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The relationship between Competitive Strategy Drivers and Performance of manufacturing Small and Medium Enterprises in Nairobi County, Kenya

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Abstract

This study determines the influence of competitive strategy drivers on the performance of manufacturing SMEs in Nairobi County in Kenya. Small and medium enterprises (SMEs) are the backbone of many economies all over the world through creation of employment opportunities as well as wealth creation for entrepreneurs. Strong competitive strategy drivers offer advantage to SMEs to help them achieve good performance and remain competitive in their respective markets. The study was anchored on resource-based theory which provided a framework for examining the association between the research variables. For the methodology, a cross-sectional survey was done covering 334 manufacturing small and medium enterprises in Nairobi County, Kenya. Structured questionnaires were used for data collection with a response rate of 89.6%. Various descriptive statistics were used to project the demographic characteristics of the association and the respondents. Inferential statistics was used to assess up the connection between the factors and test the model. The results indicated that the three competitive strategy drivers of environmental based drivers, resource-based drivers and hybrid strategy drivers exhibited significant relationship with performance of the Manufacturing SMEs in Nairobi county. The study's recommendations will be useful to management of manufacturing-sector SMEs in developing long

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term strategies to address constraints that could have led to low capacity utilization and productivity in the sector. Additionally, it may be used to guide policy formulations geared to support manufacturing SMEs operations. The researcher recommends similar research to be undertaken in other SMEs and also have more managers respond to the questionnaires in order to enrich the collected data.

Keywords: Competitive Strategy Drivers, Capital raising, Human Capital, Firm Performance, Value Chain

1. Introduction

Small and Medium Enterprises (SMEs) are key drivers to successful economic growth through innovations, creation of employment opportunities, perfecting of entrepreneurship skills and supporting social integration (Dahmen & Rodriguez, 2014). This is because they fuel economic growth in most economies and if their performance is compromised, economic development suffers a great deal (Sidik, 2012). One of the ways through which performance can be best achieved is through the adoption of a combination of competitive strategies (Gómez, 2006). Performance of manufacturing SMEs has become an area of concern especially in a country like Kenya because of the significant role that they play in economic development in the wake of government agencies that support their growth. The Kenyan government has mainstreamed a number of initiatives through its agencies to support manufacturing SMEs growth. These agencies include the Micro and Small Enterprises Authority (MSMES), the Kenya Association of Manufacturers (KAM) and the Ministry of Industrialization and Enterprise Development.

Manufacturing SMEs in Kenya currently employ over 240,000 people representing 13% of the total employment. The manufacturing sector in Kenya has experienced major challenges in the last 15 years. This has seen its contribution to GDP reduce considerably giving rise to fears of a premature deindustrialization phenomenon. The structure of the manufacturing sector has seen little change over the years despite targeted policy interventions attempting to adjust this. The manufacturing sector's share of GDP has remained stagnant with only limited increases in the last three decades, contributing an average of 10% from 1964-73 and rising marginally to 13.6% from 1990-2007 and averaging below 10% in recent years. Production in the manufacturing sector is predominantly geared towards consumer goods (KAM, 2017).

There exist limited studies seeking that link competitive strategy drivers and performance especially in the context of manufacturing SMEs in Nairobi County. According to (Kristiansen, Furuholt & Wahid, 2003), there is a strong link between competitive strategy drivers and firm's performance.

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This research study was anchored on Resource-Based theory which provided a framework for examining the association between competitive strategy drivers and performance of manufacturing small and medium enterprises. The resource-based theory contends that a firm's competitive advantage is mainly derived from its ability to mobilize resources to its advantage (Barney, 1991). Various studies have defined strategy drivers variously; according to Salavou (2015), a strategy driver, is a deliberate set of clearly defined activities that are planned and implemented with the aim of achieving a competitive advantage. The competitive strategy drivers ought to be aligned to a firm's long term strategy in an endeavor to achieve a competitive position and achieve long term profitability (Peteraf, 1993).The manufacturing SMEs competitive strategy drivers in this study are therefore categorized into three main strategic drivers, namely the environmental based strategy drivers, resource based strategy drivers and hybrid strategy drivers.

The environment-based strategy drivers are explained using porter's generic strategies of cost leadership, differentiation and focus. Porter's three generic strategies were better suited for application in the analysis of competitiveness and performance of the targeted manufacturing SMEs in this study. Cost leadership allows a firm to charge lower prices than its competitors and differentiation allows firms to offer product types and benefits that competitors cannot match. Focus is providing a particular service in an identified specific market. To sustain a competitive advantage, manufacturing SMEs must optimize their resources. These resources include human resources, intellectual property, materials and organization brand as well as capabilities, such as innovativeness, efficiency and quality, (Gathungu & Baariu, 2018)

The hybrid strategy drivers are categorized as combination of low cost and differentiation. An organization that implements a hybrid strategic approach will benefit from a non-imitation advantage compared to other competitors who employ pure strategic approach (Miller, 1992). Since cost-based and differentiation-based advantages are difficult to sustain, firms that pursue a combination strategy may achieve higher performance than those firms that pursue a singular strategy. Differentiation enables the company to charge premium prices and cost leadership enables the company to charge the most competitive price. Thus, the manufacturing SMEs are able to achieve a competitive advantage by delivering value to consumers based on both product features and price (Learning, 2009).

For this study, the resource-based strategy drivers comprise of manufacturing SMEs capital raising capacity, technology development, human capital and Value Chain. Organizations ability to raise capital has a strategic bearing on their competitiveness. The capital raising capacity enables the rate of acquisition of assets which broadly can be categorized as tangible

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and not tangible (Barney, 1991). Unlike physical resources, intangible assets such as brand reputation are built over a long time and are things that other organizations cannot buy from the market. Intangible resources usually stay within a company and are the main source of sustainable competitive advantage. Technology focus for manufacturing SMEs involves developing, acquiring or applying technology for competitive advantage. Manufacturing SMEs need to define technical capabilities such as advanced device design, rapid prototyping, and automated assembly among others to achieve competitive advantage.

