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EFFECT OF COMPETITIVE STRATEGIES ON FIRM PERFORMANCE (A CASE STUDY OF NATIONAL OIL CORPORATION OF KENYA)

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Abstract: This study investigates the effect of competitive strategies on firm performance using a case study of the National Oil Corporation of Kenya. The study sample size was 75 respondents. So questionnaires were administered to 75 respondents, where the response rate was 64, which translates to 85.53%. However, 14.67% did not respond to the study. The study analyzed the data collected to describe the study variables using descriptive statistics, which helped to establish the influence of the independent variables on the dependent variable. Data was analyzed using Excel and Statistical Package for Social sciences (SPSS). Further, it was presented using tables and pie charts. On the other hand inferential statistics were analyzed by use of multiple regression and coefficient of correlation analysis to determine the relationship among variables. The study carried out this analysis based on the objectives and discussed these with reference to the literature reviewed in chapter two. Some of the questions in the questionnaire were on a 5 point Likert Scale. The study carried out inferential analysis by first using a correlation analysis. The correlation was done using the Pearson's product moment correlation. The study found that the average performance of NOCK was to less extent and each of the indicators of performance; average monthly sales, average monthly total cost, average monthly net profit, profitability growth, employee satisfaction, and employee engagement was found to be less extent. The study made policy recommendation based on the findings and study objectives. The study recommended that liquefied petroleum gas should ensure that they increase the proficiency of the cost leadership through; offering low priced products, building customers' loyalty, prompt services/delivery of products; retention of popular staff, and employing high caliber staff. Meanwhile; offering price discount and engaging in promotional activities highly affected the firm performance of the NOCK, the liquefied petroleum gas should enhance their profitability growth strategy by seeking to achieve; an increase in the market share and financial gains, a secure dominance of growth in markets, and restructure a mature market by driving out competitors.

Key Words: *Competitive Strategies, Firm Performance, Cost Leadership*

Introduction

The business environment has become very competitive as firms endeavor to outdo each other. For firms to maintain competitiveness it's necessary for them to develop strategies for competitive advantage which they can seek to sustain. The strength of competition rises from day to day that is caused by a more globalized world economy. Because of that it is even more important to be prepared in order to remain globally successful in competition. Competitive strategies refer to the action plan an organization adopts in a bid to attract more customers, endure pressure from competitors and enhance their market performance (Thompson, Strickland & Gamble, 2010). The demands and needs of the environment are constantly evolving and management is about adjusting the company according to the needs and demands of the environment. Increased competition threatens the attractiveness of an industry and reducing the profitability of the players. Demands further exert pressure on firms to be proactive and to formulate successful strategies that facilitate proactive response to anticipated and actual changes in the competitive environment Rainbird, (2009).

Firms therefore focus on gaining competitive advantage to enable them respond to, and compete effectively in the market. Thompson & Strickland (2012) argue that a company has competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces. Sustainable competitive advantage is born out of core competencies that yield long-term benefit to the company. To succeed in building sustainable competitive advantage, a firm must try to provide what buyers will, perceive as superior value. According to Porter (2010) competitive strategy is about being different. This means deliberately performing activities differently and in better ways than competitors. Porter (2009) outlined the three approaches to competitive strategy these being Striving to be the overall low cost producer, that is, low cost leadership strategy, secondly Seeking to differentiate one's product offering from that of its rivals, that is, differentiation strategy and lastly Focus on a narrow portion of the market, that is, focus or niche strategy. Owiye (2009) argued that competitive strategies will be vital to a firm while developing its fundamental approach to attaining competitive advantage (low price, differentiation, niche), the size or market position it plans to achieve, and its focus and method for growth (sales or profit margins, internally or by acquisition).

Competitive strategies dependent on differentiation are designed to appeal to customers with special sensitivity for a particular product attributes. Focus strategy is a marketing strategy in which an organization concentrates its resources on entering or expanding in a narrow market. It is usually employed where the company knows its segment and has products/services to competitively satisfy its needs. Firms need competitive strategies to enable them overcome the competitive challenges they experience in the environment where they operate. A competitive strategy therefore enables a firm to gain a competitive advantage over its rivals and sustain its success in the market. A firm that does not have appropriate strategies cannot exploit the opportunities available in the market and will automatically fails. A company has a competitive advantage whenever it has an edge over its rivals in securing and defending against competitive forces (Thompson & Strickland, 2012). Organization performance is an indicator which measures how well an enterprise achieves their objectives (Venkatraman & Ramanujam, 2009). Organization performance can be assessed by an organization's efficiency and effectiveness of goal achievement (Robbins & Coulter, 2008). Hancott (2012) indicates that organizational performance, effectiveness and efficiency are synonyms which are interchangeable. In addition, a number of indicators have been adopted to measure organization performance since mid-1900, such as profit growth rate, net or total assets growth rate, return on sales, shareholder return, growth in market share and number of new products, and return on net assets.

