adopted. The results are presented in Table 4.1.
Table 4.1: Length of continuous service

<table>
<thead>
<tr>
<th>Years</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5</td>
<td>1</td>
<td>11.1</td>
<td>11.1</td>
</tr>
<tr>
<td>5 – 10</td>
<td>6</td>
<td>66.7</td>
<td>77.8</td>
</tr>
<tr>
<td>Over 10</td>
<td>2</td>
<td>22.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>9</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Table 4.1 shows the results on the respondents’ length of service with the company. The findings show that 66.7% of the respondents have worked with the sugar company for a period of 5 to 10 years, 22.2% of the respondents indicated that they have worked in the company for more than 10 years while 11.1% of the respondents said that they have worked in the company for less than 5 years. The results indicate that the respondents have worked in the companies for more than 5 years and therefore they have full knowledge of the company operations in terms of the strategic direction the company is pursuing. The number of employees in all the sugar companies was found to be over 1000 and therefore in order for the company to ensure that is able to pay all its employees and the farmers who supply the cane then appropriate strategies have to be adopted and this necessitates positioning itself in the market.

4.2.3 Duration of company operation

The respondents were requested to indicate the duration of company existence. This was important for the study in order to determine the influence that the duration the company has been in existence would have on the positioning of the company and its performance.

The results on the duration of company show that 66.7% of the companies had been in existence for over 25 years while 33.3% of the respondents indicated that the companies have been in existence for a period of between 16 and 20 years. The results indicate that the companies have been in existence for a longer duration period and therefore they
understand the challenges facing the industry and the need to position itself in the competitive market.

4.3 Strategic Positioning and Organizational Performance

The company’s positioning strategies are its response to the situation in the competitive environment. These are important, as with the implementation of the right positioning strategies, the company can sustain its positive growth and high rates of return - the two most important value drivers. Organizations that are well positioned have a presence which allows them to achieve strategic goals in a seemingly effortless manner. Respondents were asked to indicate the effect of strategic positioning on organizational performance on a scale of 1 to 5 with 5 - being very great extent and 1 - being not at all.

4.3.1 Influence of Strategic Positioning and Organizational Performance

The respondents were requested to indicate the influence of strategic positioning on organizational performance. This was important for the study in order to determine whether the strategies that have been adopted by the companies have influenced their performance. The results are presented in Table 4.2
Table 4.2: Strategic Positioning and Organizational Performance

<table>
<thead>
<tr>
<th>Strategic Positioning and Organizational Performance</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company compete for the consumers’ attention and secure a recognizable comparative position in their minds in harmony with their cultural base</td>
<td>3.7778</td>
<td>.6666</td>
</tr>
<tr>
<td>It helps the company to know where to confront competition from and where to avoid it</td>
<td>4.1111</td>
<td>.9279</td>
</tr>
<tr>
<td>The company competes for the funds consumers are willing to spend in acquiring a service</td>
<td>3.2222</td>
<td>1.2018</td>
</tr>
<tr>
<td>Provides the company with a unique image in the market place</td>
<td>3.7778</td>
<td>1.2018</td>
</tr>
<tr>
<td>The company competes for the customers’ effort and time in the buying process</td>
<td>3.4444</td>
<td>.8819</td>
</tr>
<tr>
<td>It facilitate fine tuning of strategy due to experience gained by being close to the customers helps in determining precisely what retail offering is required</td>
<td>4.5556</td>
<td>.5270</td>
</tr>
<tr>
<td>It provides the framework upon which to build and coordinate the elements of the marketing mix to implement the positioning strategy</td>
<td>4.2222</td>
<td>.6666</td>
</tr>
<tr>
<td>The reduction of response time for product design change</td>
<td>3.0000</td>
<td>1.8027</td>
</tr>
<tr>
<td>The reduction of response time for product volume changes</td>
<td>3.6667</td>
<td>.7071</td>
</tr>
<tr>
<td>The accuracy of order processing for customers</td>
<td>3.8889</td>
<td>.7817</td>
</tr>
<tr>
<td>Increased market share</td>
<td>3.7778</td>
<td>.9718</td>
</tr>
<tr>
<td>Reduction in total cost</td>
<td>3.4444</td>
<td>1.1303</td>
</tr>
<tr>
<td>Increased sales</td>
<td>4.0000</td>
<td>1.2247</td>
</tr>
</tbody>
</table>

The findings in Table 4.2 show that strategic position by the sugar companies had enabled the companies to fine tune the strategy due to experience gained by being close
to the customers helps in determining precisely what retail offering is required (mean 4.5556), provides the framework upon which to build and coordinate the elements of the marketing mix to implement the positioning strategy (mean 4.2222), help the company to know where to confront competition from and where to avoid it (mean 4.1111), increase sales (mean 4.0000), result in accuracy of order processing for customers (mean 3.8889), compete for the consumers’ attention and secure a recognizable comparative position in their minds in harmony with their cultural base (mean 3.7778), provides the company with a unique image in the market place (mean 3.7778) and increase the company market share (mean 3.7778).