As part of ensuring value for customers, SMEs have to develop and sustain an engaged, knowledgeable and creative workforce (Afiouni, 2007). To create a workforce that provides sustainable competitive advantage and value creation, manufacturing SMEs should create an environment that allows their human capital to grow in a way that would be very difficult for competitors to imitate (Agarwal & Ferratt, 2001). A value chain is a way of conceptualizing the activities that are needed in order to provide a product to a consumer. It shows the way a product acquires value as well as gains cost as it goes through the process of design, production, marketing, delivery and service to the eventual consumer, Ensign (2001). Value chain comprises of fundamental activities that add value to the final product directly and support activities that add value indirectly. Directly, value chain represents the internal activities a manufacturing SME engages in during the process of transforming raw materials into outputs or finished products (Prescott, 2001).

Despite measuring firm performance attracting considerable debate, there is no universal agreement on measures of performance. However, common measures of firm performance in SMEs include both monetary and non-money related markers. Money related markers incorporate benefit pointers, for example, return on asset, investment and equity. ROI is among the most popular financial metrics used for assessing the financial outcomes on individual investments by shareholders. A high ROI means the investment gains compare positively to investment cost. Generally, ROI is usually calculated by dividing income with investment, Kabiru (2016). Non-financial procedures include operational efficiency and market share, employee turnover, entrepreneur satisfaction and longevity of the firm (Gentry & Vaidyanathan, 2010).In this research, manufacturing SMEs' performance was assessed using both financial and non-financial measures. For the financial measures, ROI was used while for the non-financial measures, the parameters used were entrepreneurial satisfaction, growth in employment and business longevity.

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2.0 Literature Review

Entrepreneurship is the process of identifying an opportunity in the business environment, pooling of resources, exploiting the opportunity, make profit and meeting the needs of customers. Entrepreneurship is mainly about taking risks, creativeness and being innovative. Several theories exist to explain entrepreneurship, among them, the resource-based theory of entrepreneurship. The resource based theory argues that distinct bundle of resources at the discretion of the firm generate sustained competitive advantage (Barney, 1991; Conner & Prahalad, 1996). In this study, the theory conceptualizes the argument that firm performance is positively correlated to the resources at their disposal meaning, that, the more resources a company can access, the higher the chances of higher performance. The resource-based theory has major implications on entrepreneurship research. Entrepreneurial opportunities can best be exploited through entrepreneurs' possession of strategic resources which are likely unique, valuable, difficult to imitate hence enhancing value of particular resources that other competing firms may not yet have. According to Barney 1991, strategic resources are those whose characteristics include rarity, not easily imitable, valuable and hard to substitute which in turn offer sustainable competitive advantage.

Resources that the organization needs may not be easily available, difficult to obtain or controlled by uncooperative actors which simply complicates the resources access. Firms end up depending on external players for such needed resources. To avoid such dependencies, organizations develop strategies as well as internal structures designed to enhance their capacities for enhanced resource-related transactions (Gulati & Sytch, 2007). Such strategies may often include taking political initiatives or alignments, get into larger scale production, diversification efforts or entering into cooperation agreements with other organizations. Pelham (1999) contended that focusing on low-cost plans would have lesser influence as opposed to emphasis on a differentiation strategy which would yield better performance for SMEs. If a firm wishes to apply a differentiation strategy, it must emphasize on innovative approaches and flexible manufacturing system to produce innovative products or manufacturing process of existing products.

Cost leadership strategy is an important way for a firm to achieve sustainable competitiveness in their marketplaces. Depending on the market segments that of interest, appropriate product pricing strategies become very important especially to the cost sensitive markets. Bowen, Morara & Mureithi (2009) used stratified random sampling to assemble data from 198 enterprises via questionnaires and the data obtained was analyzed descriptively. The findings indicated that SMEs adopted a variety of approaches to endear themselves to consumers. These approaches included running discounts and giving special offers, fair pricing, enhanced customer service, diversification

and continuously offer superior of services. Based on the findings, Bowen et al. concluded that achieving good firm performance requires a cocktail of policies. Several researchers have empirically examined the impact of Porter's competitive advantage strategies on the performance of companies.

3.0 Method

Research Procedure and Sample Characteristics

The study was undertaken using the cross-sectional study design, considered appropriate for entrepreneurship research (Davidsson, 2004). This design enabled pooling of quantitative data and allowed the researcher to identify patterns of association amongst the variables that confirmed the general interpretation of the associations among the study variables. The principal research tool of data collection of this study was a structured questionnaire. Respondents included SMEs owners or senior managers/persons in charge of the SME who by virtue of their positions were better placed to give informed and reliable responses. The study population comprised of all manufacturing SMEs in Nairobi County. A thorough listing of manufacturing SMEs doing their business in the study area was acquired from the Nairobi County licensing office. The list yielded 2,050 manufacturing SMEs. The list was cross checked with registered manufacturing small and medium enterprises from the Kenya Association of Manufacturers and the MSME Authority.

The sample size for the study was calculated using the formula for finite population as proposed by Israel (2009).

$$n = \frac{N}{1+N(e^2)}.$$

Where:

n= Desired Sample Size

N= Population

e = Margin of Error at 5% (standard value of 0.05)

The size of the sample in this research will be:

$$n = \frac{2050}{1+ 2050(0.05)^2}$$

n= 334 Manufacturing SMEs

The manufacturing SMEs are categorized into 13 distinct groupings. A stratified random was used to establish proportianate sample from each strata as follows:

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Table 1: Sample Size Determination

Strata	Sample	Percent
Building, Mining and Construction	10	3
Chemical and Allied	53	16
Energy, Electrical and Electronic	25	7
Agriculture and Fresh Produce	8	2
Food and Beverages	56	17
Leather and Footwear	4	1
Metal and Allied	49	15
Automotive	21	6
Paper and Board	28	8
Pharmaceutical and Medical Equipment	20	6
Plastics and Rubber	44	13
Textiles and Apparel	7	2
Timber, Word and Furniture	9	3
Total	334	100

Source: Nairobi County Licensing Office (2019)

Measures

The questionnaire used nominal and ordinal scaled items on a five-point Likert scale ranging from Strongly disagree (1) to Strongly agree(5) and are shown in Table 2 below.

