

PORTER'S GENERIC STRATEGIES AND FIRM PERFORMANCE IN PETROLEUM MARKETING COMPANIES: A CASE STUDY OF VIVO ENERGY, NAIROBI, KENYA

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ABSTRACT

The main objective of the study was to establish the influence of Porter's generic strategies and firm performance in petroleum marketing companies using Vivo Energy Limited as a case study. The business environment in emerging economies has witnessed intense competition among firms. Petroleum marketing companies in Kenya have had to face such conditions in a competitive environment prompting the firms to develop strategies that match their capabilities to market demands. The specific objectives of the study were: to examine how leadership cost strategy and; focus strategy affect the firm performance of Vivo Energy Limited. The study was premised on the; resource-based view, competitive advantage and contingency theories. This study adopted a descriptive research design. The target population was 237 employees at Vivo Energy Limited. Stratified proportion sampling was used to obtain a sample of 108 respondents. Questionnaires were used for data collection. Data was analyzed using descriptive and inferential statistics to determine the relationship between the study variables. Pearson correlation analysis was carried out to establish the relationship between dependent and independent variables. The analysis of variance (ANOVA) was checked to reveal the overall model significance. The study established that there was a positive relationship between the cost leadership strategy and firm performance. Analysis also revealed that focus strategy had a substantial positive correlation, establishing that focus strategy and firm performance are fundamentally related, and that the variation in firm performance can be explained by a unit change in focus strategy. The study recommended that the management of Vivo Energy Limited should adopt cost leadership strategy that is focused on gaining competitive advantage by selling their products at average prices to earn higher profits than competitors in the sector or below the average industry prices to gain market share. It also recommends that Vivo Energy should consider employing focus strategies that are concentrated on narrow segment aimed at achieving cost advantage or differentiation.

Keyword: Cost leadership, Firm Performance, Focus strategy, Generic Strategies

INTRODUCTION

Intense competition among firms caused by dynamic changes in the environments they operate in has prompted firms to adopt strategies to enable them sustain their activities and remain competitive in the market place (Candido & Santos, 2019). Globally, there has been a mixed experience for petroleum marketing companies in terms of their performance. Volatility in oil prices in the last decade have had a negative impact on oil revenues and the general performance of petroleum marketing companies (PMC). For others, it had been a struggle for survival to ensure that they keep their business afloat. The oil industry experienced a drastic reduction of prices in the second half of 2014. The average price of oil in 2015 dropped to \$49.49 per barrel. As a result of such reduced oil prices, there was a decline of cash balances of 97 global oil and gas companies by more than \$8 Billion for the financial year ending June 2015. This in turn led to reduction of profitability with some companies recording huge losses (Zafari, 2017). Petroleum marketing companies were worst hit in 2016 when oil prices fell to an average of \$40.76 per barrel. The shocks arising from sharp decline in oil prices led to closure of operations in major oil companies worldwide like *Exxon Mobil* (Doshi, Clark, & Maestro, 2016). Companies like *Shell International* were also affected forcing it to divest operations and exiting markets including closing a number of its subsidiaries in Africa (Stevens, 2016).

The global oil industry saw a gradual return to profitability in the subsequent years and stability in oil prices with highs of \$69.78 per barrel in 2018 followed by average price of \$64.05 in 2019 (Statista, 2020). However, fair predictability and the gains in the recovery of oil demand and oil prices was cut short by the advent of corona virus with effects felt in March 2020. PMCs now have to contend with the disruptive effects of COVID-19. Lockdowns and restriction of movement imposed by governments throughout the globe led to sharp declines in oil demand which also affected oil prices due to oversupply in the market. Average prices of oil fell below \$20 per barrel in late March 2020 and at one point recording negative prices in mid-April which is lowest price recorded since 1870. It is projected that the average price for 2020 may not rise above \$45 per barrel due to effects of COVID-19 pandemic. Oil Price (2020) also estimates that the oil demand will drop by up to 11 Million barrels per day (bpd). Reports show that a second COVID-19 wave is likely to negatively impact on recovery of oil demand which has negatively affected oil prices and sales due to low consumption as a result of restriction of movement (Oil Price, 2020).

In Kenya, the petroleum sub-sector has equally been highly competitive due to a number of dynamic changes in the market. The liberalization of the petroleum subsector in 1994, led to the proliferation of new oil marketing companies hence intensifying competition among the players in the market. Since then, the sub-sector has seen mergers, acquisitions, reduction in market share of major oil companies, rebranding, repositioning and even closure of some PMCs due to the highly competitive nature of the business environment.

Competition has intensified due several dynamic changes in the market. There is an increase in the number of registered and compliant oil marketing companies in petroleum sub-sector from 7 firms in 1994 to 91 firms in 2020 (EPRA, 2020). These 91 oil marketing firms deal with import, export and wholesale and distribution of petroleum products including fuel, lubricants and liquefied petroleum gas (EPRA, 2020). Whereas, before liberalization, large oil companies like *Total*, *Kenol-Kobil*, *Shell*, *Oil Libya* and the National Oil Corporation of Kenya (NOCK) dominated the market share, there is now competition for the total market share between large oil companies and independent oil companies due to the increased number of entrants. Whereas, liberalization of market resulted in proliferation of PMCs, there is also a high number of exit levels in the industry which demonstrates the great level of competition in the industry. The Kenyan oil market has also been affected by the impact of the COVID-19 pandemic which is likely to disrupt the recovery in oil demand which had fallen to 5.92 Billion litres in 2018 down from 6.29 Billion litres in 2017 (PIEA, 2020).