Firm's performance is the measure of standard or prescribed indicators of effectiveness, efficiency and environmental responsibility such as cycle time, productivity, waste reduction, and regulatory compliance. Performance also refers to the metrics relating to how a particular request is handled or the act performing of doing something successfully, using knowledge as distinguished from merely possessing it. It is the outcome of all the organizations operations and strategies. It is also the extent to which an individual meets the expectations regarding how he should function or behave in a particular context, situation, job or circumstance. Noum (2007) is of the view that performance is what people do in relation to organizational roles. Since their inception, companies have used various yardsticks for measuring and reporting performance.

Statement of the Problem

As Kenya aspires to be a middle income economy as envisaged in Vision 2030, it faces an enormous task of meeting energy needs due to the high expectations in growth to power the economy. The country therefore needs to come up with strategies and investment plans to secure sustainable supply of energy to meet the growing demand. The energy sector is considered a key enabler to achieving vision 2030. Electricity, petroleum and renewable energy are the most potential sub sectors. Even though wood fuels are the most consumed fuels in Kenya, petroleum and electricity are the most dominating fuels in the commercial sector. Other major energy consumption sectors apart from commercial sector, are transport, manufacturing and residential sectors (KIPPRA, 2010). Competitive strategies employed by firms in their operations vary widely depending on the operating environment. The current operational set up of Liquefied Petroleum gas is a dynamic one and highly competitive with the emergence of many firms offering the same products. With the emergence of many companies offering this products and services this has led to a lot of competition in the market leaving the business at the mercy of market forces. As a result, NOCK faces increased competition and declining profits and even losses. NOCK has put great effort into strategic planning in order to ensure efficient and effective service delivery, most of these planning remain unimplemented and this is a challenge to the organization.

There is evidence in the failure of the organization to achieve its core objective efficiently and effectively as outlined in the plan. For example in the year 2016 NOCK reported a loss of 270 million in six months to June hence NOCK brilliantly crafted plans that focus on customer satisfaction, ensuring employee satisfaction, ensuring they achieve their targets set by the management and ensuring of readily available of the products needed by customers, and the constant complaints from the customers, suppliers and the top management base are also evidence that the organization is not performing according to its expectations. And this has heavily contributed to the losses that the company is incurring which reflect poor performance of the organization. To ensure survival and sustainability in the market place, NOCK needs to adopt competitive strategies to ensure that they outperform their competitors.

NOCK has to deploy a number of competitive strategies overtime including cost leadership, product differentiation, and focus strategy. A number of studies have been done on competitive strategies but under different contexts in Kenya. Gathoga (2011) focused on competitive strategies by commercial banks in Kenya. The study revealed that banks in Kenya use various means in order to remain competitive. He also concluded that expansion into other areas by opening new branches has also been used as a strategy; Karanja (2002) did a survey of competitive strategies of real estate firms in the perspective of Porters generic model. These studies reveal that firms in different industries adopt different competitive strategies which are unique in each context. Despite this background, limited studies have been done to determine the effect of competitive strategies on firm performance of liquefied petroleum gas as they operate within such an environment. The previous studies had conflicting outcomes and were over five years old and therefore a more current study would be necessary to reflect the current situation and confirm the nature of relationship between competitive strategies and the performance of Liquefied Petroleum Gas. This study sought to establish the effect of competitive strategies on the firm performance of Liquefied Petroleum Gas in NOCK.

Objectives of the Study

i. To determine the effect of cost leadership on firm performance at National Oil Corporation of Kenya.
ii. To establish the effect of differentiation strategy on firm performance at National Oil Corporation of Kenya
iii. To evaluate the effect of Focus Strategy on firm performance at National Oil Corporation of Kenya

