PRODUCT DIFFERENTIATION: A TOOL OF COMPETITIVE ADVANTAGE AND OPTIMAL ORGANIZATIONAL PERFORMANCE (A STUDY OF UNILEVER NIGERIA PLC)

Joy I. Dirisu
Dr. Oluwole Iyiola
Dr. O. S. Ibidunni
Department of Business Management, Covenant University, Ota, Nigeria

Abstract

In recent years the concept of competitive advantage has taken centre stage in discussions of business strategy; that is why, one of the major challenges organizations face today is how to have a competitive advantage. In most cases a stand out product will do the job, since products are perceived as both highly relevant and meaningfully, the ability for any one product to standout in a competitive category will guarantee the success of such organization. While there are numerous ways to differentiate brands, identifying meaningful product-driven differentiators can be especially fruitful in gaining and sustaining a competitive advantage.
Differentiation is when a firm or brand outperforms rival brands in the provision of a feature(s) such that it faces reduced sensitivity for other features (Sharp & Dawes, 2001). Even in industrial economics, a discipline where there is more of a tradition of providing formal statements of theoretical concepts, two eminent industrial economists felt obligated to write an article for the *Journal of Industrial Economics* titled "What is Product Differentiation, Really?" (Caves and Williamson, 1985).

Keywords: Product differentiation, competitive advantage, organizational performance

Introduction

Business strategy development is concerned with matching customers requirements (needs, wants, desires, preferences, buying patterns) with the capabilities of the organization, based on the skills and resources available to the business organization, leading to the issue of core competence (Holmes and Hooper, 2000). This concept has been defined as 'something that the

organization does at least as well as other organizations, or preferably better than, any other organization in the market'. According to Webster (1994), when products are based on such core competencies, they define the organization's value proposition in each target market and the organization's business strategy; thus, the business strategy adopted by an organization must be able to give it a competitive edge over other competitors in the industry.

The pursuit of competitive advantage is at the root of organizational performance and as such understanding the source of sustained competitive advantage has become a major area of study in the field of strategic management (Porter, 1985, 1991; Barney, 1991). The resource-based view stipulates that the fundamental sources and drivers of competitive advantage and superior performance are chiefly associated with the attributes of resources and capabilities, which are valuable (Barney, 1986; 1991). Furthermore, the resource-based view provides an avenue for organizations to plan and execute their organizational strategy by examining the role of their internal resources and capabilities in achieving competitive advantage.

As globalization leads to more intense competition among manufacturing organizations, with increase in customer demands, these organizations tend to seek competitive advantage by producing products with more valued features, such as product quality, product flexibility or reliable delivery (Baines and Langfield-Smith, 2003). As such, a differentiation strategy would provide greater scope for these organizations to produce products with more valued, desirable features as a means of coping with such demands. This research work therefore, focused on how competitive advantage can be achieved through product differentiation strategy and ultimately, how it influences the performance of the organization in the manufacturing company, using Unilever Nigeria Plc as a study.

Literature Review

In today's rapidly changing economic and business environments, organizations compete for customers, revenue, market share with products and services that meet customer's needs. Global competition has brought about technological changes whereby customers are demanding for superior quality products/services with lower prices. More so, this increased rate of global competition has brought about reduction in product life cycle. This has led to much emphasis being placed on organizational competencies and creation of competitive advantage which is believed would give them an edge over other competitors. Though there are many objectives an organization would want to achieve these days, the two major ones are: (i). to achieve a competitive advantage position and (ii). enhance their organization's performance in relation to that of their competitors (Raduan,

Jegak, Haslinda, and Alimin 2009). It is therefore, necessary for business organizations to understand the relationship between the organization's internal strengths and weaknesses, as well as the potential effects on their organization's competitive advantage and performance. It is also necessary that the organization makes a choice about the type of competitive advantage it seeks to attain and the scope within which it will attain it.

The generic strategies as developed by Porte (1980; 1985) for achieving a competitive advantage position by an organization are: product differentiation and cost leadership. Product differentiation being the most commonly used one of these two strategic typologies (Spencer, Joiner, and Salmon, 2009). A differentiation strategy involves the firm creating a product/service, which is considered unique in some aspect that the customer values because the customer's needs are satisfied. On the other hand, cost leadership emphasizes low cost relative to that of the competitors (Porter, 1980; 1985). He argued that cost leadership and differentiation strategies are mutually exclusive. Recent literatures and research studies have notwithstanding, questioned this idea recognizing the fact that organizations may pursue elements of both types of strategy (Chenhall and Langfield-Smith, 1998b). Nevertheless, past researches have shown that a number of the manufacturing organizations view the differentiation strategy as a more important and distinct means to achieve competitive advantage in constrict to a low cost strategy (Kotha and Orne, 1989; Baines and Langfield-Smith, 2003).

According to Barney (1991), when a firm is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors, such a firm has competitive advantage. In addition, competitive advantage is described as an advantage that one firm has relative to competing firms. In other words, a competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage). The source of the advantage can be something the business does that is distinctive and difficult to replicate, also known as a core competency (Prahalad and Hamel, 1990).

Although, competitive advantage has taken centre stage in discussions of business strategy, a definite definition of the term is quite elusive. However a common theme has remained 'value creation'. According to Porter (1985), 'competitive advantage is at the heart of a firm's performance in competitive markets' This implies that, competitive advantage means having low costs, differentiation advantage, or a successful focus strategy. Also, he argues that 'competitive advantage grows fundamentally out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it' (Porter, 1986). Porter's arguments reflect the

common strengths, weaknesses, opportunities, and threats (SWOT) framework for assessing competitive advantage. Competitive advantage stems from a firm's ability to leverage its internal strengths to respond to external environmental opportunities while avoiding external threats and internal weaknesses (Mooney, 2007).

