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Kerama, R., & Simba, F.

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EFFECT OF STRATEGIC POSITIONING ON FIRM PERFORMANCE: A SURVEY OF CONTAINER FREIGHT STATION OPERATORS IN MOMBASA COUNTY, KENYA

Kerama, R.,[1*] & Simba, F.[2]
[1*]Master Scholar, Jomo Kenyatta University of Agriculture & Technology [JKUAT], Mombasa, Kenya
[2]Ph.D, Lecturer, Jomo Kenyatta University of Agriculture & Technology [JKUAT], Mombasa, Kenya

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ABSTRACT

This study sought to explore the effect of strategic positioning on firm performance-a survey of CFS operators in Mombasa. The specific objective of the study were: to assess the effect of differentiation strategy on firm performance on CFS operators in Mombasa County, to examine the effect of cost leadership strategy on firm performance on CFS operators in Mombasa County, to evaluate the effect of perceived quality of service strategy on firm performance on CFS operators in Mombasa County and to evaluate the effect of business diversification strategy on firm performance on CFS operators in Mombasa County. The study adopted a cross sectional survey research design while the population of the study comprised the 16 CFS operators based in Mombasa. This study employed a designed questionnaire in collection of data. The questionnaire had both closed and open questions and was instrumental in achieving the goals of this study as explained above. Data analysis was conducted with the assistance of Statistical Package for Social Sciences (SPSS) version 23. Data was analyzed descriptively using frequencies distribution, percentages and mean. Hypotheses of the study was tested using Pearson correlation analysis to show the relationship between study variables while multiple linear regression analysis was conducted to establish the effect of the independent variables on the dependent variables. The study findings indicated that there was a positive significant effect of diversification strategy, cost leadership strategy, perceived quality of service strategy and business diversification strategy on firm performance. The study concluded that differentiation strategy, cost leadership strategy, perceived quality of service strategy and business diversification strategy are predictors of firm performance. The study recommended that managers should position their firms strategically and be competitive to enhance firm performance.

Key terms: *Cost Leadership Strategy, Business Diversification, Differentiation Strategy, Strategic Positioning, Strategy*

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INTRODUCTION

A High Performance Organization is defined as an organization that attains remarkable results (both financial and non-financial) by clarification of its strategy, alignment of strategies, systems and structures, and by making every employee a contributing partner in its business operations (Brown andBessant, 2013). The 21st century business landscape is characterized by challenging and complex context which is being influenced by several factors from globalization, frequent and uncertain changes to the rising utilization of information technologies. Thus, attaining the desired performance is a key pre-occupation of the senior management in the competitive markets which characterize several businesses in the present day trading environment.

Many firms look for the best strategies so as to consolidate and establish a strong foothold in the market. Nevertheless, to be able to accomplish this, the service delivery process must be carefully described, negotiated and agreed upon taking into consideration preferences, wants and needs of the potential clients. For any firm to be profitable and guarantee sustainability, it must develop strategies which position itself in the market and enhance the organization’s general performance. Strategic positioning has been identified as a critical tool for confronting the competitive and cut-throat competition in the logistics industry today as well as a tool for enhancing the performance of these organizations.

Internationally, Yasar (2014) examined competitive strategies and firm performance on Gaziantep Carpeting Sector and concluded that so as to enhance firm performance and achieve sustainable competitive advantage in international markets, competitive strategies must be utilized resolutely and differentiation and cost strategies simultaneously implemented by decision makers.In a highly uncertain and dynamic environment, competitiveness should be considered as a multi-dimensional construct consisting of shareholder values, customer values, as well as the capability to react and act. Every one of these dimensions should be examined relatively instead of absolutely.

Galal (2014) argues that the new wave of liberalization coupled with dynamic and competitive business environment, has forced firms to go to the drawing board, overhaul their operations and develop new strategies for re-assessing both the internal and external environment. Consequently firms need to get new skills to come up with a strategic vision for the future course of their operations. Numerous organizations have embraced different strategies such as diversification, mergers and acquisitions, and strategic alliances (Todorov andSmallbone, 2014).

Kenya plays an important role in international trade within East and Central African region as a gateway for exports and imports. The bulk of cargo is from in and out of Rwanda, South Sudan and Uganda, countries which all depend on the Mombasa port. Operated and managed by the Kenya Ports Authority, Mombasa is an important hub for international trade within the East and Central African area (KPA, 2016). Logistics is well diversified in Kenya and consists of firms specializing in sea, airfreight, transport, warehousing, freight forwarding, customs clearance part logistics and project cargo logistics. The key players comprise Boss freight, Signon, regional, Autoport, multiple ICD, APMT, Interpel, portside, Awanad, Mombasa Island, MCT, Consolbase, Makupa, Compact, Focus and Mitchell Cotts (APMT Report, 2017).

The Kenya International Freight and warehousing Association is the industry body taking care of the CFS operators whereas the Ministry of Transport and Infrastructure is charged with its development and regulation. According to the World Bank’s Logistics Performance Index (2015), Kenya is ranked position 122 overall out of 155 nations, with a 2.43 score and 45.9% of the best performer-Singapore (APMT Report, 2017).

The rate of infrastructural development in Kenyan has taken a notch higher especially with the promulgation of new constitution and consequent devolution of funds to various counties. The Kenya Railways Strategic Plan 2012-2017 was launched in tandem with the Kenya's Vision 2030 alongside the Medium Term Plan (MTP) II that indicates the construction of the SGR being one of the of the core infrastructural developments for the year 2013-2017 (Kithinji, 2018).The aim of the railway construction then was to raise the railway capacity to ferry 50% of freight cargo (about 25 million tonnes) from the Mombasa Port.

According to the Vision 2030, the SGR line from Mombasa to Malaba is expected to handle approximately 50 per cent of the freight cargo throughput, thus easing congestion on our roads in and with a design capacity to transport 22 million tonnes of cargo, which is equivalent to 80 per cent of the total cargo at the port as at 2016-the CFS operators are already feeling the heat. Thus the logistics industry in Kenya is extremely competitive and individual CFS operators need to develop strategies on how best to serve their customers, uniquely maintain their services and products as well as look for new markets to serve so as to remain competitive.