The necessity for a firm to adopt strategies to keep pace with the changing business environment and achieve superior performance above its direct competitors is at the core of the study of generic strategies. Michael Porter is first credited with advancing the idea that a business must employ strategies that enables it to attain performance above the average performing businesses. According to Porter (1985), superior performance can be achieved in a competitive industry through the pursuit of a generic strategy. Porter (1985) further explains that the strategies are an essential part of any effective business plan, which a firm can use to obtain a competitive market position. On the other hand, Borman and Schmit (2015) indicate that firm performance is a multidimensional concept which is measured by several indicators. The most common indicator used in measuring firm performance is profitability.

Cascio (2014) defines *firm performance* as the degree of attainment of job mission as the measurement in terms of job outcome, customer link, quality service, and intangible outcomes. Borman and Schmit (2015) indicate that performance is a multidimensional construct in which measurement is based on several factors. Brumbach (2010) defines firm performance as a means of both results and behavior, which comes on its own right and will or can be

judged differently from results. Performance is considered as one of the aspects that maintain effectiveness and efficiency in the firm ensuring firms become more competitive in the market level. The firm's performance is both affected by external forces which include competition, technology, and working environment and internal forces which include ability, motivation levels, skills, and knowledge. Hence, it is imperative to understand these forces and how they affect the performance of the organization in general.

According to Candido and Santos (2019), *cost leadership strategy* is a cohesive set of actions intended to deliver goods and services with aspects that are acceptable to the customers at the lowest pertinent to rival firms. According to this strategy, firms aim to exploit all avenues of cost advantage that aim at becoming a low-cost producer in the sector. The strategy occurs in an organization through the use of experience as a result of investing in production and conservation as well as monitoring operating costs to heighten organization performance (Hansen, Nybakk, & Panwar, 2015). Cost leadership strategy takes advantage of economies of scale by the production of high volumes of products that can be sold at a cheaper cost. Lowering prices attract more customers; thereby increasing sales, a firm can achieve a competitive advantage by becoming a market leader through reducing rates. A firm chooses to pursue a lower cost than its rivals or by differentiating a product to increase sales. Cost leadership strategy focus on increasing profits by reducing costs while charging industry-average price and by increasing market share through charging lower prices while at the same time the firm still makes reasonable prices (Akingbade, 2015).

Focus strategy puts more emphasis on cost minimization within a focused market, and it aims at production at a relatively low cost and availing the product to a huge customer base. The main approach in focus strategy is having a price for a particular segment which is different from other segments that are not targeted by other players in the sector. This depends on the differences in cost behavior which also calls for a wider market share. Focus strategy is affected by the following factors; access to capital, close supervision of labor, tight cost control, and incentives based on the quantitative targets (Akingbade, 2015).

According to Atikiya and Nzulwa (2015), firms that employ a focus strategy are those that are least cost producers in a market segment that they occupy. Firms have to think through the process before applying this strategy since cost focus is not achievable for industry relying on the economies of scale. The advantage of focus strategy the organization is in a position to carve the market niche against larger, broader line competitors, and to be in a place to locate slots within niches. And according to Allen and Helms (2010), focus strategy enables organizations to utilize their distinctive specialized competence as well as assets to create new slots. According to Kamau (2013), competitive advantage exists when the firm can deliver the same benefits as its competitors. Firms also achieve competitive advantage by ensuring that there is a lower cost in delivery or that delivery benefits exceed those of competing products thus such a competitive advantage enables the firm to create superior profits.

Statement of the Problem

The liberalization of the petroleum subsector in Kenya in 1994 led to an increased number of new petroleum marketing companies thereby fundamentally changing the landscape of the sub-sector making it highly competitive (Inyange, 2014) Competition has intensified due to dynamic changes in the market. Proliferation of new petroleum marketing companies has led to a scramble for the finite total market share (Somba, 2016). A projected depressed demand for oil due to the effects of COVID-19 further complicates the situation for petroleum marketing companies as the oil sales and revenues to be shared amongst all the players in the market are expected to be smaller (PIEA, 2020).

Several studies have been conducted in line with Porter's generic strategies. Njoroge (2006) examined competitive strategies adopted in the marketing of liquefied petroleum gas (LPG) and focused on the dominant players in the market (major oil companies). Mwangi (2008) examined the relationship between competitive strategies and performance of independent oil companies in Kenya with a specific focus on the sale of motor oil fuel. Wairegi (2009) examined the influence of competitive strategies on performance of oil firms in Kenya with a focus on motor fuel business. Some studies focused on the effect of one of Porter's generic strategy like focus strategy (Gakuya and Njue, 2019). Other studies have examined dependent variables other than firm performance including, environmental challenges (Mwangi, 2012), performance (Inyange, 2014), value chain performance (Somba, 2016), and sustainability (Gachuhi, 2019). The aim of this study was to fill the gap in existing literature by examining the influence of Porter's generic strategies and firm performance in petroleum marketing companies using Vivo Energy Limited as a case study.