However, an alternative to this framework is the resource-based view of a firm which argues that the source of sustained competitive advantage is to focus on superior resources of a firm (Barney 1991). Furthermore, Barney ties competitive advantage to performance, arguing that "a firm obtains above-normal performance when it generates greater-than-expected value from the resources it employs (Barney, 2002). An organization's resources according to Barney include all assets, capabilities, organizational processes, firm conceive of and implement strategies that improve its efficiency (doing things right) and effectiveness (doing the right things). In traditional strategic analysis language, organization's resources are strengths that organizations can use to conceive of and implement their strategies. These resources are broadly categorized into

1. Physical capital resources
2. Human capital resources and
3. Organizational capital resources.

Competitive advantage results from and is associated with a long list of contributing factors. These factors include operational efficiencies, mergers, acquisitions, levels of diversification, types of diversification, organizational structures, top management team composition and style, human resource management, manipulation of the political and/or social influences intruding upon the market, conformity to various interpretations of socially responsible behaviors, international or cross-cultural activities of expansion and adaptation, and various other organizational and/or industry level phenomena (Raduan et al., 2009; Ma, 1999a;1999b).

More recently however, the process of globalization has been boosted by the economic activities of multinational corporations (MNCs) such as Toyota, Sony, Coca-Cola, etc. These MNCs for long period of time have achieved and sustained their competitive advantage via various strategic management practices and approaches (Raduan et al., 2009). Due to the global outreach and impact of these MNCs, it is vital that they understand the degree of relationship between their organizational resources, their competitive advantage and the level of their performance. This is because as far as the strategic management of organizations is concerned, the knowledge of the significant attributes of organizational resources and how to generate competitive advantage and performance alone are not sufficient (Raduan et al., 2009).

According to Bani-Hani and AlHawary (2009), competitive advantage from product-price-performance is almost short term, especially in an era where technologies are altering the existing business boundaries. Advantages can only be sustained through competence that is enjoyed at the very roots of products. Notwithstanding the fact that studies have shown that a significant relationship exist between competitive advantage and organizational performance, competitive advantage and organizational performance are two different constructs with an apparently complex relationship (Ma, 2000). It has been argued that achieving a position of competitive advantage is a precursor to the significant performance of an organization (Barney, 1991) and that competitive advantage results from a long list of varying factors which include operational efficiencies, mergers, acquisitions, levels of diversification, types of diversification, organizational structures, top management team composition and style, human resource management, manipulation of the political and/or social influences intruding upon the market, conformity to various interpretations of socially responsible behaviors and so forth.

Irrespective of the source or factor from whence competitive advantage results, Porter (1996) looks at competitive advantage as having three variables (types), which are cost advantage, differentiation advantage and focus advantage. Morgan, Kaleka & Katsikeas, (2004) measured product competency (differentiation advantage) by: higher product quality, packaging, design and style. In addition, Chenhall and Langfield-Smith (1998) measured product differentiation strategy using five variables: providing high quality products, providing fast deliveries, making changes in design, introducing new products and providing unique product features. Also, Abu-Aliqah (2012) in his study adopted the following variables to measure product differentiation strategy: high product quality, fast delivery, design and new products, and unique product features. Similarly, there have been different measurement variables for organizational performance in literatures, ranging from financial to non-financial measurement items. However, Abu-Aliqah (2012) identified the following measurement items; Return on Investment, Sales growth rate, Cash flow from operation, Customer satisfaction, Product quality and Market development.

Business arenas and particularly the product markets of recent times are experiencing the global wave of technology-driven competition, globalization of manufacturing due to faster transitional flows of materials and money, shortening of product life-cycles, the need for greater integration of technologies and increasingly sophisticated customers (McGrath, Anthony, and Shapiro, 1992). Furthermore, a lot of organizations have come to realize that in order to provide value and win customers, there is a need to quickly and accurately identify changes in customer needs, develop more

complex products which would satisfy those needs, provide higher levels of customer support and service. In addition to the above mentioned issues organizations are faced with, are the more recent important strategic discontinuities they encounter. These discontinuities include the elimination of industry boundaries, fewer distinctions between industrial and service businesses, major advances in logistics, computer aided design and communication, and opening of global markets (Hitt, Keats, and DeMarie, 1998).

In markets where capacity exceeds demand, value creation generally requires competitive advantage. An organization with a competitive advantage consistently outperforms competitors, that is, it earns greater economic profits (Porter, 1985). To achieve competitive advantage, firms seek the best match between organizational abilities and market opportunities. Few, if any, competitive advantages can be sustained indefinitely, so the organization must continually seek opportunities to create the most value. Organizations tend to differ in terms of production methods, product features, brand names, locations, and many other aspects. The critical differences that determine success or failure are the sources of competitive advantage. The company's earnings are limited by its competitive advantage. It can obtain no more than the additional value it creates over and above that of its competitors (Porter, 1985. Therefore, competitive strategy requires both value creation relative to competitors and capturing a portion of that value through relationships with suppliers and customers. To outbid competitors for customers, the organization must create total value that is greater than or at least as great as that of its competitors.

Product differentiation strategy can be a tool of competitive advantage which is adopted by organizations in order to provide products that satisfies individual customer's needs. In satisfying individual customer's needs, quality has become a major differentiating factor among products (Shammot, 2011). As a result, customers are willing to pay more for products that cater to their individual size, taste, style, need or expression. Hence, achieving competitive advantage through product differentiation becomes the main focus of this study.

Organizations need to make decisions with regards to many factors in order to achieve competitive advantage. These factors can be divided into two main theories; the resource based theory and the capability theory. Organization's internal resources are of great significance to the profits made by a business organization. It also affects the maintenance of the organization's competitive advantage and above all the organization's ability to create market advantage. The resource-based theory has defined firm resources as all assets, capabilities, organizational processes, firm attributes, information, knowledge controlled by a firm (Barney, 1991). It has gone

ahead to propose that a firm has competitive advantage when it creates a successful strategy based on firm resources that cannot be duplicated by a current or potential competitor. In addition, the theory states that for resource and capability to give competitive edge, it must be rare, valuable, unable to be imitated, with no substitute, and not transferable.

The resource based theory believes that an organization's resources are diverse in nature and not completely/freely movable which has led to differences among organizations. Put differently, the heterogeneity of resources has led to business heterogeneity. Since the resources are not completely mobile, the heterogeneity among organizations is bound to exist for a long time. If an organization with scarce resources is able to create value and its resources either cannot be imitated by its competitors, or easily replaced by other resources, then such an organization has monopoly position and thus condition necessary for achieving sustainable competitive advantage and the excess profits.