The government's latest directive issued on 24 February 2018 to have at least 40% of cargo arriving at the port of Mombasa ferried to Nairobi on the SGR for clearance at the inland container depot (ICD) (KRA, 2018) has further heightened the threat causing anxiety and uncertainty among CFS operators. It is estimated that there are 15,000 trucks in the region, with 8,000 trucks leaving the port every week (KRA, 2018). There is a threat of them being driven out of business, if SGR starts transporting cargo to Nairobi's Internal Container Depot. In addition, CFS employ approximately 6,000 people directly and 30,000 people indirectly in Mombasa who stand to lose employment if cargo is cleared from the port through the SGR (Kithinji, 2018).

This predicament has presented a major problem to the CFS which has caused CFS operators to go back to the drawing board for not only re-inventing but also strategically repositioning themselves to remain afloat and relevant. Some of these strategies include effectively employing cost leadership in their operational cost, diversifying their business portfolio, and embracing product differentiation strategy as well as improved customer service. All these strategies are aimed at re-modelling the business of CFS operators, to ensure business continuity. Despite application of these strategies, there is no study that has been conducted to establish how applications of these positioning strategies have influenced the performance of CFS businesses, in Mombasa. In the light of the changing business scenario, brought about by the diversion of cargo, from port to rail transport and clearance, in Nairobi.

Locally, a number of studies related to strategic positioning have been carried out. For example, Munene (2013) investigated strategic positioning and organizational performance of the top five oil companies in Kenya and concluded that costing and promotion, differentiation strategy, pricing strategy and perceived quality of service were employed by companies to enhance their performance. Maikah (2015) reviewed competitive strategies and organizational performance at East African Portland Cement Company.

From the above mentioned studies, it is quite obvious that there is no study that has touched on the effects of the strategic positioning on firm performance of CFS operators in Mombasa and none of them focused on the specific variables (business diversification and cost leadership) that this study is focusing on. Thus, this is a ground breaking study that sought to fill these gaps.

Specific Objectives

- To assess the effect of differentiation strategy on firm performance on Container Freight Station operators in Mombasa County.

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- To examine the effect of cost leadership strategy on firm performance on Container Freight Station operators in Mombasa County.
- To evaluate the effect of perceived quality of service strategy on firm performance on Container Freight Station operators in Mombasa County.
- To evaluate the effect of business diversification strategy on firm performance on Container Freight Station operators in Mombasa County.

Research Hypothesis

The study was guided by the following null hypothesis:

$H0_1$: There is no significant relationship between differentiation strategy and performance of Container Freight Station operators in Mombasa County.

$H0_2$: There is no significant relationship between cost leadership strategy and performance of Container Freight Station operators in Mombasa County.

$H0_3$: There is no significant relationship between perceived quality of service strategy and performance of Container Freight Station operators in Mombasa County.

$H0_4$: There is no significant relationship between business diversification strategy and performance of Container Freight Station operators in Mombasa County.

RELATED LITERATURE

Theoretical Framework

The Value Chain Analysis Theory

The value added concept, in the form of the value chain, can be adopted in developing a firm's sustainable competitive advantage within the ever changing business environment of the 21st century (Daidj, 2015). Every firm comprises of activities that connect together to develop the value of the enterprise, and these activities, together form the value chain of the organization. The concept was developed on the understanding that a firm constitutes more than a random collection of people, financial resources, equipment and machinery. It is only and only when these things are organized into systems and systematic activities that a firm will be able to develop a product that customers are willing to purchase at a given price (Lynch, 2013).

Porter's value chain framework is network of activities or an inter-reliant system, joined by linkages. In instances when the system is effectively managed, the linkages can be an important source of competitiveness (Lynch, 2013). Fundamentally, the value chain analysis (VCA) comprises the linking of two areas. First and foremost, the value chain connects the value of the firm's activities with its key functional components. Then, the evaluation of the contribution of every part in the entire added value chain analysis of the firm is determined (Lynch, 2013). So as to carry out the VCA, the activities of the firm are divided into primary and secondary or support activities. Porter argued that an organization's sources of competitive advantage cannot be seen by viewing the organization as a whole, but rather dividing the firm into a series of activities (Daidj, 2015).

Logistics Value Chain (LVC)

Thus, logistics value chain (LVC) can be used to refer to the chain with a sequence of intrinsic logistics value. Thus, LVC exists in the correlation of logistics process, spanning from downstream to upstream. LVC mirrors the nature of supply chain-showing the initial driving force to develop the supply chain. Normally, the customary nature of "logistics contract" is a tangible form, nevertheless, the value chain has been interpreted into supply chain as a limitation. In the conventional framework of value chain, the "logistical" activities were depicted in internal logistics (that is industrial logistics) as well as external logistics (that is business logistics), nevertheless, all of them are elements of LVC (Jaffeux and Wieser, 2012), which can be harnessed to effectively position the firm against the competition.

Indeed, LVC is one aspect of the firm's value chain that comprises external logistics activities as delivery of both raw materials and finished products, in addition to internal logistics activities like producing and selling. According to Jaffeux and Wieser (2012), logistics, in the supply chain can be employed in the optimization and integration of the logistics resources, whereas LVC is employed in designing and planning the value-added activities within the process of logistics. It is all these activities that comprise a new kind of chain, commonly referred to as logistics value chain. This is demonstrated in Figure 2.1 below.

LVC can be employed in optimizing logistics systems and reconstructing the logistics process of various firms, hence maximizing the value of logistics in a given company. Thus, logistics firms usually provide logistics services. Sadler and Craig (2013) lists the various stages of value-added activities in the whole process, which comprise recipient, branch transportation, transit, trunk transportation, transit again, another branch transportation, distribution and so forth. If the logistics firms wish to enhance their strategic positioning, then there should be a continued flow, coordination as well as synergy from all those activities to attain desired output that include differentiated products, cost leadership and reliable quality service offering characterized by high standards of service delivery (Muia, 2017).