Literature Review

Theoretical Review

The Porters Generic Model of Competitive Advantage

According to Porter (2003), a firm develops its business strategies in order to obtain competitive advantage through increased profits over its competitors. It does this by responding to five primary forces which are the threat of new entrants, rivalry among existing firms within an industry, the threat of substitute products/services, the bargaining power of suppliers, and the bargaining power of buyers. Porter, (2008), notes that the five forces model helps one to look beyond his direct competitors. He notes four competitive forces that can hurt profits: savvy customers that can play you and your rivals, powerful suppliers who may constrain your profits by charging high prices, aspiring entrants armed with new capacity and hungry for market share, and substitute offerings that can lure your customers away. Cost leadership strategy focuses on gaining competitive advantage by having the lowest cost and cost structure. In the industry (porter, 2008) in order to achieve a low cost advantage an organization must have a low cost leadership mind-set. Low cost manufacturing with rapid distribution and replenishment and a workforce committed to the low cost strategy. The organization must be willing to discontinue any activities in which they don't have a cost advantage and may outsource activities to other organization that have a cost advantage (Malburg, 2000). Porter (2003) reemphasized the importance of analyzing the five competitive forces in developing strategies for competitive advantage: "Although some have argued that today's rapid pace of technological change makes industry analysis less valuable, the opposite is true. Analyzing the forces illuminates an industry's fundamental attractiveness, exposes the underlying drivers of average industry profitability, and provides insight into how profitability will evolve in the future. The five competitive forces by Porter's Five Competitive Forces Model clearly show how a firm by adopting certain competitive strategy (cost leadership, market focus, and differentiation strategies) determines its profitability. This theory is used to explain the effect of cost leadership on performance of LPG. Michael Porter's Generic Framework theory gives techniques for analyzing industries and competitors. This theory can be used to find the optimum position for a company within an industry and often a determinant of a company's profitability can be said to be the attractiveness of an industry in which it operates. This means that companies that manage to place them self correctly can generate more profits than companies who have not thought about their optimal position. The framework is called generic because it is not industry dependent. A company should reflect on its strengths and weaknesses in order to find its competitive advantage, and this unique strength should be leveraged

Game Theory

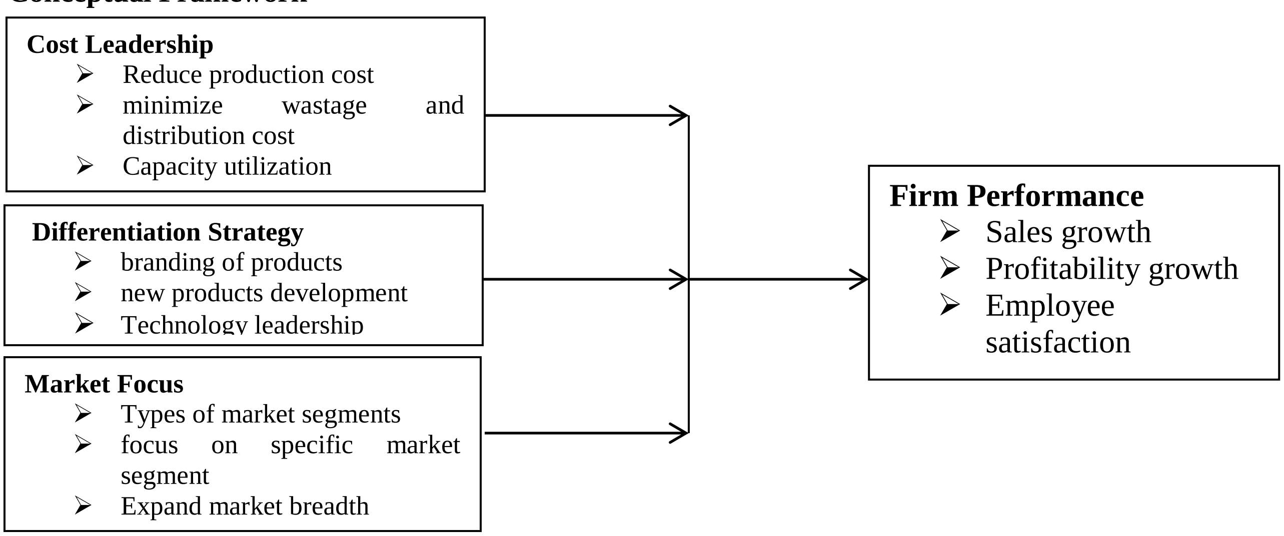
This theory deals with the process of competitive interaction. It involves making decisions when two or more intelligent and rational opponents are involved under conditions of conflict and competition. Instead of making inferences from the past behavior of the opponents the firms seeks to determine a rival's most profitable counter strategy to one's own best moves and to formulate the appropriate defensive measures. In game theory according to Gandoifo (2011), every firm has complete information about the rules of the game and the preferences of the other players for each result. They contain perfect information on the choices foregoing at the time of rival's decision. The firm is rational of decision process by taking decisions based on the maximization of the utility function. Every firm is rational and able to predict the choices of other firms thinking about what would be the rational choice it would take if it was in the same situation of the rival firm. They are also aware of competitive and non-cooperative behavior because of the previous assumptions; individual choices are based on the maximization of each individual utility function and not on that of all the competitors as a whole. There is a non-cooperative bias, which, from a systemic point of view, brings to non-optimal choices. There is dynamism in the environment and the result of each firm is mutually related with decisions of other players; thus, unilateral decisions are not possible. The strategic conflict model portrays competition as war between rival firms with the saying that no battle plan ever survived the first encounter with the enemy (Mintzberget al., 2009).