According to Fahy (2000) through the resource-based view (RBV) of the firm insights into the nature of competitive advantage, it has already made an important contribution to the field of strategic management. The RBV, which has benefited from the rigor of its economic origins, greatly enhances our understanding of the nature and determinants of sustainable competitive advantage (SCA). It helps to explain why some resources are more advantage-generating than others and also why resource asymmetries and consequent competitive advantages persist even in conditions of open competition. Fahy (2000) also noted however, that the vast majority of contributions within the RBV have been of a conceptual rather than an empirical nature, with the result that many of its fundamental tenets still remain to be validated in the field. In addition, there were some debates regarding both the nature and the determinants of competitive advantage and the relevancy of the resource-based view. The most notable were the debates in Academy of Management Review (2001) between Barney (2001a) and Priem and Butler (2001) on the relevancy and validity of the resource-based view of sustainable competitive advantage, following and based on Barney's 1991 article, and also further dialogues from various scholars on the same issue as published by Academy of Management Review (2001 and 2002) *as cited in Raduan, Jegak, Haslinda and Alimin 2009).*

Organizations with similar resources often have difference in the efficiency of resources usage brought about by the differences in capability, which is the reason for the deep-seated competitive advantage (Liu and Huang 2009). Prahalad and Hamel (1990) defined core capability as the accumulated knowledge of organization, especially about how to coordinate the different skills of production and the organic integration of a variety of technical flow of knowledge. Core competitiveness is a mixture of many

factors; it is the combination of technology, governance mechanisms and collective learning. Core competitiveness is the collection of a set of skills and technology, not a single technology or skill. It is a source of competitive advantage.

There are three main features of core capability:

1. The core capability has the full user value, able to create value and reduce costs.
2. The core capability is unique, it is difficult to imitate by competitors.
3. The core capability must have the ability to provide support for the organization to access a number of markets.

The major differences between the two theories are as follows:

1. The capability theory is of the view that the core capability is the source of organization sustainable competitive advantage, while the resources based theory believes that the strategic resource is the source of sustainable competitive advantage.
2. The capability theory takes the ability of resources disposition and conformity as part of the core capability, while resource - based theory take the organization capability as part of organization's resources.
3. The capability theory emphasizes that the organization develop corporate strategy around core capability, while the resource based theory stresses the need for resource-based competitive strategies.

Barney (1991) concludes that resources and capabilities of firms are keys to creating sustained competitive advantage and achieving superior performance.

Competitive Advantage

A variety of definitions and views on competitive advantage have been expounded by various scholars. Porter (1980) says "competitive advantage is at the heart of a firm's performance in competitive markets" thus "competitive advantage grows fundamentally out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it." Barney (2002) says that "a firm experiences competitive advantages when its actions in an industry or market create economic value and when few competing firms are engaging in similar actions."

Besanko, Dranove, and Shanley (2000) say "when a firm earns a higher rate of economic profit than the average rate of economic profit of other firms competing within the same market, the firm has a competitive advantage in that market." Saloner, Shepard and Podolny (2001) say that "most forms of competitive advantage mean either that a firm can produce some service or product that its customers value than those produced by

competitors or that it can produce its service or product at a lower cost than its competitors." Dierickx and Cool (1989) have echoed Barney (1986]) in arguing that competitive advantage is not obtainable from freely tradeable assets.

In view of the above, it is apparent that a firm achieves a competitive edge over its competitors by providing a product/service perceived by the customer to yield greater benefits and value than that of the competitors. In addition, competitive advantage will always result in superior performance by the organization which translates to higher profits. Hence, understanding competitive advantage is an ongoing challenge for decision makers. Historically, competitive advantage was thought of as a matter of position, where firms occupied a competitive space and built and defended market share (Stalk, Evans and Shulman, 1992). Competitive advantage depended on where the business was located and where it chose to provide services. Stable environments allowed this strategy to be successful, particularly for large and dominant organizations in mature industries. The ability to develop a sustained competitive advantage today is increasingly rare.

A competitive advantage laboriously achieved can be quickly lost. Organizations sustain a competitive advantage only so long as the services they deliver and the manner in which they deliver them have attributes that correspond to the key buying criteria of a substantial number of customers. Sustained competitive advantage is the result of an enduring value differential between the products or services of one organization and those of its competitors in the minds of customers. Therefore, organizations must consider more than the fit between the external environment and their present internal characteristics. They must anticipate what the rapidly changing environment will be like, and change their structures, cultures, and other relevant factors so as to reap the benefits of changing times. Sustained competitive advantage has become more of a matter of movement and ability to change than of location or position (Stalk, Evans and Shulman, 1992).

Competitive advantage is ultimately built and maintained by adding value to customers (Prahalad and Hamel, 1990). Value is added by cost leadership. That is, offering equal quality products or services at a lower cost than competitors, or by differentiation, i.e., offering products or services that are perceived to be unique relative to some important characteristic (Markides and Williamson, 1994). Understanding how each competitively relevant resource and capability affects costs and uniqueness is an important aspect of understanding how, or if, each adds value to the services provided (Duncan, Ginter and Swayne, 1998).

Competitive advantage is at the heart of firm's performance. It is concerned with the interplay between the types of competitive advantage, i.e., cost, and differentiation, and the scope of the firm's activities. The value

chain plays an important role in order to diagnose and enhance the competitive advantage. A sustainable competitive advantage creates some barriers that make imitation difficult. Without a sustainable competitive advantage, above average performance is usually a sign of harvesting (Porter, 1985).

Sources of competitive advantage

Competitive advantage is an advantage over competitors gained by offering consumers greater value, either by means of lower prices or by providing products that gives the consumer greater benefits and services that justifies a higher price (Porter, 1985). The notion of creating value provides insight into the sources of competitive advantage. Value creation has three aspects: the benefits received by customers, the costs incurred by the company and its suppliers, and the particular combination of customers and suppliers. Since the total value created by the firm also equals customer willingness to pay minus the costs of using the firm's assets and the costs incurred by suppliers, achieving a competitive advantage means that the firm must either increase customer benefits, lower supplier costs, or discover innovative transactions.