Such values emanate from the LVC that exists in the logistics firms' networks and processes. According to Christopher (2013), the logistics firms' activities can also be classified into primary and secondary activities. For instance, the basic activities in delivery process of most logistics firms comprise receiving, sorting out (might include packaging), transporting and distributing. Christopher (2013) further argues that so as to attain synergy in the four elements of delivery, the logistics firms must capitalize on the process of design delivery as well as delivery network. Ancillary activities like collection of payments, e-commerce, are beyond the primary activities.

As a result, a LVCA can greatly assist logistics firms in identifying new profit growth segments, get the value of both their customers and enterprises enhanced, and then overall attain the key competitiveness in logistics. The four primary activities for most logistics firms include strategic positioning, optimization of network, value added activities and performance appraisal of employees coupled with performance assessment, such as laying out logistics network, delivery process optimization, establishment of call centers, delivery performance evaluation and so forth. The support services comprise two core aspects: information platform and delivery infrastructure. According to Christopher (2013), information platform comprises delivery information sharing, delivery network construction, e-commerce development, collection payment and so forth.

Jaffeux and Wieser (2012) notes that basic activities are key to logistics firms especially since they improve competitiveness, in addition to being a source of profits. Moreover, ancillary activities are critical in supporting the primary activities in effective implementation of a firm's objectives. The LVC of logistics firm is a dynamic process tasked with creation of logistics value for their customers. Conventionally, 'the customer' is a firm's external customer, whereas the 'service' is the internal 'customers'. However, in LVC, merging the external and internal factors, the logistics forms enhance the service quality of internal and external customers synchronously, in order to attain the fully as well as continued benefits of external and internal resources, so as to form the key logistics competitiveness.

The Resource- Based View Theory

The resource-based view (RBV) of the firm focuses on the internal environment of the firm as a competitive advantage driver and stresses on the resources that have been developed by a firm to effectively strategically position itself and compete in the market. The resource-based perspective, in other words, explains how firms model their enterprises from the capabilities and resources that they presently possess or can obtain. The RBV therefore, seeks to elaborate the internal sources of an organization's sustained strategic positioning for competitive advantage. During the initial strategy development stage of Hoskisson's description of the strategic thinking development, (Hoskison et al., 2009), the attention was on the firm's internal factors.

Munene (2013) argues that the resource based view of organizations is on the basis of economic rent concept and the perception of a firmas a collection of capabilities. While the traditional strategy models concentrate on the firm's external competitive environment, the RBV emphasizes the need for a fit between the contexts of the external market within which an organization operates as well as its internal capabilities. The internal environment of a firm, from this perspective, in terms of its capabilities and resources, is the essential factor for the determination of strategic positioning (Papp andLuftman, 2015).

Thus, strategic assets, according to Amit and Shoemaker (2013), are the 'the set of difficult to trade and imitate, scarce, appropriable and specialized resources and capabilities that bestow the firm's competitive advantage'. Powell (2011) argued that business strategy can be perceived as a device for manipulating resources such as those with the sole objective of creating competitive advantage. According to Prahalad & Hamel (2014); Barney (2011), core competencies are valuable, rare, and distinctive firm-level resources which competitors are not able to reproduce, substitute or imitate. Papp and Luftman (2015) describe distinctive competencies as the sum total of all things that make the business successful in the market place. Wang (2014), outline a technique to firm-level analysis that necessitates stocktaking of a company's internal capabilities and assets. In this case, the assets could be physical assets, human resources and knowledge assets (intellectual capital), that in turn establish a firm's capabilities.

The Capability-Based Theory

According to Grant (2011), a firm's capabilities are the source of competitive advantage whereas resources are the source of capabilities. A similar perception was adopted by Amit and Shoemaker (2013) who claimed that resources consist capabilities of a given firm that lead to its sustained advantage and not its resources. Long and Vickes-Koch (2015) and Hass and Hansen (2015) supported that significance of capabilities and suggested that an organization can achieve competitive advantage from its capacity to conduct essential activities within it.

Amit and Shoemaker (2013) described capabilities in contrast to resources as a firm's capacity to deploy resources, usually in combination using organizational processes, and effect a desired end. They are information-based, tangible or intangible processes that are firm-specific and developed over time through complex interactions among the firm's resources. According to Teece et al., (2017) dynamic capabilities is the firm's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments.