Table 2: Variables and respective measurement items for Competitive strategy drivers

Environmental based drivers	
1	We have the ability to deliver high quality products and services
2	We have effective sales and marketing team
3	The market understands the benefits offered by the differentiated offerings
4	Products and services different from and more attractive than those of our competitors
5	We have brand image that our customers value
6	We concentrate on particular niche markets
7	We understand the dynamics of the niche market and the unique needs of customers within it
8	We build strong brand loyalty amongst our customers thus making our particular market segment less attractive to competitors
9	We offer unique features that fulfill the demands of a narrow market
10	The firm concentrate on a particular market
11	The firm charge low prices relative to other firms that compete within the target market
12	The firm practice the lowest cost of operation in the industry
13	Our production process is backed by innovation
14	The firm acquire quality raw materials at the lowest price
15	The firm produces highly standardized product using advanced technology
Resource based drivers	
1	Our firm can easily mobilize resources
2	Our firm has a strong business plan
3	Our firm has clear strategy and competitive edge

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4	Our management team are competent and valuable
5	Our business valuation and scalability are in line with investors needs
6	Our firm embraces the development of individual and institutional ingenuity
7	Digitization of performance management not only provides more precise data but also positively influences management process
8	Technology facilitate a culture of continuous feedback thus everyone knows where they stand on a regular basis
9	Technology enables collection of more objective performance data on a real time basis
10	Our firm has high skilled labour so as to produce economic value
11	Human capital is the most essential capital in our firm
12	The firm value knowledge, experience, skill, attitudes, abilities, behaviour and obligation of employees
13	The ability to effectively acquire, control and utilize knowledge in every business activity is the differentiator between our firm and competitors
14	A tool of managing increasingly complex global value chain networks
15	The firm focuses on optimizing volumes and value based on cross functional management
16	The firm integrate decision making throughout the value chain
Hybrid strategy drivers	
1	Our firm achieve both high quality and productivity at the same time
2	Our firm embraces mass customizations
3	Our firm makes consistent low cost strategic decisions on how to pursue competitive advantages and align resources and capabilities
4	It is a way of responding to changes in the competitive environment more flexibly and effectively and stay competitive

On the whole, the measurement instrument was highly reliable with an overall Cronbach alpha of 0.813.

Analytical Procedure

To describe the demographic characteristics of the association and the respondents, descriptive statistics, that is, frequency and percentages were used. Manifestation of the study variables were analyzed using mean, standard deviation, coefficient of variation, skewness and kurtosis. To test the normality of the data, measures of dispersion (SD) were utilized while factor analysis test was carried out to reduce the set of study items to subgroups which could directly be explained. Inferential statistics was used to test the data drawn from the respondent from manufacturing SMEs in Nairobi County with respect to the stated hypothesis. The study performed inferential tests to understand the relationship between different variables and validate/invalidate theories. Pearson product of correlation coefficient was used to measure the direction and magnitude of relationship between the study variables. Further, Coefficient of determination (R^2) was used to measure the goodness of fit of the model.

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4.0 Results

Out of the target of 334 respondents, the researcher received 305 responses presenting a response rate of 89.82%. Five questionnaires were improperly filled and were not analysed. This response rate was comparable to similar studies, Oly Ndubisi (2007) at 75%, Njeru (2016) at 60%, Njuguna(2014) at 99.22% and Owino(2014) at 96%. Previous studies in a similar area which had lower response rates include Leverin and Liljander (2006) at 33.7 %, Sin, Tse, Yau, Lee and Chow(2002) at 27.9% and Morgan and Hunt (1994) at 14.6%. Therefore, this study's response rate was considered very good for survey research as recommended by Punch (2003) who proposes a score of 80-85% as good response rate. Mugenda and Mugenda (1999) suggest that a 50% response rate is adequate, 60% good and above 70% very good.

The key factors in studying organizational characteristics were the age of the firm (number of years in operation) and ownership structure. A sample of 300 respondents was selected. 167 (55.5%) of the firms indicated to have been in operation for 5-10 years, 54 (18.16 %) indicated 1-5 years, 47 (15.6%) indicated 10-15 years and only 32(10.74%) of the sampled respondents indicating that their enterprises had been in operation for over 15 years. 266 (88.75 %) of the firms surveyed were sole proprietors, 28 (9.21%) were partnerships and 6 (2.05%) indicated as companies. The respondent's characteristics included the gender, marital status and age distribution. The sample consisted of 96(32%) male and 204 (68%) female. 225(74.94%) of the respondents were married, 41(13.81%) were single, 25(8.18%) were separated or divorced while 9(3.07%) were widowed. With regard to age distribution, 25(8.44%) of the respondents were aged between18-24, 197(65.73%) were aged between 25-34, 48(15.86%) were aged 35-44, 20(6.65%) were in the 45-54 age category and 10(3.32%) are in the 55-64 bracket.

Measurement model

Confirmatory factor extraction was done to confirm the structures for three dimensions of competitive strategy drivers as well as the overall factor as shown in Table 3 below.