Accordingly, there are three sources of competitive advantage:

1. Cost efficiencies that make more efficient use of the firm's assets and supplier inputs or that lower supplier cost;
2. Product differentiation to raise customer benefits; and
3. Transaction innovations that lower the costs of transactions or that create new combinations of customers and suppliers.

Porter is of the opinion that a firm being able to produce a product/service at a lower cost compared to the competitors is one-way to competitive advantage. This is often achieved by large scale organizations that develop efficiency by reason of their repetitive experience of the tasks involved or using their power to leverage lower costs. The other two sources of competitive advantage stems from the value seen by customers who either see specific attractive elements in the offering (differentiation) or feel that all their needs are being met in the best way by that competitor's offering (focus) (Henderson, 2011). It is important that customers always perceive a consistent difference between a firms products/services and that of its competitors as competitive advantage is only meaningful when it relates to an attribute valued by the market.

Competitive advantage equals the difference between the value created by the company and the potential value created by its competitors. When market demand outruns industry capacity, competitive advantage increases the value added by the company and also increases its potential profits. When industry capacity outruns market demand, competitive advantage also ensures that the firm will survive (Porter, 1985).

Product Quality

The issues of product quality have been studied by many scholars (Ertekin and Aydin, 2010; Baker, 1995; Sumutka and Neve, 2011; Flynn, Schroeder, and Sakakibara, 1994; Hitt and Hoskisson, 1997). In the 1970s and early 1980s, one of the major features of an industrial economy was the increased emphasis been placed on internal quality of execution, rather than price, as a major competitive tool. 'Quality' was viewed as a key market differentiator, resulting in many organizations defining and improving processes, adopting and implementing total quality management systems, and attaining quality standard accreditation. Recently however, interest has been growing in the application of advanced process monitoring and control strategies to improve manufacturing operations. Quality, as a competitive advantage tool is seen as one of the fundamental ways in which individual businesses can successfully compete in the global marketplace. The choice of what product to purchase in most consumer markets is not majorly determined by the lowest price, a product's quality could be a determining factor (Matsa, 2009). Product quality can have large effects on demand and consumer welfare. Not only has product quality been recognized as a strategic organizational priority, it is also an important element of competition in a wide range of markets and industries. Strategic focus on quality has been widely considered as a fundamental aspect of manufacturing strategy in many firms. This is likely to result in improvements in product demand thereby facilitating the building and maintenance of a competitive position (Daniel and Reitsperger 1991).

Product Design and Development

Product design is defined as the totality of features that affect how a product looks, feels, and functions. A well-designed product offers both functional and aesthetic benefits to consumers, which could become an important source of differentiation (Koter and Keller 2011). Thus, a product's design will always aid to determine a consumer's choice of purchase amongst products of same brands and categories. A well-designed product can also be a point-of-difference in the marketplace aiding consumer acceptance through its ease of use, durability, reliability, or packaging; therefore, serve as a source of competitive advantage. Irrespective of the design, it is important that the product meets the consumers' definition of a basic product. Once that is achieved, design can be a powerful marketing asset for the organization

Porter (1985) considers innovation as a critical competitive advantage to success. An organization can be in a secured position relative to its competitors if it has an innovative product (Ven de Ven, 1986). Nord and Tucker (1987) identified the routine innovation and radical innovation in product development. Routine innovation means the introduction of

something to organization that is similar to previous ones, while radical innovation means introducing something that is unprecedented to organization. The impact of innovation on firm's overall performance is demonstrated by a substantial body of literatures. Innovation is the multi-stage process whereby organizations transform ideas into improved products, service or processes, in order to advance, compete and differentiate themselves successfully in their marketplace (Baregheh, Rowley and Sambrool, 2009).

Attaining a position of competitive advantage and enhancing a firm's performance relative to its competitors are two of the main objectives that business organizations should strive to achieve. In order to attain a competitive advantage that can not only match that of their business rivals' but also surpass industrial performance averages, business organizations must first comprehend the relationship between the internal strengths and weaknesses of their organization, as well as the potential effects on their firm's competitive advantage and performance. International businesses and multinational corporations (MNCs) such as Sony, Toyota and Intel have achieved and sustained their longstanding competitive advantage through various strategic management practices. In the present era of globalization, industries and enterprises compete and confront each other on the global scale. As such, Malaysian business enterprises, particularly manufacturers, have much to learn from the strategic management practices of the so-called inter- and multinational corporate "giants" regarding sustaining a competitive advantage.

Researchers have found that there is a significant relationship between competitive advantage and the sales-based performance of organizations, when sales-based performance was measured by the level of sales revenue, profitability, return on investments, productivity, product added value, market share and product growth (Wang & Lo, 2003). In addition, other studies have also further illustrated a significant relationship between competitive advantage and the organizational-based performance of organizations, when organizational-based performance was measured by the emphasis on efficient organizational internal processes, customer satisfaction, employee development and job satisfaction (Wang & Lo, 2003).

Competitive advantage and organizational performance

As noted earlier by Fahy (2000), the vast majority of contributions to competitive advantage, especially within the resource based view, have been of a conceptual rather than an empirical in nature, with the result that many of its fundamental tenets still remain to be validated in the field. However, from the level of empirical research, Strandholm & Kumar (2003) insist that there is a positive relationship between external environmental analysis style and overall organizational performance and the ability to gain a competitive

advantage. Flatt and Kowalczyk (2008) were also of the opinion that organizational culture is one intangible asset that can help organizations create a competitive strategic advantage and enhance financial performance. The work of Vorhies and Morgan (2005) suggest that the use of proper marketing benchmark tools to benchmark marketing capabilities provides a key learning mechanism for delivering sustainable advantage.

In addition, Chan, Shaffer and Snape (2004) brought forth and tested a dynamic model of co-specialized resources that explained the direct effect of HR practices, differentiation strategy and corporate culture on organizational performance. The findings proved partial support for this type of culture performance relationship. Siaw and Yu (2004) claim that the internet as a commercial technology has changed the rules of competition in the banking industry. They suggests that likely emergence of new small banks into the market will use this capable tool to compete with existing large international banks. They finally concluded that the internet has strongly affected the competitive landscape of the banking industry by creating competitive advantages, so banks can rely on such technology to compete with their rivals.