Strategic conflicts are likely to be more appropriate in situations where there is an even balance between rivals in an industry rather than in situations where one organization has substantial competitive advantage over its rivals (Gandoifo, 2011). This theory therefore supports the variable differentiation strategy by indicating that through making the right decisions when two or more intelligent and rational opponents are involved under conditions of conflict and competition, a differentiation strategy can therefore go a long way in enhancing a company performance.

Ansoff's Product/Market growth Strategies Theory

A product-market strategy, accordingly, is a joint statement of a product line and the corresponding set of missions which the products are designed to fulfill. Product-Market Growth Matrix as a marketing tool to allow marketers to consider ways to grow the business via existing and/or new products and also in existing and/or new markets. There are four possible product/market combinations. This matrix helps companies decide what course of action should be taken given current performance. Pearce and Robinson (2010) the matrix includes market penetration, product development, market development and diversification. The output from the Ansoff product/market matrix is a series of suggested growth strategies that set the direction for the business strategy (Onyango, 2011). Market penetration is an effort to increase company sales without departing from an original product-market strategy. The company seeks to improve business performance either by increasing the volume of sales to its present customers or by finding new customers for present products. The company first considers whether it could gain more market share with its current products in their current markets (Kotler, 2010). Market penetration occurs when a company penetrates a market with current products. The best way to achieve this is by gaining competitors' customers other ways include attracting non-users of your product or convincing current clients to use more of your product/service, with advertising or other promotions. Market penetration is the least risky way for a company to grow.
Market development is a strategy in which the company attempts to adapt its present product line (generally with some modification in the product characteristics) to new missions. This theory therefore supports the variable market focus strategy by indicating that an established product in the marketplace can be tweaked or targeted to a different customer segment, as a strategy to earn more revenue for the firm. Also the market need not be new in itself; the point is that the market is new to the company. A market focus strategy can therefore go a long way in enhancing a company performance.

Conceptual Framework



Independent variables **Dependent variable**

Figure 1 Conceptual Framework

Cost-leadership strategy

This is Porter's generic strategy known as cost leadership (Malburg, 2010). This strategy focuses on gaining competitive advantage by having the lowest cost in the industry (cost advantages). In order to achieve a low-cost advantage, organizations must have a low-cost leadership strategy, low-cost operations within business units, and a workforce committed to the low-cost strategy. Cost leadership strategy is a pricing strategy in which a company sells the same product at different prices in different markets. It can also refer to the charging of different prices for the same product to different social or geographic sectors of the market. It describes a way to establish the competitive advantage. Cost leadership, in basic words, means the lowest cost of operation in the industry. Consistently making or offering better products that outperform competitors' products.

Differentiation strategy

Differentiation strategy is an approach under which an organization aims to develop and market unique services and products for different customer segments. Differentiation strategies refer to the approach under which an organization aims to develop and market unique products for different customer segments. Usually employed where an organization has clear competitive advantages, and can sustain an expensive advertising. Differentiation strategy can also be defined as positioning a brand in such a way as to differentiate it from the competition and establish an image that is unique (Davison, 2011). Differentiation can be achieved through premium pricing or brand loyalty. It occurs when a firm lower cost of using a product, raised performance or service buyers get from the product and attaching intangible and noneconomic benefits to a product. An effective differentiation strategy can be realized when a firm takes advantages of the opportunities arising from the value chain such as purchasing, product research and development (R&D), production R&D, outbound distribution/logistic on one hand and marketing, sales and customer service on the other hand (Johnson *et al*., 2009).