The respondents further indicated that positioning has helped the companies to reduction of response time for product volume changes (mean 3.6667), competes for the customers’ effort and time in the buying process (mean 3.4444), reduce total cost (mean 3.4444), competes for the funds consumers are willing to spend in acquiring a service (mean 3.2222) and reduction of response time for product design change (mean 3.0000). The results indicate that strategic positioning enables the companies to improve their performance through several medium. Kipley and Lewis (2009) noted that companies formulate their strategic position by finding the best defensive position against competitive forces, by swaying the balance of the forces to enhance the company’s position, and by choosing a strategy for competitive balance prior to opponents’ movement.
4.3.2 Costing and Promotion Strategy

The respondents were requested to indicate the extent to which the company uses costing and promotion strategy in order to improve its performance. The ratings are presented in Table 4.3.

Table 4.3: Costing and Promotion Strategy

<table>
<thead>
<tr>
<th>Costing and Promotion Strategy</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company operates at a lower cost than its rivals</td>
<td>2.2222</td>
<td>.8333</td>
</tr>
<tr>
<td>The company accepts multiple forms of payment from its customers</td>
<td>3.6667</td>
<td>1.5365</td>
</tr>
<tr>
<td>The company buys in bulk to reduce on costs</td>
<td>4.2222</td>
<td>.7071</td>
</tr>
<tr>
<td>The company undertakes promotion of products in order to appeal to its customers</td>
<td>3.8889</td>
<td>.6009</td>
</tr>
<tr>
<td>Low costs permit the company to sell its products at the lowest competitive price and such low prices will gain competitive advantage and increase market share</td>
<td>3.8889</td>
<td>1.1666</td>
</tr>
<tr>
<td>The company is a price leader thus undermining competitors’ growth in the industry and under cutting the profitability of competitors</td>
<td>1.6667</td>
<td>.7071</td>
</tr>
</tbody>
</table>

The results on the use of costing and promotion by the companies were that the companies buy in bulk in order to reduce on costs (mean 4.2222), undertakes promotion
of products in order to appeal to its customers (mean 3.8889), low costs permit the company to sell its products at the lowest competitive price and such low prices will gain competitive advantage and increase market share (mean 3.8889) and that the companies accepts multiple forms of payment from its customers (mean 3.6667). The respondents on the other hand indicated low level of agreement that the companies operates at a lower cost than its rivals (mean 2.2222) and that the company was a price leader thus undermining competitors’ growth in the industry and undercutting the profitability of competitors (mean 1.6667). The results indicate that the companies were using the strategy in order to improve their performance and this include the generation of power by Mumias company, growing of sugar cane by the companies in order to reduce the costs of purchasing the cane from farmers, improving the machines used for crashing the cane and planting cane that matures early.

4.3.3 Pricing Strategy

The respondents were requested to indicate extent to which pricing strategy which they have adopted has influenced the company performance. This was important as the sugar prices will affect the rate of consumption in the country thus affecting the performance of the companies. The results are presented in Table 4.4.
Table 4.4: Pricing Strategy

<table>
<thead>
<tr>
<th>Pricing Strategy</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pricing strategies reflect organizational goals</td>
<td>3.889</td>
<td>1.0540</td>
</tr>
<tr>
<td>The company analyzes competitors’ costs, prices before fixing prices of its products</td>
<td>3.444</td>
<td>1.5092</td>
</tr>
<tr>
<td>The company’s prices are lower than those of competitors</td>
<td>3.000</td>
<td>1.2247</td>
</tr>
<tr>
<td>The company keeps prices same as competitors</td>
<td>3.889</td>
<td>.9279</td>
</tr>
<tr>
<td>The company monitors movement of its product market share in order to determine the price</td>
<td>3.000</td>
<td>1.4142</td>
</tr>
</tbody>
</table>

The findings in Table 4.4 indicate that the pricing strategy adopted by the sugar companies was the same as the competitors (mean 3.8889), reflect organizational goals (mean 3.8889), companies analyzes competitors’ costs, prices before fixing prices of its products (mean 3.4444), prices are lower than those of competitors (mean 3.0000) and that the company monitors movement of its product market share in order to determine the price (mean 3.0000). The results indicate that the sugar companies takes into consideration several factors before fixing the sugar prices as this would affect the overall performance of the company.