Table 3: Variables and Factor Statistics

Variable	Dimension/Structure/Factor	No of Items	Scale Mean Scores
Competitive Strategy Drivers	**Overall Competitive Strategy Drivers**	**35**	**3.78**
	Environmental Based Drivers	15	3.87
	Resource Based Drives	16	3.55
	Hybrid Based Drivers	4	3.92
Firm Performance (Non-financial)	**Overall Firm Non-Financial Performance**	**12**	**3.74**
	Entrepreneurial Satisfaction	3	3.88

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	Growth in Employment	4	3.65
	Business Longevity	5	3.69

Source: Field Data (2019)

On the whole, our measurement model shows acceptable good levels of statistical fit as indicated by the confirmatory factor analyses.

Descriptive Statistics

Table 4: Descriptive Statistics for Measures of Environmental Competitive Based Drivers.

Statements	Mean	Std. Dev	CV
Differentiation drivers			
We have the ability to deliver high quality products and services	3.69	0.56	0.15
We have effective sales and marketing team	3.46	0.79	0.23
The market understands the benefits offered by the differentiated offerings	3.78	0.77	0.20
Products and services different from and more attractive than those of our competitors	3.70	0.62	0.17
Overall	**3.66**	**0.69**	**0.19**
Focus Drivers			
We have brand image that our customers value	3.13	0.76	0.24
We concentrate on particular niche markets	3.20	0.88	0.28
We understand the dynamics of the niche market and the unique needs of customers within it	3.87	0.65	0.17
We build strong brand loyalty amongst our customers thus making our particular market segment less attractive to competitors	3.79	0.81	0.21
We offer unique features that fulfill the demands of a narrow market	3.68	0.92	0.25
The firm concentrate on a particular market	3.81	0.33	0.09
Overall	**3.58**	**0.73**	**0.20**
Cost Drivers			
The firm charge low prices relative to other firms that compete within the target market	4.06	0.76	0.19
The firm practice the lowest cost of operation in the industry	3.63	0.84	0.23
Our production process is backed by innovation	2.91	0.99	0.34
The firm acquire quality raw materials at the lowest price	4.16	0.88	0.21
The firm produces highly standardized product using advanced technology	3.61	0.67	0.19
Overall	**3.68**	**0.83**	**0.23**
Grand Overall	**3.64**	**0.75**	**0.21**

Source: Field Data (2019)

Table 4 presents results on environmental based drivers. Under the subscale differentiated strategy the analysis indicated that to a great extent the market understands the benefits offered by the differentiated offerings (mean = 3.78, std dev =.77), products and services different from and more attractive

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than those of our competitors (mean = 3.70, std dev = 0.62) and we have the ability to deliver high quality products and services (mean = 3.69, std dev = 0.56).

Under focus derivers subscale of environmental based drivers, the scores showed that to a great extent the firm understand the dynamics of the niche market and the unique needs of customers within it (mean = 3.87, std dev = 0.65), the firm concentrate on a particular market (mean = 3.81, std dev = 0.33), we build strong brand loyalty amongst our customers thus making our particular market segment less attractive to competitors (mean = 3.79, std dev = 0.81) and we offer unique features that fulfill the demands of a narrow market (mean = 3.68, std dev = 0.92). Under cost drivers subscale the analysis indicated that to a great extent The firm acquire quality raw materials at the lowest price (mean = 4.16, std dev = 0.88), The firm charge low prices relative to other firms that compete within the target market (mean = 4.06, std dev = 0.76), the firm practice the lowest cost of operation in the industry (mean = 3.63, std dev = 0.84) and the firm produces highly standardized product using advanced technology (mean = 3.61, std dev = 0.67).

As regards environmental based drivers, successful differentiation is based on a study of buyers' needs and behaviour in order to learn what they consider important and valuable. The desired features are then incorporated into the product to encourage buyer preference for the product. Low costs permit a firm to sell relatively standardized products which offer features acceptable to many customers at the lowest competitive price and such firm gain competitive advantage and increase market share. Decision makers in a cost leadership firm are compelled to closely scrutinize the cost efficiency of the processes of the firm. Maintaining the low-cost base becomes the primary determinant of the cost leadership strategy.

Table 5: Descriptive Statistics for Measures of Resource Based Drivers

Statements	Mean	Std. Dev	CV
Capital Raising Capacity			
Our firm can easily mobilize resources	3.36	0.94	0.28
Our firm has a strong business plan	3.91	1.08	0.28
Our firm has clear strategy and competitive edge	3.71	0.95	0.26
Our firm has strong asset base and sound financial performance.	4.02	0.98	0.24
Our business valuation and scalability are in line with investors needs	3.57	0.84	0.24
Overall	**3.72**	**0.96**	**0.26**
Technology (production)			
Our firm operation systems are automated	3.95	0.98	0.25
Technology has assisted our firm in altering the price structure through the development of more efficient and flexible processes	4.15	1.00	0.24

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Technology facilitate a culture of continuous feedback thus everyone knows where they stand on a regular basis	4.33	0.94	0.22
Technology enables collection of more objective performance data on a real time basis	3.96	0.97	0.25
Overall	**4.10**	**0.97**	**0.24**
Human Capital			
Our firm has high skilled labour so as to produce economic value	4.19	0.89	0.21
Human capital is the most essential capital in our firm	3.98	1.05	0.29
The firm value knowledge, experience, skill, attitudes, abilities, behaviour and obligation of employees	4.10	0.92	0.22
The ability to effectively acquire, control and utilize knowledge in every business activity is the differentiator between our firm and competitors	3.99	0.95	0.24
Overall	**3.99**	**0.95**	**0.24**
Value Chain Management			
A tool of managing increasingly complex global value chain networks	3.72	1.01	0.27
The firm focuses on optimizing volumes and value based on cross functional management	3.74	1.00	0.27
The firm integrate decision making throughout the value chain	3.34	1.16	0.35
Overall	**3.60**	**1.06**	**0.29**
Grand Overall	**3.85**	**0.99**	**0.26**

Source: Field Data (2019)

Table 5 indicates that overall, the respondents agreed that resource-based drivers influences performance of manufacturing small and medium enterprises in Nairobi County (mean = 3.85, standard deviation = 0.99, CV= 26%). Under the capital raising capacity, the results showed that to a great extent our firm has ability to mobilize resources (mean = 3.36, std = 0.94), our firm as a strong business plan (mean = 3.91, std = 1.08), has a clear strategy and competitive edge (mean = 3.71, std = 0.95) has strong asset base and sound financial performance. (Mean = 4.02, std dev = 0.98), our firm has a strong business plan (mean = 3.91, std dev = 1.08), our firm has clear strategy and competitive edge (mean = 3.71, std dev = 0.95) and our business valuation and scalability are in line with investor's needs (mean = 3.57, std dev = 0.84).