Focus Strategy

According to Njoroge (2010) the focus strategy is aimed at narrowing the market segment, products and category or certain buyers. This helps firms to narrow their operations to specific markets and thus they are able to achieve competitive advantage. According to Gakumo (2006) the focus strategy has two variants; cost focus and differentiation focus. A business firm that is not pursuing any particular strategy but is choosing between various aspects of different strategies is said to be stuck in the middle and cannot show progress. Firms that succeed in a focus strategy are able to tailor a broad range of product development strengths to a relatively narrow market segment that they know very well (Porter, 1998). Sustainable competitive advantage can be realized through high quality products, superior customers care, being able to charge at the lowest costs, better geographic location, technical expertise possessed by the firm, efficient and effective supply chain management, brand image and reputation of the firm. According to Johnson et al., (2009), sustaining bases of competition is likely to require a linked set of organizational competencies which competitors find difficult to imitate and/or the ability to achieve a lock-in position to become the "industry standard" recognized by the buyers and suppliers.

Firm Performance

Daft and Marcic (2013) describes organizational performance as an organization's ability to achieve its goals effectively and efficiently with available resources. Performance is the record of results achieved on a given action during a given period of time. According to Moruri (2015), there are various ranges of organizational performance from monetary, market as well as shareholder returns. He argues that some of the monetary performance indicators are profits of an organization and the returns on assets, equity as well as investments. Some of the indicators of market performance are changes in sales and the market share while some of the indicators of shareholder return are earnings per share. Other scholars such as Fahey and King (2010) have argued that the performance of the firm can be captured from the point of efficiency, effectiveness and relevance. Machuki and Aosa(2011) agree that performance refers to the efficiency in which various activities are run in the firm. In terms of effectiveness, it has been referred to as the various unique capabilities which a firm has to enable it achieve results. Marangu (2012) argues that there has been an increase in complexity of performance in organizations. However, he also states that performance can be measured in terms of financial or non-financial approaches. Financial approaches involve indicators such as profits, liquidity, returns, sales and market share. Non-financial measures of profitability range from customer satisfaction indicators, production efficiency, timely delivery as well as internal and external corporate social responsibility.

Research Methodology

This study used a descriptive survey study that is aimed at establishing the effects of competitive strategies on firm performance of Liquefied Petroleum Gas in NOCK. Descriptive design is a method of collecting information by administering questionnaires and interviews it is focused on the respondents views. This study targeted two hundred and fifty staffs working in the head office in Nairobi Mombasa Road. The sample size of this study was 30% of the target population. According to Mugenda and Mugenda (2008), a sample size of between 10 and 30% of the target population is a good representation of the target population. Both primary and secondary data were used. This research study used structured questionnaires to collect the primary data. A pilot test was done on 10% of the study sample size which was equivalent to 7 respondents. Descriptive and inferential statistics were used to analyze the quantitative data. Descriptive statistics included percentages, and frequencies, measures of central tendency (mean) measures of dispersion (standard deviation). The results are presented using tables and figures which included pie charts. Inferential statistics such as correlation analysis and multiple regression analysis were used to establish the relationship between the independent and the dependent variable. The multiple regression analysis took the following model:

$Y= \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \varepsilon$

Whereby: Y= Firm performance, $\beta 0$ = Constant, $\beta 1$ – $\beta 4$ = Beta coefficients, X1= Cost leadership strategy, X2= Differentiation strategy, X3= Focus strategy and ε= Error term

Results

Questionnaires were administered to 75 respondents, where the response rate was 64, which translates to 85.33% as shown in Figure 2

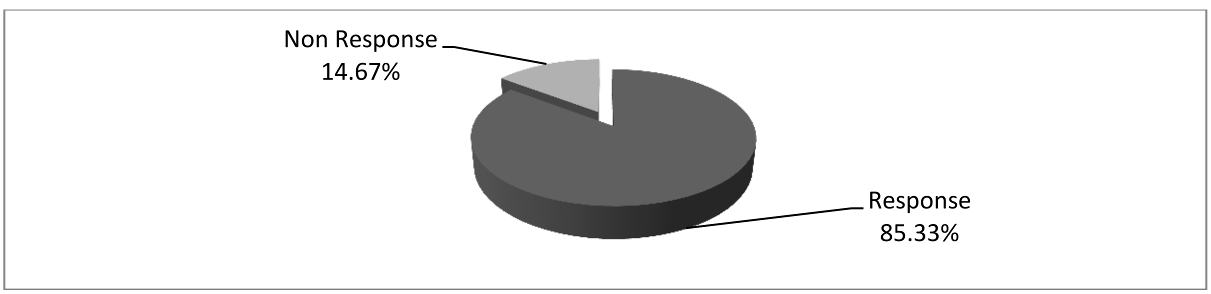


Figure 2 Response Rate

Respondents' Background Information

Respondents Work Experience

The results in Figure 3 shows that majority of the respondents (62.50%) indicated that they had been in industry for between five (5) and 10 years.