Differentiation Strategy and Organizational Performance

Generally speaking, only a few numbers of researches have investigated direct relationship between differentiation strategy and organizational performance. More so, a sizeable number of those researches were conducted in the developed countries. Nevertheless, a number of past research studies that have investigated the relationship between the differentiation strategy and organizational performance are as follows:

The study findings of Acquaah and Yasai-Ardekani (2008) show the viability and profitability of implementing cost leadership, differentiation, and the combination of the singular strategies. Nevertheless,, the incremental performance benefits to firms implementing a combination strategy do not significantly differ from the performance of firms implementing only the differentiation strategy. In addition, firms that implement a coherent competitive strategy (combination, cost-leadership, or differentiation) tend to gain considerable incremental performance benefits.

Also, the study findings of Amoako-Gyampah and Acquaah (2008) who examined the relationship between manufacturing strategy and competitive strategy and their influence on firm performance indicate that there is a positive relationship between competitive strategy and the manufacturing strategies of cost, delivery, flexibility, and quality. In addition, the result shows that quality is the only manufacturing strategy component that influences performance indirectly.

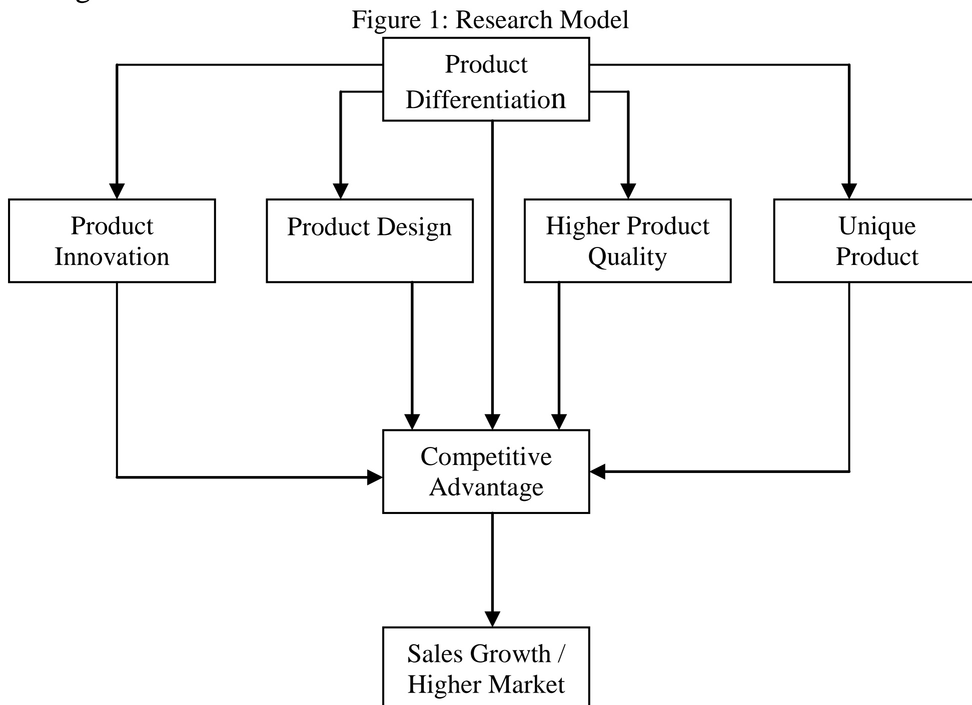
Prajogo and Sohal's (2006) results also indicate that *Total Quality Management* (TQM) is positively and significantly related to differentiation

strategy, and it only partially mediates the relationship between differentiation strategy and three performance measures.

Prajogo (2007) examined the underlying strategic intent of quality performance and the result of his findings show that product quality is predicted by differentiation strategy, but not cost leadership strategy. Allen and Helms (2002) were of the opinion that different types of reward practices more closely complement different generic strategies and are significantly related to organizational performance. Finally, Mosakowski (1993) study's results generally supported the hypotheses that, when the focus and differentiation strategies are established, performance is higher than for other firms. In conclusion, there is a general consensus that there is a positive relationship between differentiation and organizational performance.

In view of these, a research model was developed to show the relationship between all research variables and organizational performance. See Figure 1 below.

Figure 1: Research Model



Source: Researchers.

Methodology

The survey research was adopted for this research work because of the nature of the respondents. This entailed the administering of questionnaires to the chosen sample. The population of the respondents was rather large, made up of all customers/consumers of the products of Unilever Nigeria Plc located in Ota, Ogun State. Since everyone in the population

cannot be given questionnaire to fill, therefore, a sample of the population was used as respondents for the study. This study adopted a survey research design, whereby it focused on the customers of Unilever Nigeria Plc, manufacturers of household/personal care products. Since product quality is a major determinant variable in the differentiation of products, it was therefore important to test the significance of product quality as it relates to the customers/consumers of the products. The customers that bought or use the product remain a key factor in determining a product's quality and differentiating features. They can judge and measure its quality and effectiveness by comparing it with the competitor's products.

Data for this study was collected from a sample of customers/consumers of Unilever Nigeria Plc to determine the relationship between product differentiation and organizational performance. Items relevant under the research design are; study population, sample and sampling technique, data collection instrument. All these items representing the research design provides a clear view of how the data required for the study are collected and collated, and how the analysis was performed so as to yield a significantly reliable and valid result.

The study population included all customers of Unilever Nigeria Plc, located in Ota, Ogun state. The study population had to meet the following criteria:

1. They must be 18 years and above as at the time of conducting this survey
2. They must be able to read and write English, so as to be able them to answer the questionnaire.
3. They must have purchased/consumed any Unilever products within the last 3 months preceding the period of this study.

The study population was taken majorly from schools, banks, shopping malls and markets located within Ota, Ogun State. The sample size used in this study was 323 respondents were selected based on the simple random sampling technique, so as to enable every element of the sampling frame have equal chances of participating in the study.