Under technology subscale of resource based drivers, the study found that to a great extent technology facilitate a culture of continuous feedback thus everyone knows where they stand on a regular basis (mean = 4.33, std dev = 0.94), technology has assisted our firm in altering the price structure through the development of more efficient and flexible processes (mean = 4.15, std dev = 1.00), technology enables collection of more objective performance data on a real time basis (mean = 3.96, std dev = 0.97) and our firm operation systems are automated (mean = 3.95, std dev = 0.98). Under the human capital subscale of resource based drivers the results showed that

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to a great extent our firm has high skilled labour so as to produce economic value (mean = 4.19, std dev = 0.89), the firm value knowledge, experience, skill, attitudes, abilities, behaviour and obligation of employees (mean = 4.10, std dev = 0.92), the ability to effectively acquire, control and utilize knowledge in every business activity is the differentiator between our firm and competitors (mean = 3.99, std dev = 0.95) and human capital is the most essential capital in our firm (mean = 3.98, std dev = 1.05).

Under the value chain management subscale of resource based drivers the study indicated that to a great extent The firm focuses on optimizing volumes and value based on cross functional management (mean = 3.74, std dev = 1.00) and value chain management is a tool of managing increasingly complex global value chain networks (mean = 3.72, std dev = 1.01). The basis for competitive advantage is a product whose attributes differ significantly from rivals' products. Once it finds a good source of buyer value, a firm must build on the value, creating attributes into its products/services at an acceptable cost. These attributes may raise the product's performance or make it more economical to use. Differentiation possibilities can grow out of possibilities performed anywhere in the activity cost chain.

Table 6: Descriptive Statistics for Measures of Hybrid Strategy Drivers

Statements	Mean	Std. Deviation	CV
Low Cost and Differentiation			
Our firm achieve both high quality and productivity at the same time	3.81	0.99	0.26
Our firm embraces mass customizations	3.20	1.19	0.37
Our firm makes consistent low cost strategic decisions on how to pursue competitive advantages and align resources and capabilities	4.02	0.97	0.24
Our firm has achieved higher performance than our competitors	3.93	0.96	0.24
Overall	**3.74**	**1.03**	**0.28**

Source: Field Data (2019)

Table 6 showed that in overall low cost and differentiation strategy drivers as a form of hybrid strategy drivers had a mean of 3.74 and std dev of 1.03. To a great extent the results indicated that our firm makes consistent low cost strategic decisions on how to pursue competitive advantages and align resources and capabilities (mean = 4.02, std dev = 0.97), our firm has achieved higher performance than our competitors (mean = 3.93, std dev = 0.96) and Our firm achieve both high quality and productivity at the same time (mean = 3.81, std dev = 0.99).

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Table 7: Descriptive Statistics for Measures of Non-Financial Performance

Statements	Mean	Std. Dev	CV	Skewness	Kurtosis
Entrepreneur Satisfaction					
You are generally satisfied with your current business	3.78	0.454	14	-0.134	-0.342
Your current business meets your expectations	4.09	0.671	13	-0.044	-0.244
Your current business is your most ideal	3.77	0.125	10	-0.002	-0.117
Overall	3.88	0.417	11	-0.002	-0.123
Growth in Employment					
Number of employees have significantly increased in line with our business expansion	3.96	1.142	29	1.065	.129
Local market plays a role in employment growth	3.31	1.129	34	.513	-.774
Our firm promotes and hires new employees annually	3.35	1.250	37	.541	-.880
Our firm experiences low employee turnover annually	3.98	1.263	32	-.117	-1.097
Overall	3.65	1.196	33	.768	-0.654
Business longevity					
Financial strength influences our longevity	3.71	.990	27	-1.134	.923
Customer orientation determine business lifespan	3.35	0.670	20	-.459	-.808
Internal capabilities influence our longevity	3.80	0.456	12	-.099	-1.055
Strategic perspective defines our firm lifespan	3.84	0.623	16	-.061	-1.106
Learning and growth influences our firm longevity	3.74	0.821	22	.386	-1.010
Overall	**3.69**	**0.712**	**19**	**-0.273**	**-0.611**
Grand overall	**3.74**	**0.770**	**21**	**-0.345**	**-0.567**

Source: Field Data (2019)

The findings show that on average, SME non-financial performance of manufacturing SMEs was 3.74, standard deviation of 0.770 and coefficient of variation of 21 percent. A coefficient of variation of 21 percent indicates that the response from the respondents did not vary significantly.