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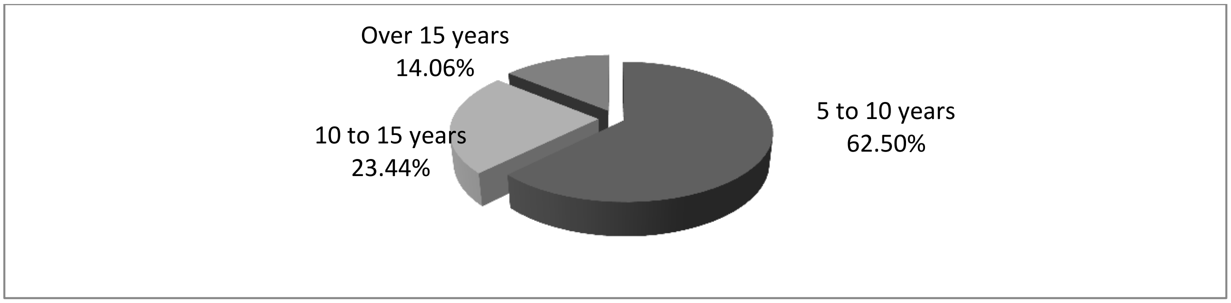

Figure 3 Respondents Work Experience

Descriptive Statistics and Discussions

Cost leadership

The results in table 1 indicate that offering low priced products moderately affected the company firm performance (Mean=3.44), building customers loyalty was as well shown to have had a moderate effect on the firm performance of the company (Mean=3.34), Offering price discount to a large extend affected the firm performance of the company (Mean=3.44) while engaging in promotional activities also to a large extend affected the firm performance of the company (Mean=3.59). According to these results, prompt services/delivery of products had a moderate effect (Mean=3.33), retention of popular staffs had a moderate effect (Mean=3.30) and employing high caliber staff moderately affected the firm performance of the company (Mean= 3.22). On average, cost leadership was shown to have a moderate effect on firm performance of the company (Mean=3.38).

Table 1 Descriptive Statistics of Cost Leadership Strategy

Cost leadership and firm performance	Mean	Std Dev
Offering low priced products	3.44	0.96
Building customers loyalty	3.34	0.96
Offering price discount	3.44	0.94
Engage in promotional activities	3.59	0.87
Prompt services/delivery of products	3.34	0.93
Retention of popular staff	3.30	0.92
Employing high caliber staff	3.22	1.05
Average	3.38	0.95

Differentiation Strategy

It was found that on average, differentiation strategy to a large extent affected the on firm performance of NOCK (Mean=3.47). According to the results, differentiation strategy bid to seek to remain competitive to a large extent affected the on firm performance of NOCK and at the same time price also affected the on firm performance of NOCK (Mean=3.50, 3.41 respectively). The respondents indicated that each of innovation, product, and market differentiation to a great extent affected firm performance of NOCK (Mean=3.56, 3.42, 3.48 respectively). Based on these findings, the study established that overall; differentiation strategy highly affected the on firm performance of NOCK.

Table 2 Descriptive Statistics of Differentiation strategy

Differentiation strategy Indicator	Mean	Std Dev
Differentiation strategy seeks to remain competitive	3.50	0.93
Price	3.41	0.89
innovation	3.56	0.92
product	3.42	0.92
market	3.48	0.94
Average	3.47	0.92

Focus Strategy

The results on influence of effect of focus strategy on firm performance of NOCK in table 3 showed that the respondents indicated that focus strategy in a bid to remain competitive to a large extent affected firm performance (Mean=3.77), buyer characteristics to moderate extend affected firm performance (Mean=3.19) and product range to a large extend affected firm performance (Mean=3.88). The geographical area was shown to moderate extend to have affected firm performance (Mean=3.34) and service line was also shown to moderate extend to have affected firm performance (Mean=3.31). On average, focus strategy was indicated as to a large extend having affected firm performance (Mean=3.50).

Table 3 Analysis by Effect of Focus Strategy on Firm Performance

Focus strategy Indicator	Mean	Std Dev
Focus strategy in a bid to remain competitive	3.77	0.97
Buyer characteristics	3.19	0.77
Product range	3.88	0.98
Geographical area	3.34	0.88
Service line	3.31	0.97
Average	3.50	0.92

Firm Performance of NOCK

The findings indicated an improvement in performance of NOCK for the last five years as indicated by majority number of respondents indicating an increase by above 75 Million. This is shown in table 4 below.