Hypotheses

It should be noted however, that although all these variables exist in literatures, this study adopts the following variables to measure product differentiation: higher product quality, product design, unique product features and new product innovation. Organizational performance was considered along the dimensions of sales growth and customer satisfaction. As such data analysis was designed to answer the following research questions which ultimately were used to determine the impact product differentiation as a tool of competitive advantage on the organizational

performance of Unilever Nigeria Plc. The following research questions and hypothesis were formulated:
(a). Research Question To what extent does higher product quality relate with the sales growth of an organization?; thus this hypothesis was formulated:
H_{01} – There is no relationship between higher product quality of an organization and its sales growth
(b). What relationship exists between new product innovation and the customer satisfaction of an organization?
H_{02} - There is no relationship between new product innovation of an organization and its customer satisfaction.
(c). What relationship exists between the product design of an organization and its sales growth?
H_{03} - There is no relationship between the product design of an organization and its sales growth; and
(d). To what extent does unique product features influence customer satisfaction of an organization?
H_{04} - There is no relationship between unique product features of an organization and its customer satisfaction.

Analysis

All hypotheses were tested and analyzed using simple linear regression analysis.

H_{01} – There is no relationship between higher product quality of an organization and its sales growth.

Hypothesis one shows how much of the variance in the dependent variable (sales growth) is explained by the model, which is higher product quality. The values 0.21 and 0.39 in the R squared column are expressed in percentage. This means that the model (higher product quality) explains between 21% and 39% variations in the dependent variable (sales growth). With an F value of 6.623 and a significance level 0.02, there is a significant relationship between higher product quality and the sales growth of an organization, therefore, the null hypothesis (H_{01}) rejected.

H_{02} - There is no relationship between new product innovation of an organization and its customer satisfaction.

The analysis shows how much of the variance in the dependent variable is explained by the model. R^2 was 0.078; F value is 25.698 and a p= 0.00. This indicates that there is a significant relationship between new product innovation of an organization and its customer satisfaction. Therefore, the null hypothesis (H_{02}) rejected and the alternate hypothesis (H_{a2}) accepted.

H_{03} - There is no relationship between the product design and style of an organization and its sales growth.

R^2= 0.060, F value was 19.364 with a *p* value of .000; show that there is a significant relationship between product design and the sales growth of an organization. Therefore, the null hypothesis (H_{03}) rejected and the alternate hypothesis (H_{a3}) accepted.

H_{04} - There is no relationship between unique product features of an organization and its customer satisfaction.

The result shows how much of the variance in the dependent variable is explained by the model, which is unique product features. R^2 = 0.147, F = 52.087, and *p*=0.00; indicate that there is a significant relationship between unique product features of an organization and its customer satisfaction. This relationship is also positive. Therefore, the null hypothesis (H_{04}) was rejected and the alternate hypothesis (H_{a4}) accepted.

Table 1

HYPOTHESES	TOOLS	F-value	R Square	Std. Error of the Estimate	df	P-value	Decision
H_{01} - There is no relationship between higher product quality of an organization and its sales growth.	Regression Analysis	6.623	.078	.963	1	.011	H_{01} rejected H_{a1} accepted
H_{02} - There is no relationship between new product innovation of an organization and its customer satisfaction.	Regression Analysis	25.698	.078	.974	1	.000	H_{02}srejected H_{a2} accepted
H_{03} - There is no relationship between the product design and style of an organization and its sales growth.	Regression Analysis	19.364	.060	.864	1	.000	H_{03} rejected H_{a3} accepted
H_{04} -There is no relationship between unique product features of an organization and its customer satisfaction.	Regression Analysis	52.087	.147	.855	1	.000	H_{04} rejected H_{a1} accepted

We also carried out a correlation analysis between price; design and appearance; brand; product uniqueness; and product quality. The correlation output is shown below.

Correlations

		1	2	3	4	5
PRICE	Pearson Correlation	1				
	Sig. (2-tailed)	.000				
	Sum of Squares	575.632				
	Covariance	1.900				
DESIGN AND APPEARANCE	Pearson Correlation	.382**	1			
	Sig. (2-tailed)	.000				
	Sum of Squares	197.421	463.947			
	Covariance	.652	1.531			
BRAND	Pearson Correlation	.144*	.415**	1		
	Sig. (2-tailed)	.012	.000			
	Sum of Squares	65.434	169.039	356.970		
	Covariance	.216	.558	1.178		
UNIQUE PRODUCT	Pearson Correlation	.202**	.380**	.444**	1	
	Sig. (2-tailed)	.000	.000	.000		
	Sum of Squares	100.382	169.671	173.747	429.944	
	Covariance	.331	.560	.573	1.419	
PRODUCT QUALITY	Pearson Correlation	.274**	.285**	.409**	.399**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	Sum of Squares and Cross-products	133.829	124.803	157.398	168.516	414.760
	Covariance	.442	.412	.519	.556	1.369
	N	304	304	304	304	304

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

*. Correlation is significant at the 0.05 level (2-tailed).

Discussion Of Results

The analysis carried out in this chapter proves that there is an existence of positive significant relationship between higher product quality and the sales growth of an organization. The same also applies to the relationship between new product innovation and customer satisfaction of an organization. In the same light, the analysis reveals a positive significant relationship between product design and sales growth of an organization, as well as a significant positive relationship between unique product features and customer satisfaction of an organization. From the foregoing, it can be

inferred that there is a significant positive relationship between product differentiation and organizational performance.

It is therefore necessary that manufacturing organizations, especially the organization under study (Unilever Nigeria Plc) sees the organization's product(s) as a potential tool of creating and maintaining a competitive edge over other competitors in the industry. In other words, organizations should not see product differentiation as though it only helps in increasing sales or profit, but also as a tool that is capable of putting the organization into limelight thereby achieving a competitive advantage position. Product differentiation will thus enhance the overall capability of the organization in terms of improving on its products, which will in turn attract more customers and consumers.

Summary And Recommendations

This research study was designed to examine the influence of product differentiation as a tool of competitive advantage on the organizational performance of manufacturing companies, using Unilever Nigeria Plc as a case study. To investigate this relationship, 323 customers/consumers of the organization were surveyed. For clear analysis, the study centers on two broad variables; the dependent variable and the independent variable. The dependent variable is taken as organizational performance which was further broken into sub-variables to include customer satisfaction and sales growth. The independent variable was product differentiation which was operationalized in terms of higher product quality, new product innovation, product design and unique product features.