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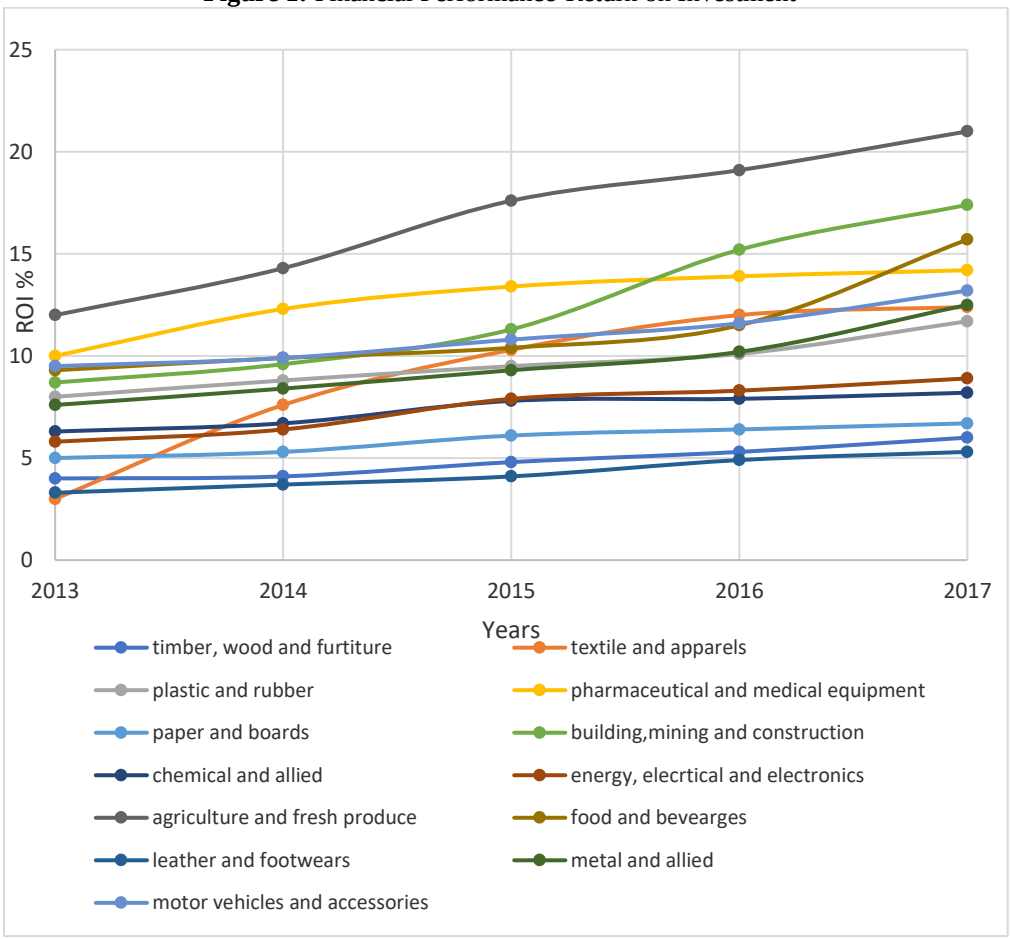
Figure 1: Financial Performance-Return on Investment



As shown in Figure 1 above, there was an upward trend of ROI for the period 2013-2017 in most of the sectors. This trend over a period of time shows that firms are prudent in resource allocation and usage. There is efficiency and effectiveness which results in increase in revenue. Positive ROI values show that the firm's total returns exceed total costs. It further shows that firm's profitability is steadily rising with time.

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Correlation Analysis

Correlation measures the magnitude and direction of the relationship between the dependent and independent variable. It varies between -1 and +1. The nearer it is to +1 the stronger the correlation. The nearer it is to zero the weaker the correlation. The correlation measurements between competitive strategy drivers and performance of the manufacturing SMEs in Nairobi county are presented in Table 8below.

Table 8: Correlation between Competitive Strategy Drivers and Firm Performance

		Environment Based Drivers	Resource Based Drivers	Hybrid Strategy	Firm Performance
Environment Based Drivers	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	300			
Resource Based Drivers	Pearson Correlation	-.154**	1		
	Sig. (2-tailed)	.007			
	N	300	300		
Hybrid Strategy	Pearson Correlation	.187**	.090	1	
	Sig. (2-tailed)	.001	.125		
	N	300	300	300	
Firm Performance	Pearson Correlation	.167**	-.273**	-.187**	1
	Sig. (2-tailed)	.005	.000	.002	
	N	300	300	300	300

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

Source: Field Data (2019)

Table 8 shows a correlation environment-based drivers, resource-based drivers, hybrid strategy drivers and firm performance. The Pearson correlation for environmental based drivers on firm performance was significant ($r = .167$, $p<.01$). The correlation between resource-based drivers and firm performance was significant ($r = -.273$, $P<.01$). The Pearson correlation for hybrid strategy on firm performance was also significant ($r =-.187$, $P<.01$). There was no multicollinearity reported since none of the coefficients between the independent variables are greater than 0.05.

Structure model (hypothesis testing)

Objective: To examine the relationship between competitive strategy drivers and performance of manufacturing SMEs.

The following hypothesis was formulated;

Competitive strategy drivers have significant influence on the performance of manufacturing SMEs in Nairobi County

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To determine effect of competitive strategy drivers on the performance of manufacturing SMEs in Nairobi County, a simple linear regression analysis was calculated. The equation used to measure the hypothesis is:

$$\mathbf{Y = \beta_o + \beta_1 X_1 + \varepsilon}$$

Y = the performance of manufacturing SMEs in Nairobi County.
β_0 = constant (intercept)
β_1, = coefficients of competitive strategy drivers
X_1= composite index of competitive strategy drivers
ε = Error term

The results are summarized in the tables below.