Table 4 Sales Growth

Sales Growth			
Year	Below 50 Million	Kshs.50M- Kshs.75M	Above 75 M
2013	11%	89%	0
2014	9%	78%	13%
2015	6%	68%	26%
2016	17%	56%	27%
2017	15%	49%	36%

Similarly, as shown in table 5, there has been an improvement in the profits of the company for the last five years whereby the number of respondents indicating profits above 75 million has been increasing.

Table 5 Profits

Year	**Below 50 Million**	**Kshs.50M- Kshs.75M**	**Above 75 M**
2013	9%	78%	13%
2014	8%	75%	17%
2015	7%	64%	29%
2016	12%	58%	30%
2017	13%	51%	36%

Correlation Results on Independent and Dependent Variables

The results of the correlation analysis in Table 6 show that under the Pearson correlation all the DVs, cost leadership, differentiation strategy, and focus strategy were significantly related to the DV, firm performance of liquefied petroleum gas industry in Kenya since the p-value for each was less than 0.05. The correlation between cost leadership and firm performance was positive and significant ($r = 0.521$, $Sig = 0.000 < 0.05$). This implies that an improvement in cost leadership leads to an improvement in performance of NOCK. The findings are consistent with Gitonga (2003) who found that cost leadership is one of the strategies applied by the hospitality establishments in Nairobi, Kenya to improve performance.
The correlation between differentiation strategy and firm performance was positive and significant ($r = 0.654$, $Sig = 0.000 < 0.05$). This implies that an improvement in differentiation strategy leads to an improvement in performance of NOCK. The findings are consistent with Kariuki (2008) who indicated that differentiation leads to an improvement in firm performance. It was also established that the correlation between focus strategy and firm performance was positive and significant ($r = 0.692$, $Sig = 0.000 < 0.05$). This implies that an improvement in focus strategy leads to an improvement in performance of NOCK. The findings are consistent with the findings of Njoroge (2006) that focus strategy improves firm performance.

Table 6 Correlation Results

		Firm Performance	Cost Leadership	Differentiation Strategy	Focus Strategy
Firm Performance	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	64			
Cost Leadership	Pearson Correlation	.521**	1		
	Sig. (2-tailed)	.000			
	N	64	64		
Differentiation Strategy	Pearson Correlation	.654**	.447**	1	
	Sig. (2-tailed)	.000	.000		
	N	64	64	64	
Focus Strategy	Pearson Correlation	.692**	.481**	.674**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	64	64	64	64

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

Regression Results

The findings on table 7 showed that the coefficient of determination was .5509, an indication that 55.09% of variation in firm performance of liquefied petroleum gas industry in Kenya is explained by cost leadership, differentiation strategy, and focus strategy. Therefore, all the variable; cost leadership, differentiation strategy, and focus strategy are strong determinants of firm performance of liquefied petroleum gas industry. In conclusion, it was showed that the performance of liquefied petroleum gas industry was significantly and positively explained by cost leadership, differentiation strategy, and focus strategy. The study also tested the model goodness of fit (model significance / ANOVA). The findings showed that the model was significant since the (p-value) = 0.000 < 0.05. It shows that the three variables can significantly predict performance of NOCK. He regression model coefficients indicated that the relationship between cost leadership and firm performance was positive and not significant (B = 0.229, Sig = 0.050 > 0.05). This implies that an improvement in cost leadership leads to an improvement in performance of NOCK. The findings agree with Kariuki (2006) who indicated that cost leadership positively affected performance.

The relationship differentiation strategy and firm performance was positive and significant (B = 0.288, Sig = 0.013 < 0.05). This implies that an improvement in differentiation strategy leads to an improvement in performance of NOCK. The findings agree with Chepkwony (2008) who indicated that differentiation strategy aims at improving the products or the organizations image or quality by adding value or improve features of a product. Thus a differentiated product commands a higher selling price than the products that are not differentiated. Differentiation can be done through technology, design, distribution and product features. It was also established that the relationship between focus strategy and firm performance was positive and significant (r = 0.394, Sig = 0.000 < 0.05). This implies that an improvement in focus strategy leads to an improvement in performance of NOCK. The findings agree with Gakumo (2006) that focus strategy improves performance.