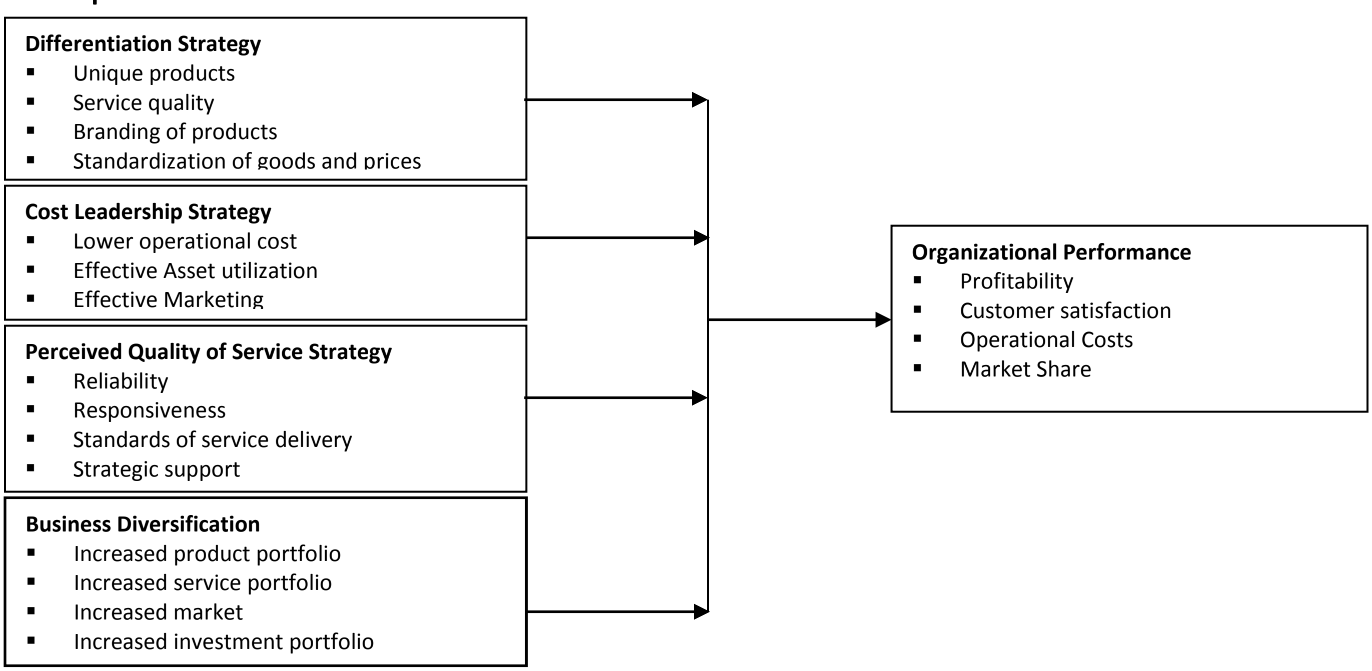
In addition, Grant (2016) describes organizational capability as 'a firm's ability to perform repeatedly a productive task which relates either directly or indirectly to a firm's capacity for creating value through effecting the transformation of inputs and outputs'. Capability is further divided into four classes: broad-functional capabilities, cross-functional capabilities, specialized capabilities and activity-related capabilities Sirmon et al., (2013). The significance of organizational learning was emphasized by Sirmon et al., (2013), who suggested that organizational learning and capabilities explicitly and implicitly are an aspect of any strategy within any organization and are critical in its strategic positioning. Zack (2009) argued that the capability to learn and thus create new knowledge is crucial for attaining competitive advantage that is exhibited in differentiated products, high quality service offering and cost leadership. A firm's capability is thus critical in the provision of the perceived quality of service to its clients hence boosting its performance.

Diversification Theory

Firms pursue diversification for a variety of reasons; it may be driven by increasing demand from managers and employees to diversify, it may also be pursued in order to preserve organizational and reputational capital, or it can be sought for financial and tax advantages and mergers can also be pursued to reduce risk (Jarrel et al., 2014). While shareholders can diversify in the industry, employees have limited options to diversify their labor income sources. Therefore, diversification in the firm can provide managers and other employees with job security and opportunities for promotion, and other things being constant, this can lead to lower labor costs. Further, in modern theory of the firm, employees usually acquire and accumulate knowledge that is specific for the firm and which cannot be used elsewhere. However, when the firm is liquidated the knowledge streams that had been created are destroyed and this resource is lost.

Diversification ensures that there can be a smooth and efficient transition of the firm's knowledge to other business activities hence helping in the continuity of the firm (John, 2010). Firms can achieve diversification either through internal growth or mergers. However, mergers are preferred because firms quite often lack internal growth opportunities due to lack of resources or when there is excess capacity in the industry. Amihud and Lev (2009) intimated that a firm's choice to diversify is considered a major strategic decision. There is a clear distinction between portfolio diversification and firm growth and the two should be treated as such; however in most literature; researchers recognize diversification as the key driver for firm growth. Hence diversification is seen as a form of growth marketing strategy by which firms can enter new industries, products, services and even markets. Given this scenario; then growth is seen to be an incentive for firms to diversify.

Conceptual Framework



Independent Variables **Dependent Variable**

Figure 1: Conceptual Framework

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Source: Author (2019)

Review of Strategic Positioning Strategies

Differentiation Strategy

Porter (2010) argues that differentiation strategy entails creation of products that are perceived as distinctive. The distinctive benefits or features must offer superior value for the intended clients if differentiation strategy is to be effective. Since customers view the product as unequaled or unrivaled, the price elasticity of demand appears to be minimized and clients become brand loyalists. Such loyalism can offer significant edge against competitors. Galal (2014) defines product differentiation as the stocking of exclusive or unique brands or products, branded products as well as extraordinarily deep and broad merchandise assortment. Consequently, merchandise decisions focus on the key merchandise policy, assortment profiles, branding, merchandise augmentation and branch stocking polices (Peng, 2010).

Normally, services are mostly intangible offerings and are usually experienced at the same time with production and consumption. Frequently, the interaction between the seller and the buyer leads to the delivery of services to the target customers. Thus, because the interaction between a service provider and consumer leads to the creation of opportunities for clients to assess services, service quality can widely be conceptualized as the overall impression of the customer on relative superiority or inferiority of the firm and its service offerings (Kim and Mauborgne, 2013).

Cost Leadership Strategy

Cost leadership entails the company acquiring market share by become attractive to price-sensitive or cost conscious customers. This strategy is attained by maintaining the most affordable prices within the target market or at least having the least price to value ratio (price in comparison to what customers get). To successfully maintain cost leadership while still being profitable and getting high return on investment, a company should operate at very low costs in comparison to its competitors. Couto (2017) argues that one of the core roles of marketing strategies is the unique positioning of the firm so as to create the most appropriate competitive advantage.

On the other hand, promotion is the function of notifying, inducing as well as influencing the decision process of customers and encompasses such aspects as persona selling, advertising, discounts and public relations. Of all the above, advertising is regarded as the most influential promotion strategy and is a kind of sponsored public notice seeking to inform, convince, and even transform consumer attitudes toward a specific product, with the aim of prompting a final purchase (Michael et al., 2016). Tools such as sales-force promotion, trade promotion and consumer promotion are used for promotion.