Table 9: Regression Results for Effect of Competitive Strategy Drivers on Firm Performance (Non-financial Measure)

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	
1	.352[a]	.124	.121	.61984	
ANOVA[a]					
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.180	1	16.180	42.113	.000[b]
	Residual	114.492	298	.384		
	Total	130.671	299			

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.849	.202		9.143	.000
	Competitive strategy drivers	.390	.060	.352	6.489	.000

a. Dependent Variable: Firm performance
b. Predictors: (Constant), Competitive strategy drivers
Source: Field Data (2019)

Table 9 presents results of the relationship between firm performance and competitive strategy drivers. The study found a relatively moderate positive relationship between competitive strategy drivers and firm performance (r =.352). Coefficient of determination (R2 =.124) indicated that competitive strategy drivers explain 12.4% of variation in firm performance. Competitive strategy drivers collectively significantly influence firm performance (F-value=42.113, p=0.000<0.05). The coefficient of the influence of competitive strategy drivers on firm performance is (β=0.390, p<0.05) implying that a unit increase in competitive strategy drivers results to 0.390 increase in firm performance. Further competitive strategy drivers individually significantly influence firm performance. The results conclude that there is a significant influence of competitive strategy drivers on the

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performance of manufacturing SMEs in Nairobi County, thus the hypothesis is supported.

Table 10: Regression Results for Effect of Competitive Strategy Drivers on performance of manufacturing SMEs (Financial Measure)

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
Competitive strategy drivers	0.323	0.104	0.081	0.0374771		
ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
Competitive strategy drivers	Regression	0.006	1	0.006	4.418	0.042
	Residual	0.298	298	0.001		
	Total	0.304	299			

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
	(Constant)	-0.006	0.032		-0.182	0.857
	Competitive strategy drivers	0.019	0.009	0.323	2.102	0.042
Dependent Variable: Return on Investment Predictors (Constant), Competitive strategy drivers						

Source: Field Data (2019)

From Table 10, the study found a relatively moderate positive relationship between competitive strategy drivers and return on investment (r =.323). Coefficient of determination (R^2 =.104) indicated that competitive strategy drivers explain 10.4% of variation in return on investment. Competitive strategy drivers collectively significantly influence firm performance (F-value=42.113, p=0.000<0.05). The coefficient of the influence of competitive strategy drivers on firm performance is (β=0.0190, p<0.05) implying that a unit increase in competitive strategy drivers results to 0.0190 increase in return on investment. Further competitive strategy drivers individually significantly influence return on investment. The results conclude that there is a significant influence of competitive strategy drivers on return on investment of small and medium enterprises in manufacturing sector in Kenya.

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Table 11: Regression Results for Effect of Components of Competitive Strategy Drivers (on Firm Performance)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.365[a]	.133	.131	.65293	.133	78.359	3	268	.000

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	100.217	3	33.406	78.359	.000[b]
	Residual	126.190	296	.426		
	Total	226.407	299			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	0.153	.015		10.12	.000		
	Hybrid Strategy Drivers	.225	.066	.351	3.440	.001	.191	5.227
	Environmental Based Drivers	.122	.060	.156	2.029	.002	.190	5.260
	Resource Based Drivers	.198	.050	.243	3.964	.000	.531	1.884

a. Dependent Variable: Firm Performance
b. Predictors: (Constant), Environmental based drivers, Resource Based Drivers, Hybrid strategy Drivers
Source: Field Data (2019)

Table 11 presents results on the relationship between components of competitive strategic drivers on firm performance. The study found a moderate and positive correlation between Environmental based drivers, Resource Based Drivers, Hybrid strategy Drivers and firm performance (R = 0.365). Coefficient of determination (R2 = 0.133) indicates that environmental based drivers, resource based drivers, Hybrid strategy drivers collectively accounts for 13.3 percent of the variation in firm performance. In overall the model was significant (F = 78.359, P-value = 0.00< 0.05). Hybrid strategy drivers (β =0.225) had the highest positive influence on firm performance followed by resource-based strategy drivers (β =0.198) and environmental based strategy drivers (β =0.122) respectively. Individually environmental based drivers (p-value = 0.002<0.05), resource-based drivers (p-value = 0.00<0.05) and hybrid strategy drivers (p-value = 0.001<0.05)

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statistically significantly influence firm performance. The results conclude that there is a significant influence of each component of competitive strategy drivers on firm performance of manufacturing SMEs in Nairobi County

Table 12: Summary of Research Objective, Hypothesis, Analytical Model and Conclusion

Objective	Hypothesis	Results	Remarks hypothesis
To establish the relationship between competitive strategy drivers and the performance of manufacturing SMEs in Nairobi County.	Competitive strategy drivers have significant influence on the performance of manufacturing SMEs in Nairobi County	R^2=0.124 F= 42.113, P-Value= .000<0.05 β= 0.390, t= 6.489, P-Value=0.000<0.05	Supported
	Competitive strategy drivers have significant influence on return on investment of SMEs in Kenya.	R^2=0.104 F= 4.418, P-Value= .042<0.05 β= 0.0190, t= 2.102, P-Value=0.042<0.05	Supported

Source: Field Data (2019)

From the results in Table 12 above, there is a statistically significant and positive association between competitive strategy drivers and firm performance (non-financial and financial) of small and medium enterprises in manufacturing firms in Kenya.

5.0 Discussion

The study achieved a response rate of 89.82 percent which was considered adequate for further analysis. The measurement instrument was highly reliable with an overall Cronbach alpha of 0.813. Majority of the firms had been in operation for a period of 5 to 10 years. In terms of business classification; sole proprietorship was the most popular model followed by partnership and companies respectively. The study findings revealed that majority (68 percent) were female respondents with (32 percent) being male respondents. This implies there were more females than male running manufacturing SMEs in Nairobi County. The results also indicated that majority (74.94 percent) of the study respondents were married with (13.81 percent) and (8.18 percent) being single and separated/divorced respectively. Further few (3.07 percent) of the respondents are widowed. This implied that the respondents have family responsibilities which motivate them to engage in business for a living. Further from the findings, majority (65.73 percent) indicated that they ranged between 25-34 years, followed by (15.86 percent) who indicated that they range between 35-44 years with few (8.44 percent), (6.65 percent) and (3.32 percent) indicating that they ranged between 18-24, 45-54 and 55-64 years respectively. The results revealed that majority of the

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players in the manufacturing SMEs were relatively young to actively handle their duties and responsibilities.