4.3.4 Differentiation Strategy

The respondents were asked to indicate the extent to which differentiation strategy influence the performance of the sugar companies. The extent to which the firms differentiate themselves would enable the firms to make products that appear different
from their competitors. This is in order to make them earn a competitive advantage over others. The results are presented in Table 4.5.

**Table 4.5: Differentiation Strategy**

<table>
<thead>
<tr>
<th>Differentiation Strategy</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company packages the products in a creative way</td>
<td>3.7778</td>
<td>1.0929</td>
</tr>
<tr>
<td>The company creates a new advertising campaign or other sales promotions</td>
<td>3.0000</td>
<td>1.5000</td>
</tr>
<tr>
<td>The company incorporates new functional features</td>
<td>2.3333</td>
<td>1.0000</td>
</tr>
<tr>
<td>The company is swift in introducing new products</td>
<td>1.8889</td>
<td>.7817</td>
</tr>
<tr>
<td>The company uses product reliability, brand image, firm reputation and customer service</td>
<td>4.3333</td>
<td>1.0000</td>
</tr>
<tr>
<td>The company has a delivery system that ensures that the organization differentiates itself from the competitors</td>
<td>3.4444</td>
<td>1.5092</td>
</tr>
</tbody>
</table>

The findings on the influence of differentiation strategy was that the companies use product reliability, brand image, firm reputation and customer service (mean 4.3333) to differentiate itself, packages the products in a creative way (mean 3.7778), has a delivery system that ensures that the organization differentiates itself from the competitors (mean 3.4444) and that company creates a new advertising campaign or other sales promotions (mean 3.0000). The respondents expressed low level of differentiation through incorporation of new functional features (mean 2.3333) and swift introduction of new products (mean 1.8889). The results indicate that the companies use differentiation strategy in order to make products more competitive, in such a competitive market. Sugar is a widely traded basic commodity in the world, thus if the sugar sector is well managed, it can bring enormous returns to both developed and developing countries.
However, as a result of competition, competitive differentiation strategies must be crafted for sugar industry’s competitiveness (Herbert, 2003).

4.3.5 Perceived Quality of Services Strategy

The respondents were asked to indicate the influence of perceived service quality on the performance of the sugar companies. This is the discrepancy between what customers expect and what customers get. Accordingly, organizational competitiveness is possible to support sugar firms to provide high service quality to customers and markets in order to encourage a competitive advantage and receive a superior performance. Table 4.6 shows the results.

Table 4.6: Perceived Quality of Services Strategy

<table>
<thead>
<tr>
<th>Perceived quality of services strategy</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company provides quality services that exceeds its customers’ expectations</td>
<td>4.0000</td>
<td>1.3228</td>
</tr>
<tr>
<td>The company offers reliable products to its customers</td>
<td>4.5556</td>
<td>.5270</td>
</tr>
<tr>
<td>The company is responsive to its customers (willingness to help customers and prompt service assurance)</td>
<td>4.4444</td>
<td>.8819</td>
</tr>
<tr>
<td>The company has the ability to convey trust to its customers</td>
<td>4.5556</td>
<td>.5270</td>
</tr>
<tr>
<td>The company has empathy on its customers</td>
<td>3.8889</td>
<td>1.5365</td>
</tr>
<tr>
<td>The company offers individualized attention to customers</td>
<td>3.8889</td>
<td>1.2693</td>
</tr>
<tr>
<td>The company present a realistic picture of their service to customers by checking the promotional messages for accuracy</td>
<td>3.8889</td>
<td>.7817</td>
</tr>
<tr>
<td>The company performs the service right to customers by stressing to employees to provide reliable service</td>
<td>4.4444</td>
<td>.7264</td>
</tr>
</tbody>
</table>
The results indicate that the sugar companies use the strategy to offer reliable products to its customers (mean 4.5556), has the ability to convey trust to its customers (mean 4.5556), company is responsive to its customers (willingness to help customers and prompt service assurance) (mean 4.4444), performs the service right to customers by stressing to employees to provide reliable service (mean 4.4444), provides quality services that exceeds its customers’ expectations (mean 4.0000), has empathy on its customers (mean 3.8889), offers individualized attention to customers (mean 3.8889) and that the company present a realistic picture of their service to customers by checking the promotional messages for accuracy (mean 3.8889). The results indicate that the companies take into consideration the effect of the quality of sugar as it influences their performance. Berry and Parasuraman (1992) posit that in order to exceed customer expectation, companies need to present a realistic picture of their service to customers by checking the promotional messages for accuracy and performing the service right to customers by stressing to employees to provide reliable service.