The general objective of the study was to examine the influence of Porter's generic strategies on firm performance in the petroleum marketing companies using Vivo Energy Limited as the case study. The specific objectives of the study were

to: examine how cost leadership strategy influences firm performance; and, establish how focus strategy affects firm performance at Vivo Energy Limited.

The findings of the study will assist the management of Vivo Energy Kenya in reviewing its existing framework on the strategies it uses to align itself with Porter's generic strategies and know the strategies that work and those that fit its specific context. By so doing, VEK will be able to choose appropriate strategies that will positively impact on the firm's overall performance. The policy makers and regulators will also benefit as they will learn about the challenges and opportunities in the business environment for companies in the petroleum subsector in Kenya. With such knowledge, regulators such as Energy and Petroleum Regulatory Authority (EPRA) and relevant governmental institutions may develop policy and legislation to ensure that there is a facilitative environment and fair competition in the petroleum subsector. The study will provide essential data that will act as a reference point to students and researchers who will use this study as a basis for researching the same area by identify gaps in this study.

LITERATURE REVIEW

The study is anchored on the resource-based view and complemented by the competitive advantage and contingency theories.

Resource-Based View

The resource-based view generally refers to the perspective that organizational resources are important to the firm's performance. This perspective of resource based-view (RBV) is credited to the research conducted by Penrose in 1959 (Kozlenkova, Samaha, & Palmatier, 2014). These resources are organizational in the sense that they are considered to be internal resources that the firm already possesses. The resource-based view was first developed by Penrose in 1959 but its relevance in analyzing business performance gained prominence through Wernerfelt's work in 1984 (Kozlenkova, Samaha, & Palmatier, 2014). According to Wernerfelt the resource-based view of the firm was that internal resources are the real determinants of its profits and performance.

Jay Barney further advanced the merits of resource-based view which has become influential work in strategic management studies. In his 1991 study on "firm resources and sustained advantages", outlined main characteristics of internal resources and relationship with competitive advantages.

A firm achieves competitive advantages when "it is able to generate more economic value than the marginal competitor in its product market (Kozlenkova, Samaha, & Palmatier, 2014). In his later work distinguished competitive advantage from sustained competitive advantage (SCA). Barney stated that a firm achieved SCA when it achieves both competitive advantage and when other competing firms are unable to imitate the benefits of its strategy. (Kozlenkova, Samaha, & Palmatier, 2014).

Gills, Combs, and Ketchen (2014) are of the view that, not all resources of the organization are important to enable it to generate a competitive advantage. For an organization to achieve the position of its ability to create profits, the resources must be difficult to imitate, substitute or transfer. Gills, Combs and Ketchen (2014) distinguish between capabilities and firms' resources. Firm resources are stocks of available factors that are owned by the firm and its capability in deploying the resources. Elements of RBV are strategic choices by management, the characteristics and kind of advantage generating resources, superior performance, and competitive advantage (Gills, Combs, & Ketchen, 2014).

According to Kozlenkova, Samaha, and Palmatier (2014), RBV refers to the application of a bundle of valuable tangible and intangible resources at the firm's disposal. For any firm to transform a short-run competitive advantage into a sustained competitive advantage, it is necessary that these resources are diverse in nature. Therefore, such valuable resources are neither perfectly imitable nor interchangeable without great effort. RBV throws light on how a company can perform better than others. RBV lays emphasis on the internal resources of the organization in developing its strategy to achieve a sustainable competitive advantage in the market (Kozlenkova, Samaha, & Palmatier, 2014).

The proponents of RBV such as Jensen, Cobbs, and Turner (2016) suggest that in order for firms to achieve greater performance, firms are better off using existing resources in a new way rather than trying to acquire new skills or new resources for each different opportunity. These resources are in two sets tangible and intangible assets (Jensen, Cobbs, & Turner, 2016). The theory entails the identification of unique resources in a firm and making the decision where these resources can be invested to earn the company the highest profits, and RBV also suggests that organization resources are key determinants of its performance, and this contributes to its competitiveness and performance. If the firm's

resources are utilized appropriately, the organization can achieve and maintain a competitive advantage in the long run(Hitt, Xu, & Carnes, 2016).

Much as internal resources are important drivers of the firm performance, the sole focus on internal environment as the only way of optimizing the superior performance of a business is a limitation of the RBV theory(Gills, Combs, & Ketchen, 2014). The RBV is limited in the sense that it fails to acknowledge that the competitive advantage and performance of firm is also affected by the external environment. The reality is that factors external to the firm equally affect how a firm will operate in the market. External factors like laws and regulations, taxation, sectoral policies, compliance measures all determine how firms operate in the market. External resources also need to be considered when looking at factors that affect the strategies it can adopt to boost its performance. Therefore, in studying strategies that lead to superior performance, there is need to also consider external factors alongside internal resources of a firm as advocated for by RBV(Hitt, Xu, & Carnes, 2016).

Notwithstanding its limitations, the study adopted RBV as the anchor theory. RBV remains an important theory in explaining how firm can use resources at its disposal to gain competitive advantage in the market and optimize performance(Jensen, Cobbs, & Turner, 2016). RBV draws attention to the firm's internal environment as a driver for competitive advantage, and it puts more emphasis on the substantial resources that have been developed to compete in the business environment(Jensen, Cobbs, & Turner, 2016).