Key statements on competitive strategy drivers were; environmental based drivers, resource based drivers and on hybrid strategy drivers. These are supported by the resource-based theory which argues that a distinct bundle of resources at the discretion of the firm generates sustained competitive advantage (Barney, 1991; Conner & Prahalad, 1996).Correlation analysis was done between competitive strategy drivers and the performance of manufacturing SMEs in Nairobi County. Correlation measures the magnitude and direction of the relationship between the dependent and independent variable. It varies between -1 and +1. The nearer it is to +1 the stronger the correlation. The nearer it is to zero the weaker the correlation. The three drivers namely environmental, resource based and hybrid had +1 meaning there was a strong correlation. On hypothesis testing, the study aimed at establishing the influence of competitive strategy drivers on the performance of manufacturing SMEs in Nairobi County. This objective had a corresponding hypothesis, which stated that competitive strategy drivers have significant influence on the performance of manufacturing SMEs in Nairobi County. Competitive strategy drivers included environmental based drivers, resource-based drivers and hybrid strategy drivers.

The study tested a direct relationship between competitive strategy drivers and firm performance. From the literature review, this direct relationship has been proven by other studies (Gibcus & Kemp, 2003; Peng et al., 2008). However, the results were not conclusive as some studies indicated positive direct relationship and others negative direct relationship, hence the need to test it again. The study found that competitive strategy driver's dimensions significantly statistically collectively influence firm performance. Further each competitive strategy drivers (environmental based drivers, resource-based drivers, and hybrid-based drivers) dimensions individually significantly statistically influenced firm performance. The relationship was strong since their corresponding p-values were less than 0.05. Though competitive strategy drivers significantly influence performance of the manufacturing SMEs, their three dimensions (environmental based drivers, resource-based drivers and hybrid based drivers) account for only 12.4 percent of the variation in the performance of manufacturing SMEs. This implies that competitive strategy drivers determine greatly firm performance. The hypothesis was thus supported

The findings of this study are supported by the resource based theory of entrepreneurship. The theory asserts that distinct bundle of resources at the discretion of the firm generate sustained competitive advantage (Barney, 1991; Conner &Prahalad, 1996). The findings further justified the conceptualization of the resource based theory, that is, firm performance is

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enhanced when firms use unique resources that they own and configured to enable the firm attain competitive advantage position. The direct relationship between competitive strategy drivers and firm performance supports the locus of control theory advanced by Rotter (1966) which relates to how strongly entrepreneurs perceive their efforts as being instrumental in reaching their desired goals. These entrepreneur's behavior are the ones said to have an internal locus of control while those who attribute the consequences of their actions to other causes are said to exhibit an external locus of control.

The study concurs with previous studies that established that strategies pursued by enterprises have a direct and strong influence on their performance (Gibcus & Kemp, 2003; Peng et al., 2008). Moreover, it is contended that enterprises with a comprehensive and steady strategy out-perform enterprises with no strategy (Gibcus & Kemp, 2003). Specifically, enterprises with a comprehensive and steady strategy outperform those with no strategy. These findings are also in support of Pelham (1999) who contended that a low-cost plan would lesser influence as opposed to emphasis on a differentiation strategy which would yield better performance for manufacturing SMEs thus the need for hybrid strategy drivers. Bowen et al. (2009) in their research on administration of business challenges amongst SMEs in Nairobi, assessed strategies they employed to overcome the challenges. The findings indicated that SMEs had the following approaches to conquer shortcomings: discounts and special offers, fair pricing, greater customer service, presenting a variety of services and products and constantly improving superiority of service delivery hence environmental based drivers. To further justify hybrid strategy drivers, Bowen et al. (2009) concluded that business prosperity is an outcome of embracing a mix of policies. It therefore means that organizations must always have a mix of strategies to counter the dynamic challenges in which they operate.

Conclusion

The study established that on competitive strategy drivers that is; resource-based drivers had the highest mean rating followed by hybrid strategy drivers and environmental based drivers respectively. Conceptual and empirical evidence suggests that competitive strategy drivers strengthen and enhances firm performance. The result indicated that most influential environmental based drivers on the performance of manufacturing SMEs in Nairobi County as cost drivers, while under the resource-based drivers, technology was most. These results suggest that competitive strategy drivers influence both financial and non-financial performance of manufacturing small and medium enterprises. This is an indication that the manufacturing small and medium enterprises have to develop and maintain innovativeness, creativeness, and firm learning within a firm, develop products whose

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attributes differ significantly from rivals' products and study of buyers' needs and behavior in order to learn what they consider important and valuable then incorporate the desired buyer features into the product to encourage buyer preference for the product. The results of test of hypothesis on composite indices established that there was a statistically significant relationship between competitive strategy drivers and performance of manufacturing SMEs in Nairobi county. Firms should therefore lay more emphasis on competitive strategy drivers which have positive impacts on their performance.

The limitation picked in this study was the limited scope of only focusing on manufacturing SMEs in Nairobi County thus there is a need to extend the research to other manufacturing SMEs in other cities and urban areas to allow for comparison of findings. Moreover it would also be interesting to investigate other strategies likely to influence a firm's performance and, consequently, to provide additional insights to organizations. Another limitation was on the data collection tool that was used. The questionnaires were administered to only one respondent per manufacturing SME. To enrich the data collected, it is suggested that more respondent especially at different levels of management within the participating SMEs be allowed to respond to the questionnaires. The questionnaire had closed ended questions. Nonetheless, it is acknowledged that this as a limitation of the study and encourage future scholarly work to utilize a mixture of both open and closed headed questions to allow for deeper insights into the issue being studied. Future research may also be done focusing on other methodologies such as qualitative. Qualitative research on the above issues would provide useful insights and complement already existing quantitative approaches in this area.

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