### 4.3.6 Effect of strategic positioning on performance indicators

The respondents were requested to indicate the effect of strategic positioning on organizational performance among the sugar companies, in order to make the positional advantage sustainable, the company must continue to invest into the sources of advantage. The findings are presented in Table 4.7.
Table 4.7: Effect of strategic positioning on performance indicators

<table>
<thead>
<tr>
<th>Effect of strategic positioning on performance indicators</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The tonnage of cane crushed per month</td>
<td>4.1111</td>
<td>.7817</td>
</tr>
<tr>
<td>The tonnage of sugar produced per month</td>
<td>4.5556</td>
<td>.5270</td>
</tr>
<tr>
<td>Promptness of payment to farmers</td>
<td>4.3333</td>
<td>.8660</td>
</tr>
<tr>
<td>Capacity of the factory utilization</td>
<td>4.4444</td>
<td>1.0137</td>
</tr>
<tr>
<td>The level of factory time efficiency experienced in the firm</td>
<td>4.2222</td>
<td>.8333</td>
</tr>
</tbody>
</table>

The findings presented in Table 4.7 indicate the distribution of responses on the effect of strategic positioning on performance indicators among the sugar companies in Kenya. The findings indicate that the companies expressed high level of influence on tonnage of sugar produced per month (mean 4.5556), capacity of the factory utilization (mean 4.4444), promptness of payment to farmers (mean 4.3333), level of factory time efficiency experienced in the firm (mean 4.2222) and tonnage of cane crushed per month (mean 4.1111). The findings indicate that the performance of the companies was affected by the extent to which they pursue strategies that will ensure that they positioning itself in the market by finding the best defensive position against competitive forces, by swaying the balance of the forces to enhance the company’s position, and by choosing a strategy for competitive balance prior to opponents’ movement.

4.3.7 Relationship between Strategic Positioning and Organizational Performance through Correlation Analysis

Table 4.8 below shows the Pearson and Spearman’s correlation coefficient generated from the data. Consistent with Shin and Soenen (1998), the spearman’s rank correlation
coefficients are on the upper right triangle while the Pearson product moment correlation coefficients are on the lower left triangle. Pearson’s Correlation analysis is used for data to see the relationship between variables under consideration such as those between organization performance and the strategic positioning of a firm. If the various strategic positioning practices increase performance, then one should expect a positive relationship between the practices and the performance of the sugar firms.

**Table 4.8: Pearson and Spearman’s Correlation Coefficient**

<table>
<thead>
<tr>
<th></th>
<th>Y</th>
<th>X 1</th>
<th>X 2</th>
<th>X 3</th>
<th>X 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>.305</td>
<td>-.086</td>
<td>.644</td>
<td>.842**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.425</td>
<td>.825</td>
<td>.061</td>
<td>.004</td>
<td></td>
</tr>
<tr>
<td>X1 Pearson Correlation</td>
<td>.305</td>
<td>1</td>
<td>-.176</td>
<td>.506</td>
<td>.455</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.425</td>
<td>.651</td>
<td>.165</td>
<td>.219</td>
<td></td>
</tr>
<tr>
<td>X2 Pearson Correlation</td>
<td>-.086</td>
<td>-.176</td>
<td>1</td>
<td>.402</td>
<td>.019</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.825</td>
<td>.651</td>
<td>.284</td>
<td>.961</td>
<td></td>
</tr>
<tr>
<td>X3 Pearson Correlation</td>
<td>.644</td>
<td>.506</td>
<td>.402</td>
<td>1</td>
<td>.594</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.061</td>
<td>.165</td>
<td>.284</td>
<td>.092</td>
<td></td>
</tr>
<tr>
<td>X4 Pearson Correlation</td>
<td>.842**</td>
<td>.455</td>
<td>.019</td>
<td>.594</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.004</td>
<td>.219</td>
<td>.961</td>
<td>.092</td>
<td></td>
</tr>
</tbody>
</table>

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

**Source: Survey Data, Researchers’ Computation**

From the results, there exist a strong positive correlation between the organization performance and the firm’s differentiation strategy \((r=0.644)\) as well as perceived service.
quality ($r=0.842$). From the results, it can be deduced that the service quality that a firm adopts throughout its value chain will impact its performance. In the sugar industry, effective service quality in the downstream value chain, in such areas as engagement with the farmers and the transporters will determine the quality and quantity of cane that will be delivered as well as the promptness of cane delivery. The sugar firms should also consider differentiating their products through adoption of, for example packaging the final product and also the adoption of efficient distribution network in the market.