Competitive Advantage Theory

This theory was developed by Michael Porter in 1985, and it is derived from features that allow firms to outdo its competitors in relation to resources or competence and market position(Porter, 1985). The theory states that firms should adapt policies that create high-quality goods and sell them at a higher price. The theory emphasizes organization productivity in reference to growth and expansion as the focus strategy of the firm. The competitive advantage theory rests on the idea that cheap labor is readily available and that natural resources are not necessary for a good economy. The theory emphasizes on the need to maximize on applying economies of scale in goods and services that garner premium prices(Porter, 1985).

Frawley and Fahy (2006) argue that the attainment of a sustainable competitive advantage position can be expected to lead to superior performance that is measured in conventional terms such as profitability and market share that is in relation to the financial measurement approach. The theory views competitive advantage and performance in two different dimensions, and those firms should focus their managerial strategy towards attaining and sustaining competitive advantage position over their competitors (Fahy, 2006).

The objectives of the study are premised on the competitive advantage theory as it supports the notion that efficient management of resources can lead to firms gaining a competitive advantage position and to achieve superior performance. It is based on the idea that norms and beliefs are factors that enhance an organization's ability to receive, interpret and translate signals from the business environment into internal organizational and behavioral change that promotes firm's survival, growth, and development(Rose, Abdullah, & Ismail, 2010). The achievement of superior firm performance and efficient management of resources through cost minimization (cost leadership) and product knowledge (focus) are reflective of the objectives of the study. However, a number of criticisms have been aimed at the gaps in the competitive advantage theory(Nolega, Oloko, Sakataka, & Oteki, 2015).

The competitive advantage theory has been criticized by scholars on its applicability on firm performance. Ma made three observations on the various patterns between the competitive advantage theory and firm performance.(Rose, Abdullah, & Ismail, 2010) The first observation is that competitive advantage does not equate to superior performance; two is that competitive advantage is a relative term, and finally, competitive advantage is context-specific.(Rose, Abdullah, & Ismail, 2010) Ma further explains that because competitive advantage depends on the context, there are likelihoods that competitive advantage does not result to superior firm performance. Therefore, superior performance can be achieved without attaining the competitive advantage position(Rose, Abdullah, & Ismail, 2010)

The criticisms of the competitive advantage theory by scholars are important as they raise a number of issues that require consideration. The observations made is that there is no guarantee that competitive advantage will always lead to superior performance and that the alternative is true(Rose, Abdullah, & Ismail, 2010) It also raises the issue that competitive advantage does not always lead to superior performance. These criticisms in the analysis by Rose, Abdullah and Ismail (2010) are valid and expose the weakness of the competitive advantage theory. The limitations about the competitive advantage theory as pointed out by the scholars means that the application of theory needs to be

refined. For the competitive advantage theory to work well, performance will depend on the how it manages changes in the business environment it operates whereas internal resources are easier to control. To achieve superior performance using the competitive advantage theory, strategies to be employed need to consider changing contexts of the business environment (Candido & Santos, 2019).

This limitation reinforces the relevance of the resource-based view of the firm in this study. RBV remains important model as a driver of superior performance, as the firm will have a better capability of controlling and effectively managing its own internal resources and chart its path to success rather than the external environment which can be unpredictable. Secondly, in applying the competitive advantage theory, one needs to consider the context within which the firm or the business is operating in so that the strategies adopted suit that particular environment (Jensen, Cobbs, & Turner, 2016).

The gaps shown in the competitive advantage theory are that the success of competitive advantage to translate to superior performance depends on certain contingencies and will apply in certain contexts. As set out below, the study adopted the contingency theory to complement the competitive advantage theory. The contingency theory advocates for strategies to use both efficient management of internal resources as well as respond to contingencies in the external environment in order to achieve superior performance.

Contingency Theory

The contingency theory is traditionally an approach originating from fields of organizational behaviour and organizational management. It is premised on the notion that organizations will continue to be efficient and achieve performance when they adapt to the changes in the environment. The application of the contingency theory approaches to strategic management first started by the work of Hofer in 1975 who was the first to advance the use of contingency based research in the field of strategic management. (Ginsberg & Venkatraman, 1985) Since Hofer's work, the use of contingency theory gained wide application to strategic management field due to efforts of writers such as (Ginsberg & Venkatraman, 1985).

Ginsberg and Venkatraman (1985) view strategy in two ways; as a response to external environment or as a factor that has a direct effect on performance across different contexts (both internal and external). By not favouring a focus on internal resources or external environment, as being the dominant factor that leads to competitive advantage, often it has been said that contingency theory advocates for the position that “there is no best way of organizing a firm, the appropriate form depends on the nature of the firm's task environment”. For this reason, the contingency theory has been described as a mid-rangetheory that involves identifying and matching context settings with organizational settings (Volberda, Verwaal, & A., 2004).