Perceived Quality of Service Strategy

Quality provision must exceed the expectations of consumers since customers compare the supposed with the anticipated service. Whenever the perceived service does not meet the expectation of the customers, they gradually lose interest with the firm whereas loyalty is created by the opposite. There are 5 determinants of service quality that by ascending order of significance comprise empathy and customized attention to clients, capability to exhibit trust, responsiveness (willingness to assist customers and swift service assurance) and reliability. Research has demonstrated that well managed firms conduct the practices that follow: top management support and strategic concept, high standards of service delivery, satisfaction of customer complaints, service monitoring systems as well as an emphasis on satisfaction of employees.

Porth (2013) argues that service firms are faced by three aspects: productivity, service quality and competitive differentiation. Differentiation acts as the point where service provider incorporates secondary service features to the basic service whereas delivery differentiation serves as the point where a firm is involved in hiring and training staff for delivering services or via utilization of image differentiation by branding and symbols. Armistead and Dark (2013) discovered that firms that encourage clients to complain record increased profits. Service companies that are well managed ferry internal marketing and offer employee rewards and support for enhanced performance.

Business Diversification

Diversification refers to a firm's entry into a new market. It means the increase by a firm in the kinds of businesses which it operates, being that diversity either related to products, geographical markets or knowledge (Chandler, 2010; Berger et al., 2010). Diversification seeks to minimize credit and other risks and to reduce volatility in profits. It is achieved through merger by expanding geographically and by taking on different products or developing new ones using newly-acquired capability. Diversification is often the main driver of cross-sector conglomerates and cross-border mergers.

Managers of firms often give diversification as a reason for entering into mergers and acquisitions (Berger et al., 2010). The explanation behind this is that the risk of earnings volatility is minimized when the activities of a firm are diversified. Thus when one aspect of operations is on the downside the loss can be compensated for or offset by increased or continued earnings in another aspect. This will then smoothen the earnings a company, which over time leads to smoothening of the stock price of a company; hence giving investors more confidence to invest in it.

Diversification is also seen as a risk reduction function of mergers which have though described this as dubious reason for mergers; this is so because though diversification in itself is a good thing there is need to analyze the cost associated with the venture as opposed to other options. According to Brealey et al (2013), diversification is easier and cheaper to the individual shareholder than for the corporation. Thus while diversification may shield a company against a downturn in an industry it does not deliver value. This is because individual shareholders are able to achieve the same cushion by diversifying their individual portfolios at much lower costs than those of mergers. Indeed research suggests that in most cases diversification does not increase the firm's value. In fact many studies find that diversified firms are worth significantly less than the sum of their individual parts.

Organizational Performance

A major relationship between strategic positioning and performance in the insurance industry was established by Akubu and Kimathi (2012). Owino et al. (2013) on the other hand established a positive correlation between strategic positioning practices and performance in the commercial banking industry in Kenya. Moreover, Kamanda et al. (2014) explored the effects of positioning strategies as company level practice on organizational performance in the Export Processing Zone (EPZ) companies. In another study by Lugwete and Chepkner (2012), it was discovered that the small-sized manufacturing firms are the best performing firms as far as relative efficiency (78%) followed by large-size manufacturing firms (69%) and medium-sized manufacturing firms (68%) in that order. The scholars nevertheless, utilized only financial measures to establish performance disparities among the companies. Organizational measurement is a multi-dimensional factor with numerous variables (Kennerley and Franco-Santos, 2005). The main objective of the study was exploring the positioning strategies as an aspect of strategic planning on both financial and non-financial performance of the firm.

Miller (2016) demonstrated that organizational performance is the end achievement of a firm and entails things like existence of specific targets which are achieved, has a span of time in attaining the targets and the accomplishment of effectiveness and efficiency. Organizational performance, on the other hand, refers to the capability of an enterprise to attain such goals as quality product, high profits, increased market share, excellent financial results and competitive edge at pre-determined period by use of relevant strategy for action (Miller, 2016).

METHODOLOGY

According to Jupp and Sapsford (2016) research design is an overall strategy or plan for conducting a research aimed at examining definite testable research questions. The term research design signifies both a process as well as a product aimed at enabling the building of thorough arguments. The study adopted a descriptive cross sectional survey. Data was collected across the 16 CFS operating in Mombasa. Research questions were analyzed by use of descriptive statistics such as percentages, tables and frequencies. Hypotheses of the study was tested using Pearson correlation analysis to show the strength and the direction of the relationship between the dependent and the independent variables of the study while multiple linear regression analysis was conducted to establish the effect of the independent variables on the dependent variable of the study. According to Kothari (2004), this regression model is best utilized when more than two independent variables are utilized. Thus, the multiple regression equation for regressing the dependent variable against the independent variables was as shown below:

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon}$$

Where;

Y= Performance of CFS operators

β_0 = constant

$\beta_1, \beta_2, \beta_3, \beta_4$= Coefficients of variables

X_1= Differentiation Strategy

X_2= Cost leadership Strategy

X_3= Perceived Quality of Service Strategy

X_4= Business Diversification Strategy

ε = error factor

FINDINGS

Differentiation Strategy

The study sought to identify effect of differentiation on the organizational performance of CFS in Mombasa.

Table 1: Differentiation Strategy

	N	Mean	Std. Deviation	Variance
Availability of extra services	103	4.12	.754	.658
Development of a new advertising campaign or other sales advertisements.	103	2.78	1.335	1.783
Have social responsibility activities	103	3.28	1.216	1.479
Extended working hours	103	2.38	.487	.238
Quick in introducing new products	103	4.75	1.126	1.269
Availability of a broad range of services	103	3.33	.922	.851
Availability of customer attendants at all times	103	3.91	.981	.963
Valid N (listwise)	103			

The first objective of the study was to assess the effect of differentiation strategy on firm performance on Container Freight Station operators in Mombasa County. The respondents were asked using a Likert scale of 1-5, to tell the extent to which differentiation strategy on firm performance on Container Freight Station operators in Mombasa County. The statement on availability of extra services had a mean score of 4.12 and a standard deviation 0.754 and variance of 0.658. The statement on development of a new advertising campaign or other sales advertisements had a mean score of 2.78, standard deviation 1.335

and a variance of 1.783. The statement on whether the company have social responsibility activities had a mean score of 3.28, standard deviation of 1.216 and a variance of 1.478. Extended working hours recorded a mean score of 2.38, a standard deviation of 0.487 and variance of 0.238. On whether the company is quick in introducing new products, respondents responded with a mean of 4.75, standard deviation of 1.126 and a variance of 1.269. Statement on availability of a broad range of services offered, had a mean score of 3.33, standard deviation of 0.922 and a variance of 0.851. Finally on availability of customer attendants at all times recorded a mean score of 3.91, standard deviation of 0.981and a variance of 0.963.