The cost and promotion strategy was found to have a weak positive correlation with the performance of the sugar firms ($r=0.305$). By the positive nature of the correlation, it means that by a firm employing appropriate and effecting costing strategy where promotional services are conducted, then it will be expected that the same is going to increase performance level of the sugar firms. However, the findings contradicts previous studies such as that of Porter (1980) by suggesting that there is going to be a negative correlation ($r=-0.086$) between a firm employing a pricing strategy and increase of the firms performance.
Table 4.9: Regression Coefficients

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>3.578</td>
<td>1.127</td>
<td>3.175</td>
<td>.000</td>
</tr>
<tr>
<td>X₁</td>
<td>-.378</td>
<td>.247</td>
<td>-.372</td>
<td>-1.534</td>
</tr>
<tr>
<td>X₂</td>
<td>-.395</td>
<td>.227</td>
<td>-.407</td>
<td>-1.743</td>
</tr>
<tr>
<td>X₃</td>
<td>.444</td>
<td>.222</td>
<td>.603</td>
<td>2.006</td>
</tr>
<tr>
<td>X₄</td>
<td>.473</td>
<td>.171</td>
<td>.661</td>
<td>2.767</td>
</tr>
<tr>
<td>a. Dependent Variable: Y</td>
<td></td>
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<td></td>
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</tbody>
</table>

Based on the coefficients of the variables, it can be concluded that the entire market positioning strategies had a significant influence on organizational performance, with a P-Value was 0.000 which is less than the confidence level of 0.005. Perceived service quality had the highest coefficient value of 0.473, followed by differentiation strategy with a coefficient value of 0.444. Costing and promotion strategy come third with a negative coefficient value of 0.378 while pricing strategy come in fourth with also a negative coefficient value of 0.395. Positive coefficients show a direct relationship between two variables, i.e. a change in one variable results in a change in the other variable in the same direction, while a negative coefficient depicts a change in the dependent variable caused by a change in the independent variable but in opposite direction.

4.4 Discussion

The study found out that strategic positioning resulted in the companies fine tuning the strategy, provides the framework upon which to build and coordinate the elements of the marketing mix, knowing where to confront competition from and where to avoid,
increase sales, accuracy of order processing for customers, compete for the consumers’ attention and secure a recognizable comparative position in their minds in harmony with their cultural base, provides the company with a unique image in the market place, increase the company market share, reduce response time for product volume changes, competes for the customers’ effort and time in the buying process, reduce total cost, and reduction of response time for product design change. The findings are consistent with Day and Wensley (2008) findings that positional and performance superiority is a result of the relative superiority in the skills and resources a company utilizes. The superiority of the skills and resources is the consequence of former investments made to improve the competitive position.

Costing strategy involves the firm winning market share by appealing to cost-conscious or price-sensitive customers. This was achieved by buying in bulk in order to reduce on costs, undertaking promotion of products in order to appeal to its customers, selling products at the lowest competitive price thus increasing market share and accepting multiple forms of payment from its customers. The results are in consonance with Dunphy et al. (1996) who studied the strategy that helps to explain why certain organizations achieve superior organizational performance; while Porter (1980) explains the success of an organization’s competitive strategy dependence upon a set of strategic choices that positions the organization successfully within a particular industry or environmental niche. The service quality was found to have influenced the performance of the companies through provision of reliable products to its customers, ability to convey trust to its customers, responsiveness to customers, provision of quality services that
exceeds its customers’ expectations, empathy to its customers, and presenting a realistic picture of their service to customers by checking the promotional messages for accuracy. The results are consistent with the findings of Berry and Parasuraman (1992) that in order to exceed customer expectation, companies need to present a realistic picture of their service to customers by checking the promotional messages for accuracy, performing the service right to customers by stressing to employees to provide reliable service, effectively communicating with customer to ascertain their needs by using the service delivery process as an opportunity to impress on customers and also continuously evaluating and improving their performance against customer expectations.