In examining the influence of a chosen strategy on performance in different contexts, one discovers contingent relationships are created due to the interplay of the influence of internal resources of a firm and the external environment. Therefore, the success of a strategy chosen to achieve the desired superior performance is dependent upon both internal and external environment. This position is supported by Pearce and Robinson who view the success of a strategy depend on how firms find the right balance between use of available exiting resources and responding to environmental changes. (Kruger & Synman, 2002) As Pearce and Robinson state, an “organizations strategy must be based on finding an appropriate “fit” between organizations mission, changes in internal resources and external environment and quality and quantity of organizations core capabilities and competencies (Kruger & Synman, 2002).

The contingency theory is useful to this study as it informs the research objectives. The contingency theory complements the RBV and competitive strategy theory. It supports the basis of Porter's three generic strategies which combine the use of internal resources (capabilities and competencies of the firm) and response to external environment factors to achieve superior performance.

Empirical Literature Review

This section reviews and discusses existing literature that studies the relationship between the variables in the study.

Cost Leadership Strategy and Firm Performance

Nyaucho and Nyamweya (2015) investigated the effects of cost leadership strategy of LPG companies in Eldoret, Kenya. The study adopted Porter's generic competitive strategies on cost leadership strategy that explains that a firm

sets out to become the low-cost producer in its industry. The study adopted a survey design and targeted 175 firms. A sample of 64 respondents was selected using stratified random sampling. Data was collected from managers, departmental heads, and station supervisors using questionnaires and interviews and analyzed using descriptive statistics; Spearman Rank co-relation, mean and averages. Pearson's correlation coefficients was used to assess the degree of linear relationship among the study variables and normality of the study variables tested for cost leadership using skewness and Kurtosis. Homogeneity of the variables were tested using Levennes test of equality of variances across respondents gender. The study findings showed that: the firms that use cost minimization of operational costs; minimization of procurement costs; evaluation of labour costs; and, conduct costing of its promotion activities would have a competitive advantage over the rival firms. The study concluded that cost leadership strategy has a significant influence on the performance of firms enabling the company to charge low prices leading to increased sales, increased profit margins, improved service delivery, reduction in operations cost, less return inwards and reduced wastages. The study recommended that LPG companies should carry out market research in order to be in a position to identify the available gaps in the market(Nyaucho & Nyamweya, 2015).

Valipour, Birjandi and Honarbakhsh (2012) examined the effects of cost leadership strategy and product differentiation strategy on firm performance. The study also examined the effects of business strategies on the relationship between financial leverage and firm's performance. Data was collected from 45 firms in the Tehran Security Exchange for the period between 2003-2010. Data was analyzed using multiple regression to test the assumptions. Firms were divided into two groups; firms that applied cost leadership strategy and firms that used a dividend pay-out strategy. The study established that there was a positive relationship between leverage and firm size with performance in firms that applied cost leadership strategy. The study also established that there is a positive relationship between leverage and firm size with performance in the firms with product differentiation strategy. However, the relationship between dividend pay-out strategy and performance was negative(Valipour, Birjandi, & Honarbakhsh, 2012).

Ngaaga and Ragui (2017) examined the effects of cost leadership strategy on the performance of pharmaceutical companies in Nairobi County, Kenyaadapting a descriptive research design. The authors targeted 60 respondents from 20 pharmaceutical firms. The study used stratified simple random technique to select a sample of 36 participants. Respondents included chief executive officers, marketing managers, and operation managers. The study collected data with the aid of questionnaires. The data were analyzed using descriptive statistics and was presented in the form of tables. Inferential statistics were also used that adopted Pearson correlation, and multiple regression. The study established that cost leadership strategy affects the performance of pharmaceutical companies and the study recommended that pharmaceutical companies should embrace and invest in cost leadership strategy in relation to forming linkages with suppliers and involvement of stakeholders since this will enable the organization to achieve competitive advantage (Ngaaga & Ragui, 2017).

Focus Strategy and Firm Performance

Gakuya and Njue (2018) investigated the effects of focus strategy on customer loyalty among pharmaceutical companies in Nairobi County. The study was carried out using the descriptive survey design. The study targeted 119 pharmaceutical firms, and the sample size was determined using 30% of the target population, which gave a sample size of 35 firms. The study collected data with the aid of questionnaires which were analyzed using descriptive statistics and presented in the form of tables. Inferential statistics were also used that adopted Pearson correlation and multiple regression. The study established that focus strategy was found to have a positive influence on customer loyalty among the pharmaceutical firms. This meant that the increased investment in focus strategy facilitated the increase in customer loyalty among the pharmaceutical firms. The study recommended that firms should allocate adequate resources for sales and marketing(Gakuya & Njue, 2018).

Kavulya, Muturi, Rotich, and Ogollah (2018) examined the effects of customer focus strategy on the performance of SACCOs in Kenya. The study entailed a cross-sectional survey that employed a descriptive research design whose target population was registered SACCOs in Kenya that had been in operation for five years. The respondents drawn from the target population were 181 business development managers and chief executive officers (CEOs). Data was collected using questionnaires and analysed using the descriptive analysis. Multiple regression analysis was used to determine the relationship between the study's variables, and the results were presented using figures and tables. The study established that there was a positive relationship between customer focus strategy and performance of SACCOs. On testing the hypothesis, the results indicated that the relationship between customer focus strategy and performance of SACCOs in Kenya was significant. The study recommended that SACCOs should ensure that they provide quality services to customers, and they should employ and develop friendly customer management relationships (Kavulya, Muturi, Rotich, & Ogollah, 2018).