The findings indicated that all the respondents agreed that differentiation strategy affects the performance of CFS in Mombasa with aggregate mean of 3.51.The study concurred with findings by Kim& Koo (2010) who explored the effect of strategic positioning on firm performance in the e-business context and concluded that differentiation strategy influences the performance of firm. Thy further concluded that that innovative and differentiation strategies coupled with technological resources powerfully influence the performance of the firm in the e-business context.

Cost Leadership Strategy

The second objective of the study was to examine the effect of cost leadership strategy on firm performance on Container Freight Station operators in Mombasa County.

Table 2: Cost Leadership Strategy

	N	Mean	Std. Deviation	Variance
The firm utilizes efficient scale facilities	103	4.37	1.129	1.274
The firm’s pricing strategies reflect organizational objectives	103	3.18	1.266	1.603
The firm keeps prices same as the competition	103	4.81	.957	1.338
The firm keeps prices lower than the competition	102	3.07	1.229	1.510
The firm maintains overheads lower than the competition	103	4.29	1.001	1.378
Low costs enable the firm to sell its services at the lowest competitive prices which enables the firm to gain competitive advantage and raise its market share.	103	3.46	.968	.937
Valid N (listwise)	102			

Respondents were asked using a Likert scale of 1-5, to tell the extent to which cost leadership strategy on firm performance on Container Freight Station operators in Mombasa County. The statement on the firm utilized efficient scale facilities had a mean score of 4.37 and a standard deviation 1.129 and a variance of 1.274. The statement that the firm’s pricing strategies reflected organizational objectives had a mean score of 3.18, standard deviation of 1.266 and a variance of 1.603. The statement on whether the firm kept prices same as competition had a mean score of 4.81, standard deviation of 0.957 and a variance of 1.338. As to whether the firm kept prices lower than competition recorded a mean score of 3.07, a standard deviation of 1.229 and variance of 1.510. Further, respondents were asked whether the firm maintains overheads lower than the competition, respondents responded with a mean of 4.29, standard deviation of 1.1001 and a variance of 1.378. Finally on whether low costs enable the firm to sell its services at the lowest competitive prices which enable the firm to gain competitive advantage and raise its market had a mean score of 3.46, standard deviation of 0.968 and a variance of 0.937.

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The study aggregated mean on the effect of cost leadership strategy on the organizational performance of CFS was 3.86 implying that respondents agreed that cost leadership strategy affects the performance of CFS in Mombasa. The study agreed with the statements according to Enders (2014), who stated that whenever a company produces and markets its products more effectively than the competition, such a company will have executed a cost leadership strategy and gain profitably. They further state that strategies for reducing costs across the activity cost value chain will exhibit leadership in low cost and improve performance. Kasyoka (2011) explored strategic positioning to attain sustainable competitive advantage at Safaricom limited and concluded cost leadership strategy can be a remedy for organization performance.

Perceived Quality of Service Strategy

The third objective of the study was to evaluate the effect of perceived quality of service strategy on firm performance on Container Freight Station operators in Mombasa.

Table 3: Perceived Quality of Service Strategy

	N	Mean	Std. Deviation	Variance
The firm offers quality services that surpasses customer expectations	85	4.26	1.619	2.623
The firm provides reliable services to its clients.	103	3.65	1.281	1.641
The firm has the capacity to convey trust to its clients.	103	3.53	1.178	1.389
The firm is responsive to its customers (willing to assist customers through swift service offering and assurance)	103	3.55	1.144	1.308
The firm provides individualized attention to customers	103	3.89	1.177	1.385
The firm excellently communicates with customers to ascertain their needs by utilizing the service delivery process as an opportunity to impress on customers.	103	3.37	1.146	1.314
The firm taps the power of technology to provide its customers superior services	103	2.19	1.647	1.315
The firm presents an accurate picture of their service to customers by checking the promotional messages for accuracy	103	3.47	1.170	1.369
The firm has empathy on its customers	103	3.36	1.083	1.174
The firm has the capacity to convey trust to its customers	103	3.54	1.195	1.427
Valid N (listwise)	85			

Respondents were asked using a Likert scale of 1-5, to tell the extent to which cost leadership strategy on firm performance on Container Freight Station operators in Mombasa County. The statement that the firm offerred quality services that surpassed customer expectations firm provided reliable services had a mean score of 4.26 and a standard deviation 1.169 and a variance of 2.623. The statement that the firm provided reliable services to its clients had a mean score of 3.65, standard deviation of 1.281 and a variance of 1.641. Statement on whether the firm had the capacity to convey trust to its clients had a mean score of 3.53, standard deviation of 1.178 and a variance of 1.389. As to whether the firm was responsive to its customers (willing to assist customers through swift service offering and assurance) recorded a mean score of 3.55, a standard deviation of 1.144 and variance of 1.308. Further, respondents were asked whether the firm provided individualized attention to customers, respondents responded with a mean of 3.29, standard deviation of 1.177 and a variance of 1.385. On whether the firm excellently communicated with customers to ascertain their needs by utilizing the service delivery process as an opportunity to impress on customers had a mean score of 3.37, standard deviation of 1.146

and a variance of 1.314. Statement that the firm tapped the power of technology to provide its customers superior services had a response mean score of 2.19, standard deviation of 1.647 and a variance of 1.315. On whether the firm presented an accurate picture of their service to customers by checking the promotional messages for accuracy had mean score of 3.47, standard deviation of 1.170 and a variance of 1.369. The statement that firm had empathy on its customers recorded a mean score of 3.36, standard deviation of 1.083 and a variance of 1.174. Finally on whether the firm had the capacity to convey trust to its customers had a mean score of 3.54, standard deviation of 1.195 and a variance of 1.427