Sugar is produced globally and takes the form of white granules produced from sugarcane and sugar beet. Sugar is a widely traded basic commodity in the world, thus if the sugar sector is well managed, it can bring enormous returns to both developed and developing countries. However, as a result of competition, competitive differentiation strategies must be crafted for sugar industry’s competitiveness. According to Porter (1985), differential advantage is created when a firm’s products or services differ from its competitors and are seen as better than a competitors products by customers. All these strategies come along with the concept of creating efficiency within an industry. Porter (1985) further acknowledges that as a result of globalization, the best indicator of a company’s future success is the ability to be different from its peers. This therefore implies that sugar companies must adopt differential strategies like change the nature of the product, through varying features such as the use varying colorations to make it more attractive on the market. The value added by the uniqueness of the product may allow the
firm to charge a premium price for it. Because of the product's unique attributes, if suppliers increase their prices the firm may be able to pass along the costs to its customers who cannot find substitute products easily. The study found that pricing has strong effects on organizational performance. The results are consistent with Kimes and Wirtz (2002) findings that a firm that charges fair prices as compared to its competitors, organizational performance is enhanced.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The objective was to establish the influence of strategic positioning on organizational performance among sugar companies in Kenya. This chapter presents the summary, conclusion, recommendations of the study and suggestion for further research.

5.2 Summary of Findings

The study found out that the majority of the respondents were university graduate and therefore they understand the need for the companies to position itself in the industry due to the competition posed by other local sugar companies and the expiry of the grace period which was given to Kenya before the Comesa market sugar are allowed into the country. The respondents were found to have worked in the sugar companies for a long period of time and therefore they understand the positioning strategies adopted by the firms in order to be competitive. The sugar companies were found to be employing more than a thousand employees and this indicates that that positioning strategies have to be implemented in order to maintain the workforce. The companies have been in existence for a longer duration period and therefore they understand the challenges facing the industry and the need to position itself in the competitive market.

The positioning strategies adopted by the sugar companies has enabled the companies to distinguish themselves from its competitors, in order to be the most preferred firm in the
market as the consumers understands and appreciates what the organization stands for in relation to its competitors. This positioning has resulted in the firms fine tuning the strategy, provides the framework upon which to build and coordinate the elements of the marketing mix, knowing where to confront competition from and where to avoid, increase sales, accuracy of order processing for customers, compete for the consumers’ attention and secure a recognizable comparative position in their minds in harmony with their cultural base, provides the company with a unique image in the market place, increase the company market share, reduce response time for product volume changes, competes for the customers’ effort and time in the buying process, reduce total cost, and reduction of response time for product design change.

The study established that the companies use costing and promotion strategy in order to ensure that they maintain costs at a minimum level and also for the customers to be aware of the existence of the company’s products in the market. Costing and promotion was achieved by the companies through buying in bulk in order to reduce on costs, undertaking promotion of products in order to appeal to its customers, selling products at the lowest competitive price thus increasing market share and accepting multiple forms of payment from its customers. The price charged by the sugar companies will determine the consumption of sugar among the customers thus affecting the overall performance of the companies. The study found out that the pricing strategy adopted by the sugar companies was the same as the competitors, reflect organizational goals, companies analyzes competitors’ costs, prices before fixing prices of its products, prices are lower than those of competitors in some cases and that the company monitors movement of its product market share in order to determine the price.
The differentiation of a sugar companies will move a product from competing based primarily on price to competing on non-price factors, or promotional variables. The companies recognizes that customers are too numerous and widely scattered, and with heterogeneous needs and adequate spending power, for them all to prefer the same product or service. The companies were found to differentiate themselves through product reliability, brand image, firm reputation and customer service, packaging the products in a creative way, delivery system that ensures that the organization differentiates itself from the competitors and advertising campaign or other sales promotions. The quality of services influence the competitiveness of the companies through provision of reliable products to its customers, ability to convey trust to its customers, responsiveness to customers, providing quality services that exceeds its customers’ expectations, empathy to its customers, and presenting a realistic picture of their service to customers by checking the promotional messages for accuracy. The pursuit of strategic positioning by the companies was found to have influenced the performance of the companies through the tonnage of sugar produced per month, capacity of the factory utilization, promptness of payment to farmers, level of factory time efficiency experienced in the firm and tonnage of cane crushed per month.

5.3 Conclusion

It is vivid, that for a successful product in the market good quality and well known brand are not enough. The product must occupy an explicit, distinct, and proper place, in the minds of potential and existing consumers, relative to other rival products on the market.
Positioning plays a key role when reaching the desired place in the mindsets of potential and existing consumers and this was achieved by the sugar companies as they pursued several strategies in order to ensure that their products were well received in the market thus resulting in improved performance. Strategic positioning by the sugar companies plays a pivotal role in their performance. Costing and promotion strategy adopted by the companies resulted in improved performance through low costs maintenance and promotion which ensures that the consumers are made aware of the sugar in the market. The prices changed by the companies was taken into consideration through analyzing the competitors prices and ensuring that it reflects organizational goals in order to ensure that the prices charged was competitive in the market.