Yuliansyah, Khan, and Fadhilah (2019) examined strategic performance measurement systems, firm capabilities, and customer-focused strategy in the Indonesian financial sector. The study collected empirical data from the financial services sector using questionnaires that were analyzed using Smart PLS. The study received a total of 107 valid responses. The study established that a strategic performance measurement system contributes to enhancing a firm's market orientation and robustness. The study also revealed that strategic performance measurement systems positively contribute to customer focus by enhancing customers and organizational learning. The study recommended that an effective customer-focused strategy can be accomplished by purposefully adapting the focus of the firms' strategic performance measurement system to positively influence the organizational learning. The use of focus strategy in this way will translate to better competitiveness of the firm in the market place (Yuliansyah, Khan, & Fadhilah, 2019).

Summary and Research Gaps

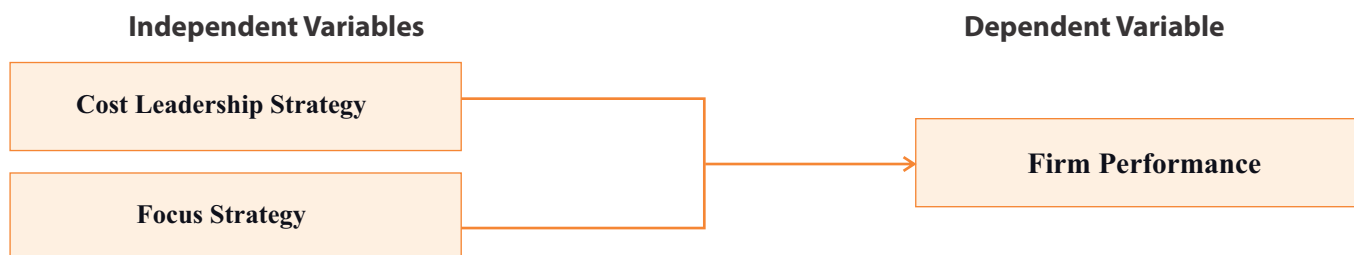
Despite a number of studies focusing on the adoption of strategies to achieve superior performance in competitive sectors, there are gaps in existing literature in regard to the study of the Porter's generic strategies and firm performance in petroleum marketing companies in Kenya. Many studies have focused on establishing the effect of strategies adopted by companies and institutions to gain an advantage over competitors in their respective sectors. A few have focused on studying Porter's generic strategies on firm performance but there is a gap in relation to studies that have focused on the petroleum marketing firms in Kenya. The ones that have studied generic strategies have examined one strategy and not two (cost leadership and focus) strategies. Existing research has been undertaken in different sectors including; banks, SACCOs, hospitals, rice milling companies and pharmaceutical companies. While the few that have studied all three generic strategies have sought to study their influence on variables other than firm performance like organizational performance, value chain performance, operational performance, strategic performance management and customer loyalty. This study aims to fill the gap in existing literature by examining Porter's generic strategies on firm performance in petroleum marketing companies using Vivo Energy Limited as a case study.

Conceptual Framework

The objective of the study was to establish Porter's Generic strategy on firm performance in petroleum marketing companies using Vivo Energy Kenya as the case study. The independent variable is generic strategies comprising; cost leadership and focus. The dependent variable is firm performance. The conceptual framework gives the diagrammatic summary of the relationship between the dependent and independent variables in the study.

The conceptual model that is presented and adopted for this study was derived from the literature review which examines the relationship of study variables. The study variables shown in the conceptual framework have been presented in line with the research questions. (Fig. 2.1)

Figure 2.1: Conceptual Framework



METHODOLOGY

Research Design

Orodho (2009) defines research design as a general layout that is used to answer research questions. The researcher adopted a descriptive research design in obtaining the most relevant, recent, and in-depth information on the topic analyzing and drawing detailed information that is useful to the research study. According to Kombo and Tromp (2009), a research design that is descriptive is appropriate for studies that have specific issues where problems have been defined. The descriptive research design enables description and observation of a subject without influencing it. Descriptive research design is limited in geographic scope hence it tends to be logically simpler and easy to conduct

besides providing the basis upon which other studies can be carried out (Cooper & Schindler, 2016). It is mostly used as a precursor to statistical research that provides valuable pointers as to which study variables are tested worthy quantitatively (Cooper & Schindler, 2016). This was a descriptive study that employed quantitative approaches. The unit of analysis was Vivo Energy Kenya in Nairobi and questionnaires were used for data collection.

Target Population

Cooper and Schindler (2016) define the study population as the total collection of elements that the researcher wishes to make some inference from. Further, they define the target population as all the members of a hypothetical set of individuals or objects the research study wishes to generalize the findings. According to Kombo and Tromp (2009), the target population comprises units that have observable characteristics that the study uses to generalize the finding. Borg and Grall (2009) described the target population as a common set of study units from which the researcher wishes to generalize results. This study targeted a population of 237 comprising employees in administration and human resource department, marketing, accounting and finance as well as procurement as tabulated in table 1.