The hypotheses were tested using the Regression Analysis with interpretation provided. The result of the Regression analysis indicated that product differentiation as a tool of competitive advantage has a positive and significant influence organizational performance of manufacturing companies in Nigeria. The result supports some previous research results (for example, Mosakowski 1993; Allen and Helms 2002), which indicated a positive and significant relationship between product differentiation strategy and organizational performance.

First, in response to the dynamic nature of the business environment and the ever changing needs of customers, it is safe to suggest that executive management needs to make sure that they provide adequate satisfaction to their customers. In other words, executive management should pay more attention to customer satisfaction, since their survival in this dynamic environment is highly dependent on their ability to retain a larger customer base compared to their competitors. In addition, executive management should put additional emphasis and pay more attention to product differentiation as it is an important instrument for achieving competitive

advantage which leads to greater organizational performance. Furthermore, product differentiation appears as a critical driver for organizational performance, which could perform the role of a bridge that links the positive influence of customer satisfaction to organizational performance.

Therefore, executive management ought to focus and invest more on product differentiation as it could be used as a major competitive advantage tool against competitors in the industry and it is capable of guaranteeing the long term survival of the organization.

Conclusion

In conclusion, from the research study, it can be established that however little the significance product differentiation holds in relation with organizational performance, the fact remains that there is a positive relationship between the variables. This means that manufacturing organizations must pay greater attention to the products the manufacture in terms of quality design, innovations and unique features.

Finally, firms in the manufacturing sector face domestic and international competition in addition to rapid shifts in customer demands whereby many manufacturing firms have come to realize that to remain viable, a strategy of product differentiation may be a more viable option than strategies based on efficiency and price (Spencer, Joiner and Salmon 2009). This research study further demonstrates that product differentiation could be used as a tool for achieving competitive advantage and enhancing greater organizational performance.

References:

Abu Aliqah, K. M. (2012). Differentiation and Organizational Performance: Empirical Evidence from Jordanian Companies. *Journal of Economics, (Vol. 3, no.1), p ???*

Acquaah, M. and Yasai-Ardekani, M. (2008). Does the implementation of a combination competitive strategy yield incremental performance benefits? A new perspective from a transition economy in Sub-Saharan Africa. *Journal of Business Research, vol.* 61.

Allen, R.S. and Helms, M.M. (2002). Employee perceptions of the relationship between strategy, rewards and organizational performance. *Journal of Business Strategies, vol. 19*

Amoako-Gyampah, K. and Acquaah, M. (2008). Manufacturing strategy, competitive strategy and firm performance: An empirical study in a developing economy environment. *International Journal of Production Economics*, vol.111

Baines, A. & Langfield-Smith, K. (2003). "Antecedents to management accounting change: a structural equation approach", Accounting, Organizations and Society, 28: 675-98.

Baker, M. J. (1995). *"Companion Encyclopedia of Marketing",* Routledge, London.

Bani-Han,i J. S. and AlHawary, F. A. (2009). The Impact of Core Competencies on Competitive Advantage: Strategic Challenge; *International Bulletin of Business Administration, Iss.6*

Baregheh, A., Rowley, J., and Sambrool, S. (2009). Towards a multidisciplinary definition of innovation. *Journal of Management Decision, vol. 47, Issue 8*. PP. 1323-1339

Barney, J. B. (1986). Strategic factor markets: Expectations, luck, and business strategy. *Journal of Management Science, vol. 32,* Issue 10.PP 1231–1241.

Barney, J. B. (1991). Firm resources and sustained competitive advantage. *Journal of Management, Science, vol.17,* Issue 1.PP. 99–120.

Barney, J, B. (2001a). Is the resource-based "view" a useful perspective for strategic management research? Yes. *Academy of Management Review, vol. 26*. PP. 41–56.

Barney, J. B. (2001b). Resource-based theories of competitive advantage: A ten-year retrospective on the resource-based view. *Journal of Management Science, vol. 27. PP. 643–650.*

Barney, J. B. (2002). *Gaining and Sustaining Competitive Advantage*, 2nd ed. Reading, Mass.: Addison-Wesley.

Besanko, D., Dranove, D., and Shanley, M. (2000). *Economics of Strategy*. 2nd Ed. John Wiley & Sons, New York.

Caves, R. E. & Williamson, P. J. (1985). "What is Product Differentiation, Really?"; *Journal of Industrial Economics, 34 (2):* 113-132

Chan, L. M., Shaffer, M. A., and Snape, E. D. (2004). In search of sustained competitive advantage: The impact of organizational culture, competitive strategy and human resource management practices on firm performance. *International Journal of HumanResource Management. Vol. 15* Issue 1

Chenhall, R. H., and Langfield-Smith, K. M. (1998b).“The relationship between strategic priorities, management techniques and management accounting: An empirical investigation using a systems approach”. *Accounting, Organizations and Society*, 23 (3).

Daniel, S. J. and Reitsperger W. D. (1991). Linking Quality Strategy with Management Control Systems: Empirical Evidence from Japanese Industry. *Accounting, Organizations and Society, Vol.* 16, No. 7.

Dierickx, I. and Cool, K. (1989). “Asset stock accumulation and sustainability of competitive advantage”. *Journal of Management Science*, vol. 35. pp. 1504-11.

Duncan, W. J., Ginter, P. M., and Swayne, L. E. (1998). Competitive Advantage and Internal Organizational Assessment. *Academy of Management Executive, Vol. 12 Issue 3:* pp. 6 -16

Ertekin, M. and Aydin, B. (2010). The Impact of National Identity and Culture on Customer Perception of Product Quality; *'The case of mobile phones in Sweden and Turkey'. Mälardalen University Västerås, Sweden*

Fahy, J. (2000). The resource-based view of the firm: Some stumbling-blocks on the road to understanding sustainable competitive advantage. *Journal of European Industrial Training, vol. 24. Pp.* 94–104.