Product differentiation among the sugar companies involves differentiating it from competitors in order to enhance performance of the companies. The sugar companies’ use differentiation strategy of product reliability, brand image, firm reputation and customer service, packaging the products in a creative way, delivery system that ensures that the organization differentiates itself from the competitors and advertising campaign or other sales promotions in a bid to improve performance. Product differentiation is done in order to demonstrate the unique aspects of the firm’s products and services, creating a sense of value which guarantees better performance. Organizational competitiveness was possible to support the companies to provide high service quality to customers and markets in order to encourage a competitive advantage and receive a superior performance. The quality of services focus on enhancing performance through provision of reliable products to its customers, ability to convey trust to its customers, responsiveness to customers, provision of quality services that exceeds its customers’ expectations, empathy to its customers, and
presenting a realistic picture of their service to customers by checking the promotional messages for accuracy.

5.4 Recommendations

The findings demonstrate the importance of having positioning strategies in an organization. In order to enhance positioning effectiveness, it is recommended that marketers should have the clear understanding of the benefits being sought by the market and the relative performance of the competitive brands. Marketers also need to understand the attributes of their brands, which are determinant towards the success of the brands in the markets. The findings of the study have provided considerable empirical support to the claim that strategic positioning was relevant in the business.

The study found out that the companies uses costing and promotional strategy in order to improve their performance and it is recommended that the companies should adopt online procurement by creating a website where clients can place orders in order to reduce costs further. This will increase product market base and will thus be an efficient point for delivering inquiries by customers. The study further recommends that the companies need to use organizational competence to build product reputation and also forge for new avenues such as the manufacture of gasoline from molasses to cushion against escalating costs.

The study found out that the companies uses differentiation strategy in order to improve its performance, it is recommended that the companies should put in place measures to
come up with more brands of differentiated sugar needs to be produced and patented for company’s growth. The study recommends that the companies need to use other organizational strengths to streamline scientific research as this the key to initiation of differentiation strategies.

5.5 Suggestions for further research

The study confined itself to sugar companies operating in Kenya and the findings may not be applicable in other sectors as a result of uniqueness of the sugar sector. It is therefore recommended that the study is replicated in other sectors to establish the extent to which other companies and organizations position themselves in order to improve their performance. Further study needs to be undertaken on the challenges facing the implementation of strategic positioning by the sugar companies.
REFERENCES


APPENDICES

APPENDIX I: QUESTIONNAIRE

Please give answers in the spaces provided and tick (√) in the box that matches your response to the questions where applicable.

Section A: Demographic Characteristics

1. Name of the sugar company.................................................................

2. What is your position in the organization?...........................................

3. What is your highest level of education qualification? (Tick as applicable)

   a) Post graduate level (    )

   b) University (    )

   c) Tertiary College (    )

   d) Secondary (    )

4. Length of continuous service with the sugar company?

   a) Less than five years (    )

   b) 5-10 years (    )

   c) Over 10 years (    )
5. How many employees are there in your company?
   a) Less than 100 ( )
   b) 100 – 499 ( )
   c) 500 – 999 ( )
   d) Above 1000 ( )

6. For how long has your company been in operation in Kenya?
   a) Under 5 years ( )
   b) 6 – 10 years ( )
   c) 11 – 15 years ( )
   d) 16 – 20 years ( )
   e) Over 25 years ( )

Section B: Strategic Positioning and Organizational Performance

7. To what extent do you agree on the effect of strategic positioning on organizational performance of your company? Use 1- Very low extent, 2-Low extent, 3-Moderate extent, 4- Great extent, 5- Very great extent

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company compete for the consumers’ attention and secure a recognizable comparative position in their minds in harmony with their cultural base</td>
<td></td>
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<tr>
<td>It helps the company to know where to confront competition from and where to avoid it</td>
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<tr>
<td>The company competes for the funds consumers are willing to spend in acquiring a service</td>
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<tr>
<td>Provides the company with a unique image in the market place</td>
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</tbody>
</table>
The company competes for the customers’ effort and time in the buying process

It facilitate fine tuning of strategy due to experience gained by being close to the customers helps in determining precisely what retail offering is required

It provides the framework upon which to build and coordinate the elements of the marketing mix to implement the positioning strategy

The reduction of response time for product design change

The reduction of response time for product volume changes

The accuracy of order processing for customers

Increased market share

Reduction in total cost

Increased sales

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company operates at a lower cost than its rivals</td>
<td></td>
<td></td>
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<tr>
<td>The company accepts multiple forms of payment from its customers</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>The company buys in bulk to reduce on costs</td>
<td></td>
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<td></td>
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<tr>
<td>The company undertakes promotion of products in order to appeal to its customers</td>
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</tbody>
</table>
8. To what extent does your company use the costing and promotion to improve its performance? Use 1- Very low extent, 2-Low extent, 3-Moderate extent, 4- Great extent, 5- Very great extent