Table 1: Target Population

Category	Frequency	Percentage
Administration and HR	75	30
Marketing	95	40
Accounting and Finance	30	12
Procurement	42	18
TOTAL	237	100

Sample and Sampling Technique

Sampling involves selecting individual units from a larger population. Borg and Grall (2009) observed that the sample drawn randomly is unbiased, and all the populations have an equal chance of being selected. The study employed a stratified sampling technique. Kombo and Tromp (2009) indicated that a sample size of 10% or 20% of the target population selected using stratified sampling is adequate to generalize the study findings. In this context, the study adopted proportionate stratification to determine the sample size per strata using the Yamane (1967) formula.

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

Where:

n is the sample size

N is the population size, and

e is the level of precision

Assuming the following: 95% confidence level and P = 0.05

$$n = \frac{237}{1 + 237(0.05)^2}$$

Where:

n_h is the sample size from strata h

N_h is the population size for strata h

N is the total population

n is the total sample size.

Using the Yamane formula above, a sample size of 108 respondents was drawn from the target population

Research Instruments

This study employed the use of questionnaires as the main data collection tool. According to Orodho (2009), the use of questionnaires is likely to elicit straight answers. This can be superior to an interview because social communion operates strongly in the face of the situation that may prevent the person from conveying what he feels to be socially or professionally unacceptable views. Questionnaires are preferred since they are easy to administer and time-saving (Borg & Grall, 2009). According to Orodho (2009), each item on the questionnaire should be developed to address a specific objective, research question or hypothesis of the study. The questionnaire contained closed-ended questions using scaled questions. Closed questions were employed in each section for the collection of respondents' views and opinions.

The questionnaires were administered via a drop and pick technique to the respondents whereas some were sent via email especially due to the COVID-19 pandemic for those who were required to work from home. The use of a self-administered questionnaire is recommended for eliciting a self-report on respondents' opinions, attitudes, and values (Kombo & Tromp, 2009). Availing of questionnaires to the respondents through the dropping and picking technique and via email adhered to the prevailing public health measures set by the government to contain the spread of COVID-19 including social distancing protocols.

Data Analysis and Presentation

Zikmund (2010) defines data analysis as the process in which raw data collected from research data collection tools are sorted and organized so as to extract useful information. The study generated quantitative data. This study also used inferential statistics to show the relationship that exists between the study variables. This included correlations and regression analysis. The study used the Pearson correlation matrix. The Pearson correlation helped in predicting and describing the association between the variables in terms of magnitude and direction. The correlation test was conducted at the 5% level of significance with a 2-tailed test. Thus, the critical significance value is 0.025 above, in which the association is deemed to be insignificant and vice versa.

The analysis of variance (ANOVA) was checked to reveal the overall model significance. In particular, the calculated f statistic was compared with the tabulated f statistic. A critical p value of 0.05 was used to determine whether the overall model was significant or not. A multiple linear regression model was used to test the significance of the influence of the independent variables on the dependent variable. To estimate a model of the composite index of a firm performance measure, α is a regression constant or intercept; β_1-3 is the regression coefficient. EE represents the composite score of generic strategies and is the independent variable. ϵ_1 is the random error term that accounts for the viability of the firm performance that cannot be explained by the linear effect of the predictor variables. The multiple linear regression models are as laid below.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + e$$

Where:

Y = Firm Performance

(β_i ; $i=1, 2$) = various coefficients for the independent variables

X_i for;

X_1 = Cost Leadership Strategy

X_2 = Focus Strategy

FINDINGS

The study administered a total of 108 questionnaires to the sample population and valid samples used for the study was 87 questionnaires resulting to 81% response rate. This response rate was favourable to be used in research analysis. According to Kothari (2009), 50% response rate is adequate, 60% good and above 70% rated very well. This indicates that the response rate was adequate to be used in the research analysis. The responses from the filed data show that the

majority of respondents who participated in the research study were male and that gender representation was fairly balanced, however the findings cannot be associated to any single gender despite the fact that the male respondents were slightly more than their female counterparts, and according to Kombo and Tromp (2009) respondent's gender is one of the most important characteristics in understanding their views about particular issues.

Respondents were required to indicate their age bracket. The majority of the respondents were aged between 40 years and 50 years, followed by respondents whose age fell between 30 years and 40 years, the response represents a good dispersion of the respondents in terms of the age bracket and most of them were in their youthful stage of life and according to Kothari (2009), respondent's age is one of the most important characteristics in understanding their views about particular issues and by and large age indicates the level of maturity of a person and in that sense it becomes important to examine the response.

The researcher asked the respondents in the different departments to indicate their level of education and the study established that the majority of the respondents had attained bachelor's degree followed by those with diploma level, followed by respondents with post-graduate education. This implies that respondents' education level was adequate to answer and construe the research questions on the different strategies that their company employed in increasing its performance. According to Kombo and Tromp (2009), education is one of the most important characteristics that might determine and affect individual attitudes and the way of looking and understanding any particular social phenomenon. In a way, the response of an individual is likely to be determined by one's educational status and hence it becomes imperative to know the educational background of the respondents.

Respondents were asked to indicate the years they had worked in the organization and the majority indicated between 4 years and 7 years, followed by 7 year to 12 years, followed by employees who have worked between 1 year to 3 years, this shows that respondents were in a good position to provide accurate answers to study questions and had a good understanding of the organization. The findings are supported by Zikmund (2010) who indicated that respondents with positions in an organisation better understand organizational dynamics and answer research questions with authority, and finally respondents were asked to indicate their position in organization and the responses shows that all levels were represented in the study, and the majority of the participants were from low level management.