The study aggregated mean on effect of perceived quality service strategy was 3.84.This implied that respondents agreed that perceived quality of service strategy affects the performance of CFS stations in Mombasa. The study confirmed statement by Austin (2013) that inorder to surpass customer expectation, firms needed to present an accurate picture of their service offering to customers by verifying the promoional messages for accurateness, perfroming the right service to customers by emphasizing to employees to offer consistent service, effective communication with clients to establish their needs by utilizing the servic delivery process as a chance to influence ccustomers and also continuously evaluate and enhance their performance against their expectations. Onguko and Ragui (2014) agree that perceived quality of service strategy affects the performance of firms through enhanced quality of service.

Business Diversification

The forth objective of the study was to examine to evaluate the effect of business diversification strategy on firm performance on Container Freight Station operators in Mombasa.

Table 4: Business Diversification

	N	Mean	Std. Deviation	Variance
The firm has increased its product portfolio to use excess resources	103	3.09	1.076	1.158
The firm has increased its service portfolio to use excess resources	101	3.57	1.097	1.204
The firm has increased its expansion of market share to ensure business growth	103	4.20	1.028	1.056
The firm has increased its investment portfolio to reduce risk	103	3.38	1.077	1.159
The firm has increased its human resources portfolio to fit in its diversification	103	3.86	.945	.893
Valid N (listwise)	101			

Respondents were asked using a Likert scale of 1-5, to tell the extent to which business diversification strategy on firm performance on Container Freight Station operators in Mombasa County. The statement that business diversification strategy had a mean score of 3.19 and a standard deviation 1.076 and a variance of 1.158. The statement that the firm had increased its service portfolio to use excess resources had a mean score of 3.57, standard deviation of 1097 and a variance of 1.204. The statement on whether the firm had increased its expansion of market share to ensure business growth had a mean score of 4.20, standard deviation of 1.028 and a variance of 1.056. As to whether the firm had increased its investment portfolio to reduce risk recorded a mean score of 3.38, a standard deviation of 1.077 and variance of 1.159. Finally, on whether firm had increased its human resources portfolio to fit in its diversification respondents responded with a mean of 3.86, standard deviation of 0.945 and a variance of 0.893.

The study aggregated mean on effect of Business Diversification was 3.62.This implied that respondents agreed that Business Diversification affects the performance of CFS in Mombasa.

According to Berger et al. (2010) diversification seeks to minimize credit and other risks and to reduce volatility in profits.

Organizational Performance

The study sought to identify performance of CFS in Mombasa.

Table 5: Organizational Performance

	N	Mean	Std. Deviation	Variance
The firm is operation at its minimal cost	103	3.84	.683	.466
The firm has a high profit margin over the years	103	3.85	.633	.400
The firm has a wide market share in the industry	103	3.72	.663	.440
The firm has high level of customer satisfaction	103	3.93	.529	.280
The firm has a strong competitive position in the industry	103	3.94	.539	.291
Valid N (listwise)	103			

In trying to find out firm's performance on Container Freight Station operators in Mombasa. The respondents were asked to respondent to the following set of questions. The statement on the firm was operation at its minimal costs had a response mean score of 3.84, standard deviation of 0.0.754 and variance of 0.658. The statement on development of a new advertising campaign or 0.683 and a variance of 0.466.. The statement on whether the firm had a high profit margin over the years had a mean score of 3.84, standard deviation of 0.633 and a variance of 0.400. On whether the firm had a wide market share in the industry recorded a mean score of 3.72, a standard deviation of 0.663 and variance of 0.440. On whether the firm has high level of customer satisfaction recorded a mean score of 0.393, standard deviation of 0.529

Correlation Analysis

Bivariate Pearson correlation coefficient was used to establish the relationship between the dependent and independent variable. The findings from the analysis were presented in table 6

Table 6: Inferential Analysis

		DS	PQSS	CL	BD	Performance
DS	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	103				
PQSS	Pearson Correlation	.202*	1			
	Sig. (2-tailed)	.040				
	N	103	103			
CL	Pearson Correlation	.048	.058	1		
	Sig. (2-tailed)	.631	.561			
	N	103	103	103		
BD	Pearson Correlation	.057	.169	.479**	1	
	Sig. (2-tailed)	.569	.088	.000		
	N	103	103	103	103	
Performance	Pearson Correlation	.407**	.351**	.310**	.138**	1
	Sig. (2-tailed)	.000	.000	.001	.003	
	N	103	103	103	103	103

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

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

From the table 6 correlation analysis results r=0.138; p=0.003 (<0.05) implied statistically significant strong positive relationship between performance of CFS in Mombasa and business diversification (BD). The values r=0.310; p=0.001 (<0.05) indicated an average positive and significant relationship between performance of CFS in Mombasa and cost leadership strategy (CL). The values r=0.351; p=0.000 (<0.05) indicated a strong positive and significant relationship between performance of CFS in Mombasa and perceived quality service strategy (PQSS) and Lastly, r=0.407; p=0.000 (<0.05) implies that the relationship between performance of CFS in Mombasa and diversification (DS) strategy had a positive and statistically insignificant relationship.

Regression Analysis

The research sought to establish the relationship between the dependent and independent variable. Regression analysis were completed to help establish the nature strength and direction of the relationships between independent and dependent variable.

Model Summary

Table 7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.588[a]	.346	.319	.37882

a. Predictors: (Constant), differentiation strategy ,perceived quality service strategy, cost leadership strategy ,business diversification

From the table 7 the value R-square=0.346 meaning that diversification strategy, perceived quality service strategy, cost leadership strategy and business diversification together explain up to 34.6% of performance of CFS in Mombasa.