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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</thead>
<tbody>
<tr>
<td>Low costs permit the company to sell its products at the lowest competitive price and such low prices will gain competitive advantage and increase market share</td>
<td></td>
<td></td>
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<tr>
<td>The company is a price leader thus undermining competitors’ growth in the industry and undercutting the profitability of competitors.</td>
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</table>

9. To what extent has pricing strategy being used by your company influence the overall organizational performance? Use 1- Very low extent, 2-Low extent, 3-Moderate extent, 4- Great extent, 5- Very great extent

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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</thead>
<tbody>
<tr>
<td>The company's pricing strategies reflect organizational goals</td>
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<tr>
<td>The company analyzes competitors’ costs, prices before fixing prices of its products</td>
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<tr>
<td>The company’s prices are lower than those of competitors</td>
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<tr>
<td>The company keeps prices same as competitors</td>
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<tr>
<td>The company monitors movement of its product market share in order to determine the price</td>
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</tbody>
</table>
10. To what extent does the company differentiation strategy affect the company’s performance? Use 1- Very low extent, 2-Low extent, 3-Moderate extent, 4- Great extent, 5- Very great extent

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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</thead>
<tbody>
<tr>
<td>The company packages the products in a creative way</td>
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<tr>
<td>The company creates a new advertising campaign or other sales promotions</td>
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<tr>
<td>The company incorporates new functional features</td>
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<tr>
<td>Availability of additional services e.g. air pressure</td>
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<tr>
<td>The company is swift in introducing new products</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>The company uses product reliability, brand image, firm reputation and customer service</td>
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<tr>
<td>The company has a delivery system that ensures that the organization differentiates itself from the competitors</td>
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</tbody>
</table>
11. To what extent does the company perceived quality of services affect the organizational performance? Use 1- Very low extent, 2-Low extent, 3-Moderate extent, 4- Great extent, 5- Very great extent.

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
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</thead>
<tbody>
<tr>
<td>The company provides quality services that exceeds its customers’ expectations</td>
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<tr>
<td>The company offers reliable products to its customers</td>
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<tr>
<td>The company is responsive to its customers (willingness to help customers and prompt service assurance)</td>
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<tr>
<td>The company has the ability to convey trust to its customers</td>
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<td>The company has empathy on its customers</td>
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<td>The company offers individualized attention to customers</td>
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<tr>
<td>The company present a realistic picture of their service to customers by checking the promotional messages for accuracy</td>
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<tr>
<td>The company performs the service right to customers by stressing to employees to provide reliable service</td>
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</tbody>
</table>
12) Below are some of the performance indicators that are affected by the strategic positioning move by the firm. Please indicate the extent that the performance measures below have been affected by the firms strategic positioning.

Use 1- Very low extent, 2-Low extent, 3-Moderate extent, 4- Great extent, 5- Very great extent.

<table>
<thead>
<tr>
<th>Performance Indicator</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
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</thead>
<tbody>
<tr>
<td>The tonnage of cane crushed per month</td>
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<tr>
<td>The tonnage of sugar produced per month</td>
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<tr>
<td>Promptness of payment to farmers</td>
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<tr>
<td>Capacity of the factory utilization</td>
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<tr>
<td>The level of factory time efficiency experienced in the firm</td>
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</tbody>
</table>
APPENDIX II

LIST OF SUGAR COMPANIES

<table>
<thead>
<tr>
<th></th>
<th>Company Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Nzoia Sugar Company Limited</td>
</tr>
<tr>
<td>2</td>
<td>SONY Sugar Company Limited</td>
</tr>
<tr>
<td>3</td>
<td>West Kenya Sugar Company Limited</td>
</tr>
<tr>
<td>4</td>
<td>Mumias Sugar Company Limited</td>
</tr>
<tr>
<td>5</td>
<td>Chemelil Sugar Company Limited</td>
</tr>
<tr>
<td>6</td>
<td>Butali Sugar Company Limited</td>
</tr>
<tr>
<td>7</td>
<td>Muhoroni Sugar Company Limited</td>
</tr>
<tr>
<td>8</td>
<td>Sukari Industries Limited</td>
</tr>
<tr>
<td>9</td>
<td>Miwani Sugar Company Limited</td>
</tr>
<tr>
<td>10</td>
<td>Trans-mara Sugar Company</td>
</tr>
</tbody>
</table>