Cost Leadership Strategy and Firm Performance

The first objective of the study was to examine and determine how cost leadership strategy affects firm performance at VIVO Energy Ltd. The study variable was assessed by requiring the respondents to use a five-point Likert scale and the researcher sought to examine how cost leadership strategy affects firm performance. A set of six questions was used to determine how cost leadership strategy affects firm performance and the study variable cost leadership strategy effects on firm performance had an overall average of 3.45 and standard deviation of 1.1133 and the study established that cost leadership strategy has a significant effect on firm performance. The Pearson correlation analysis carried out to establish the relationship between cost leadership strategy and firm performance, established a strong positive relation between the variables and consequently, an increase in cost leadership strategy will result to improved firm performance; the study findings are in agreement with other scholar's findings such as; Nyaicho and Nyamweya (2015), Valipour, Birjandi, and Honarbakhsh (2012), and, Ngaaga and Ragui (2017).

Focus Strategy and Firm Performance

The second objective of the study was to examine and determine how focus strategy affects firm performance at VIVO Energy Ltd. The study variable was assessed by requiring the respondents to use a five-point Likert scale and the researcher sought to examine how focus strategy affects firm performance. A set of 5 questions were used to determine how focus strategy affects firm performance and the results and the study variable focus strategy effects on firm performance had an overall average of 3.72 and standard deviation of 1.0752. This shows that focus strategy has a substantial effect on firm performance. The Pearson correlation analysis carried out to establish the relationship between focus strategy and firm performance recognized that there is a strong positive relation between the variables and subsequently, focus strategy will result to better firm performance. The study analyzed the relationship between focus strategy and firm performance and the findings show that the variation in firm performance is explained by focus strategy. The study established that focus strategy has a positive relationship with firm performance. The study findings are in agreement with other scholar's findings such as; Gakuya and Njue (2018), Kavulya, Muturi, Rotich and Ogollah (2018), Yuliansyah, Khan and Fadhilah (2019).

Firm Performance

Respondents were required to indicate to what extent does the following statements apply in VIVO Energy Kenya. The study variable was assessed by requiring the respondents to use a five-point Likert scale and. A set of four questions were used to determine how firm performance has taken place at VIVO Energy and the results the average mean score of firm performance was 3.64 and standard deviation of 1.0506. The study analyzed the relationship between firm performance and independent variables (cost leadership strategy and focus strategy) the findings show that the variation in firm performance is explained by cost leadership strategy and focus strategy. The regression analysis established that all factors put into consideration and cost leadership strategy and focus strategy and all factors are held constant firm performance will increase by 0.844. The study findings are supported by others studies by scholars such as Frawley and Fahy (2006) and Borman and Schmit (2015).

The study faced some limitations such as the out break of COVID-19 pandemic which forced the researcher to use emailed questionnaires and the reseacher had to continuously call the respondents to remind them to fill the questionnaires. A few of the respondents were also reluctant to disclose some of the information the study sought especially concerning their organization however, the researcher assured the respondents of the confidentiality of the data that they provided by sharing the letter from The National Commission for Science, Technology and Innovation (NACOSTI), and that facilitated as external proofs that the study was not illegal as well as the letter from The Management University assuring them that the information that they provided was purely for academic purposes. Additionally, due to the busy nature of work in their occupations, and government protocols on social distancing requirement, respondents were sometimes not available when required as they worked on a work scheduled rota, thus delaying the data collection process. However, the researcher was patient with them and allowed them to take their time in filling the questionnaires.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

The study established that cost leadership strategy has a significant effect on firm performance. The Pearson correlation analysis carried out to establish the relationship between cost leadership strategy and firm performance established a strong positive relation between the variables and the study concludes that an increase in cost leadership strategy will result in improved firm performance.

On the second objective of the study about how focus strategy influences firm performance, the study established that focus strategy has a substantial effect on firm performance concluding that there is a strong positive relation between the variables and that subsequently, advance focus strategy will result in better firm performance and also the variation in firm performance is explained by focus strategy.

The study also analyzed the relationship between firm performance and independent variables (cost leadership strategy and focus strategy) and established that the variation in firm performance is explained by cost leadership strategy and focus strategy. The study concludes that all factors put into consideration, cost leadership strategy and focus strategy are constant factors that affect firm performance.

Recommendations

The research study suggests the following recommendations for improvement by the VEK management. VEK management should always adopt cost leadership strategy that is focusing on gaining competitive advantage by becoming the lowest cost producer in the sector. VEK can decide to sell their products either at average prices to earn a higher profit than other players in the sector or below the average industry prices to gain market share. VEK should create a unique position in the market through provision of quality goods, and services, the study recommends that the organization should continue investing in unique products and services that will differentiate them in the oil marketing sector, VEK should focus on product innovation which will provide them with a market niche, the management should also carry out aggressive market research in order to change customers perception about their product pricing. Management of VEK should consider employing market focus strategies narrowing her market segment and within that segment attempt to achieve either a cost advantage or a differentiation and also consider adopting other strategies such as strategic alliances that will ensure growth in expanding the scope of market and operations of their entities in a bid to improve performance.

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