Flatt, S. J. and Kowalczyk, S. J. (2008). Creating a competitive advantage through intangible assets: The direct and indirect effects of corporate culture and reputation. *Academy of Consumer Research, Vol.16.*

Flynn, B. B., Schroeder R. G., and Sakakibara, S. (1994). A Framework for Quality Management Research and an Associated Measurement Instrument. *Journal of Operations Management, vol.* 11, No. 4

Henderson, S. (2011). The development of competitive advantage through sustainable event management; *Worldwide Hospitality and Tourism Themes* 3.3: 245-257.

Hitt, M. A. & Hoskisson, R. E. (1997). International Diversification: Effects of Innovation and Firm Performance in Product-Diversified Firms. *Academy of Management Journal,*

Hitt, M. A., Keats, B. W., & DeMarie, S. M. (Nov 1998). Navigating in the new competitive landscape: Building strategic flexibility and competitive advantage in the 21st century; *The Academy of Management Executive 12.4* : 22-42.

Holmes, G. and Hooper, N. (2000). *Core competence and education*. Kluwer Academic Publishers.

Kotha, S. & Orne, D. (May/Jun 1989). Generic manufacturing strategies: A conceptual synthesis *Strategic Management Journal (1986-1989).* 10.3: 211.

Koter, P. & Keller, K. (2011). *A Framework for Marketing Management,* 4th edition, Pearson Education, Inc. Publishing as Prentice Hall

Ma, H. (1999a). Anatomy of competitive advantage: a SELECT framework. *Management Decision,* Vol. 37 Issue 9

Ma, H. (1999b). Creation and preemption for competitive advantage. *Management Decision,* Vol. *37 Issue 3*

Ma, H. (2000). Competitive advantage and firm performance. *Competitiveness Review, Vol. 10 Issue 2*

Markides, C. and Williamson. P. J (1994). 'Related diversification, core competencies, and corporate performance'. *Strategic Management Journal*. Vol. 15. Pp. 149-165.

Matsa, D. A. (2009). Competition and Product Quality in the Supermarket Industry. http://are.berkeley.edu/documents/seminar/matsa-competition-090706.pdf

McGrath, M. E., Anthony, M.T., & Shapiro, A. R. (1992). *Product Development: Success through product and Cycle-Time Excellence*, Stoneham, MA. Butterworth-Heienhmann

Mooney, A. (2007). Core Competence, Distinctive Competence, and Competitive Advantage: What Is the Difference? *Journal of Education Business,* vol. 83 Issue 2

Morgan, N.A., Kaleka, A. and Katsikeas, C.S. (2004). Antecedents of export venture performance: A theoretical model and empirical assessment. *Journal of Marketing,* Vol. 68

Mosakowski, E. (1993). A resource-based perspective on the dynamic strategy-performance relationship: An empirical examination of the focus and differentiation strategies. *Journal of Management*, *vol. 19*

Nord, W. R. and Tucker, S. (1987). *Implementing routine and radical innovations*. San Francisco: New Lexington Press.

Porter, M. E. (1980). *Competitive strategy*, The Free Press*,*

Porter, M. E. (1985). *Competitive Advantage: Creating and Sustaining Superior Performance* Free Press, New York.

Porter, M. E. (1986). *Competition in global industries.* Harvard Business School Press, Boston.

Porter, M. E. (1991). Towards a Dynamic Theory of Strategy. *Strategic Management Journal, Vol.12*

Prahalad, C.K. and Hamel, G.(1990). The core competence of the corporation. *Harvard Business Review, Vol. 68*, No. 3. P. 82

Prajogo, D.I.(2007). The relationship between competitive strategies and product. *Quality Industrial Management and Data Systems, vol.* 107

Prajogo, D. I. and Sohal, A. S. (2006). The relationship between organization strategy, total quality management (TQM), and organization performance-the mediating role of TQM. *European Journal of Operational Research,* Vol.168

Priem, R. L., & Butler, J. E. (2001). Tautology in the resource-based view and the implicatons of externally determined resource value: Further comment; *Academy of Management. The Academy of Management Review 26.1* : 57-66.

Raduan, C .R., Jegak, U., Haslinda, A. and Alimin, I. I. (2009). A Conceptual Framework of the Relationship between Organizational Resources, Capabilities, Systems, Competitive Advantage and Performance. *Journal of International Studies - Issue* 12

Saloner, G., Shepard, A. and Podolny, J. (2001). *Strategic Management*. John Wiley & Sons, New York

Shammot, M. M. (2011). Quality Management Practices and Their Impact on Organizational Performance, and Customer Behavior. *European Journal of Economics, Finance andAdministrative Sciences, Issue 34*

Sharp, B., & Dawes, J. (2001). What is Differentiation and How Does it work? *Journal of Marketing Management,(17)*: 739-759.

Siaw, I. and Yu, A. (2004). An analysis of the impact of the Internet on competition in the banking industry, using Porter's Five Forces Model. *International Journal of Management, vol.21, No.4*.

Spencer, X. S.,Joiner, A. T., and Salmon, S. (2009). Differentiation Strategy, Performance Measurement Systems and Organizational Performance: Evidence from Australia. *International Journal of Business, Vol. 14(1)*

Stalk, G., Evans, P. & Shulman, L. (1992). Competing on capabilities: The new rules of corporate strategy. *Harvard Business Review*. 70 *Issue 2*. Pp. 57-69

Strandholm, K. and Kumar, K. (2003). Differences in Environmental Scanning Activities between large and small organizations: The advantage of size. *Journal of American Academy of Business, No.1*

Sumutka A. and Neve B. (2011). Quality as a Competitive Advantage

Van de Ven, A.H. (1986) Central problems in the management of innovation. *Journal of Management Science, Vol. 32, No. 5. pp. 590-607.*

Vorhies, D.W. and Morgan, N.A.(2005). Benchmarking marketing capabilities for sustainable competitive advantage. *Journal of Marketing, Vol.69.*

Wang, Y. and Lo, H. (2003). Customer-focused performance and the dynamic model for competence building and leveraging: A resource-based view. *Journal of Management Development, vol. 22*.pp. 483–526.

Webster, F.L. (1994). 'Marketing management: providing value to customers', in Collins, E.G.C. and Devanna, M.A. (eds), The New Portable MBA. New York: Wile