Analysis of variance

ANOVA test was used to test the model fit. The level of significance was set at p<0.05.The findings from the analysis states that the study was statistically determined.

Table 8: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	7.427	4	1.857	12.938	.000[b]
1	Residual	14.064	98	.144		
	Total	21.490	102			

a. Dependent Variable: Performance

b. Predictors: (Constant), BD, DS, PQS, CL

At 95% confidence level, analysis indicated high reliability of the results obtained. The overall ANOVA results indicated that the model was significant at F=12.938, p-value = 0.000, this implied that the overall model was significant that diversification strategy, perceived quality service strategy, cost leadership strategy and business diversification affect the performance of CFS in Mombasa.

The results were consistent with the findings by Kanyagia and M'Nchebere (2012) who examined the effect of strategic positioning on organizational performance in the airline industry in Kenya; a case of Kenya Airways and concluded that differentiation strategy, perceived quality service strategy, cost leadership strategy and business diversification affect the performance of Kenya Airways.

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Regression coefficient

Multiple regression analysis was conducted to determine the total influence all the independent variables performance of CFS in Mombasa

Table 9: Regression coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.604	.406		8.881	.000
	Differentiation Strategy	.419	.094	.375	4.480	.000
	Cost Leadership Strategy	.238	.062	.360	3.859	.000
	Perceived Quality of Service Strategy	.223	.069	.271	3.201	.002
	Business Diversification	.375	.070	.201	3.072	.003

a. Dependent Variable: Performance

The fitted Multiple Regression Model was;

$\mathbf{Y} = 0.419\mathbf{X_1}+0.238\mathbf{X_2}+0.223\mathbf{X_3}+0.375\mathbf{X_4}$

Whereby

Y =dependent variable- firm performance

$\mathbf{X_1}$= Differentiation Strategy

$\mathbf{X_2}$= Cost Leadership Strategy

$\mathbf{X_3}$= Perceived Quality of Service Strategy

$\mathbf{X_{4=}}$ Business Diversification

The model presents a linear relationship of research variables. the coefficients implied that change in one unit of differentiation strategy led to a unit change in organizational performance of cfs in Mombasa by 0.419, change in one unit of cost leadership strategy lead to a unit change of organizational performance of CFS in Mombasa by 0.238.a unit change of perceived quality of service strategy leads to a unit change in organizational performance of CFS in Mombasa by 0.223 and change in one unit of business diversification leads to a unit change in organizational performance of CFS in Mombasa by 0.375. The study further indicated that all independent variables differentiation strategy, cost leadership strategy, perceived quality of service strategy and business diversification had a positive significant effect on organizational performance of CFS in Mombasa

Hypothesis Testing

As depicted above differentiation strategy is a predictor of organizational performance of CFS in Mombasa Since the p-value (0.00) > 0.05 level of significance, thus we reject the null hypothesis and conclude that there is enough evidence that there is significant relationship between differentiation strategy and performance of Container Freight Station operators in Mombasa County. The second hypothesis predicted that there is significant relationship between cost leadership strategy and performance of Container Freight Station operators in Mombasa County since the p value is (0.00) <0.05. The results showed that the third hypothesis predicts that there is significant relationship between perceived quality of service strategy and performance of Container Freight Station operators in Mombasa County since the p value (0.002) p<0.05 thus rejecting the null hypothesis. Finally the study indicates that business diversification is a predictor of organizational performance of CFS in Mombasa. We rejected the null hypothesis and state that there is significant relationship between business diversification strategy and performance of Container Freight Station operators in Mombasa.

CONCLUSIONS

The study concluded that all variables greatly and positively affect the performance of CFS in Mombasa.

The study further indicated that differentiation strategy, cost leadership strategy, perceived quality service strategy and business diversification strategy are predictors of performance in CFS.

The regression results reviled that differentiation strategy had a significant impact. This implied that differentiation strategy had a positive effect on organization performance. From the findings the study revealed that differentiation strategy positively affects performance of CFS in Mombasa

The findings of the study on the regression results reviled that cost leadership strategy had a positive significant effect on organization performance. This implies that cost leadership strategy positively affects performance of CFS in Mombasa.

The study findings further reviled that perceived quality of service strategy had a significant effect. This implies that the perceived quality of service strategy had a positive significant effect on the performance of CFS in Mombasa.

Lastly the study findings reviled that business diversification strategy had a significant and positive effect. This implies that business diversification strategy had a positive significant effect on organizational performance .From the findings the study concluded that business diversification strategy affects the performance of CFs in Mombasa county.

RECOMMENDATIONS

The study recommended that there is need for management of CFS stations in Mombasa to factor strategic positioning when making decisions on organizational performance as the study found that strategic positioning affects organization performance of CFs in Mombasa County.

There is need of management of CFS in Mombasa to use differentiation strategies since this positively affects performance. As a policy CFSs need to improve service quality and standardization of goods and products.

The study established that cost leadership strategy affects organizational performance. Therefore the study recommended that there was need for management of CFSs in Mombasa to enhance effective asset utilization and lower operational costs. As a policy there is need to have an effective marketing framework geared towards performance

The study reviled that business diversification positively affects organization performance of CFSs in Mombasa county. There is need for CFSs in Mombasa to increase their product and service portfolios and also increase their investment portfolios as It improves organizational performance. As a policy there is need for standards of service delivery and strategic support so as to improve organization performance.

Suggestions for further research

The study sought to establish the effect of strategic positioning on the performance of CFS in Mombasa. The study looked at four variable namely diversification strategy, cost leadership strategies, perceived service of quality strategy and business diversification. Since only 34.6% of results were explained by a combination of the four independent variables in this study, it was recommended that further study be carried out on other strategic positioning strategies not mentioned in the study. Further the study recommended that a study be done on effect of strategic positioning of state owned organizations and other sectors.

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