Table 7 Regression Model Results

Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.756[a]	.5723	.5509	.45211

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	16.409	3	5.470	26.760	.000
Residual	12.264	60	.204		
Total	28.673	63			

Model Coefficients

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	-.892	.382		-2.335	.023
Cost Leadership	.229	.114	.196	2.003	.050
Differentiation Strategy	.288	.112	.299	2.572	.013
Focus Strategy	.394	.118	.396	3.335	.001

Dependent Variable: Firm Performance

Predictors: (Constant), Focus Strategy, Cost Leadership, Differentiation Strategy

Optimal Model

Firm Performance = -0.9892 + 0.229 Cost Leadership + 0.288 Differentiation Strategy + 0.394 Focus Strategy.

Conclusions

Based on the study findings, the study concludes that cost leadership had a moderate effect on firm performance of firm performance of liquefied petroleum gas at the National Oil Corporation of Kenya. More specifically, an increase in use of cost leadership moderately improves the firm performance of liquefied petroleum gas at the National Oil Corporation of Kenya. Some factors of cost leadership highly improve firm performance at the National Oil Corporation of Kenya. These include offering price discount and engaging in promotional activities. Other factors moderately improve firm performance of liquefied petroleum gas at the National Oil Corporation of Kenya. These factors include; offering low priced products, building customers loyalty, prompt services/delivery of products; retention of popular staffs, and employing high caliber staff.

The study concludes that differentiation strategy highly affects firm performance of liquefied petroleum gas at the National Oil Corporation of Kenya. More precisely, actively employing differentiation strategy highly improves the firm performance of liquefied petroleum gas at the National Oil Corporation of Kenya. The indicators differentiation strategy used to enhance this firm performance; differentiation strategy bid to seek to remain competitive, cost leadership strategy; innovation strategy; product strategy; and market differentiation. The study concludes that focus strategy highly affects the firm performance of liquefied petroleum gas industry in Kenya at the National Oil Corporation of Kenya by improving it. The factors of focus strategy appropriate for improving the firm performance of liquefied petroleum gas industry at the National Oil Corporation of Kenya are; focus strategy in a bid to remain competitive and product range as well as; buyer characteristics; geographical area and service line

Lastly, the study revealed that, at 5% level of significance, cost leadership, differentiation strategy, and focus strategy positively and significantly influence on firm performance of liquefied petroleum gas industry in Kenya. The study concludes that 55.09% of variation in firm performance of liquefied petroleum gas industry in Kenya is explained by cost leadership, differentiation strategy, and focus strategy. The study reveals that at 0.05 level of significance cost leadership, differentiation strategy, and focus strategy are estimators of firm performance of liquefied petroleum gas industry in Kenya.

Recommendations of the Study

The study made policy recommendation based on the findings and study objectives. First, the study recommends that liquefied petroleum gas industry should ensure that they increase the proficiency of the cost leadership through; offering low priced products, building customers' loyalty, prompt services/delivery of products; retention of popular staffs, and employing high caliber staff. Meanwhile; offering price discount and engaging in promotional activities highly affected the firm performance of the NOCK, the liquefied petroleum gas industry should enhance their profitability growth strategy by seeking seeks to achieve; an increase in the market share and financial gains, a secure dominance of growth in markets, and restructure a mature market by driving out competitors. A preferred option is to generate a more permanent share gain by winning a sustainable competitive advantage with enhanced customer value or by matching a competitor's sustainable competitive advantage. To achieve profitability, existing products are marketed more effectively to existing customers. Hence revenues are increased by, for example, promoting the product, repositioning the brand, and so on. Secondly, the study recommends that liquefied petroleum gas industry should acquire the most optimal differentiation strategy for the improved firm performance and assured survival of their business enterprises.

The study recommends that the liquefied petroleum gas industry should practice differentiation strategy bid to seek to remain competitive, price strategy; innovation strategy; product strategy; and market differentiation highly affected the on firm performance of liquefied petroleum gas. This settles down to the price strategy of LPG products/services where it was hard for the clients to purchase to sustain the business, which were unaffordable to them. Product design further affects the quality of the service. Although LPG clients may not afford high prices, they need high quality products; in fact better-quality LPG product would attract them. In fact, the LPG products should be general and adequate in meeting the user needs in Kenya. However the characteristics and product variety would largely induce the clients to purchasing these products

Thirdly the study recommends that the liquefied petroleum gas industry should actively engage their focus strategy to enhance and improve the firm performance of liquefied petroleum gas industry in Kenya. For focus strategy to appropriately improve the firm performance of liquefied petroleum gas industry in Kenya, the liquefied petroleum gas industry should ensure that focus strategy in a bid to remain competitive, provide range of product; enhance buyer characteristics; expand their geographical area and extend the service line.

Conflict of Interest

No potential conflict of interest was reported by the authors

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