

Effect of Generic Competitive Strategies on the Performance of National Social Security Fund in Nairobi County, Kenya.

Authors: ¹Jessy Odhiambo Bunde, ²Dr. Susan Katinda Lewa, PhD

 Crossref DOI: [10.61108/ijsshr.V2i1.71](https://doi.org/10.61108/ijsshr.V2i1.71)

¹ Scholar: Jomo Kenyatta University of Agriculture and Technology, Kenya

² Senior Lecturer: Jomo Kenyatta University of Agriculture and Technology, Kenya.

ABSTRACT

The National Social Security Fund (NSSF) was established in 1965 by an Act of Parliament under cap 258 Laws of Kenya and serves as the first pillar of social security for Kenyan workers. The Kenyan social security sector has recently been growing at a high rate due to the inclusion of new players in social security services, which was previously solely managed by NSSF. Organizations have realized the importance of a strategic plan for shaping the vision and mission, selecting strategies to be executed and allocating resources to facilitate achieving corporate goals. A strategic plan is instrumental in ensuring that strategic goals are aligned with organizational activities with its environment, thereby providing for its continued survival, effectiveness, and improved performance. This study established the influence of strategic planning practices on the performance of the National Social Security Fund in Kenya. Every organization incorporates different strategies to gain a competitive advantage and sustain profitability. Firm performance is a major building block in strategic management. This study was aimed at evaluating the effect of generic competitive strategies on the performance of NSSF in Kenya. The study used secondary data from published audited financial statements of NSSF for years 2013 to 2021, with a target population of 67 employees drawn from the 7 key divisions, 18 departments and the 7 branches within Nairobi County. The quantitative method was utilized in the analysis and interpretation of data in accordance with the research objectives and research questions. The data collected was summarized, tabulated, and analyzed quantitatively, then presented using tables, pie charts and percentages. According to the findings of the study, cost leadership strategy, differentiation strategy, focus strategy, Innovation Strategy have significant positive influence on the performance of NSSF. All the p-values were 0.05, denoting that the relationship therefore were significant. the study findings show that the four generic strategies have a positive relationship with the organizational performance. Product differentiation strategy and innovation strategy were established to be the key measures or drivers of financial performance. This was based on the strength of association, which was established by the study. Cost leadership strategy and differentiation strategy were also found to be other measures though they should not be used in isolation. The study recommended that National Social Security Fund should embrace and invest in cost leadership strategies most especially forming linkages with service providers, suppliers and other supplementary institutions since it will enable them achieve competitive advantage as compared to other organizations that are not investing in these strategies and that National Social Security Fund should first understand and know their motive and capability before adopting a certain competitive strategy for example market focus.

Keywords: *Generic Competitive Strategies, Cost Leadership Strategy, Differentiation Strategy, Focus Strategy, Innovation Strategy, Performance*

I.0 INTRODUCTION

Each organization operates within a unique context that can either enhance or impede its operations, depending on the nature of its business. The organizational environment consists of diverse stakeholders, including customers and competing businesses. Rivals play a significant role in shaping the company's strategic decisions and defining its objectives, ultimately determining its performance level. Competitors' level of interest and influence on an organization's goals varies,

and their distinct powers and interests manifest in various ways. When an organization successfully generates and maintains a match between its strategy and the environment, as well as between its internal capabilities and the strategy, the organization has a much better chance of surviving in its industry and achieving its goals (Muriithi, & Charles, 2023).

Competitive strategies encompass the actions and methods employed by a company to entice buyers, endure competitive challenges, and enhance its standing within the market. Various businesses spanning different sectors have their individualized competitive strategies. The adoption of these strategies contributes to the enhancement and perpetuation of a company's performance. According to a framework developed by Grant (2012), a company's long-term strategy should emanate from its endeavor to attain and sustain a competitive advantage through one of the generic strategies: cost leadership, differentiation, and focus, as outlined by Porter (1998). For competitive advantage to endure over time, it must rest upon resources and capabilities that are rare and not easily replicable.

Traditionally, businesses have strived to attain dominance within their respective industries by following the guidance of strategy and management experts who endorse such approaches (Gitari, Nderitu, & Ngala, 2023). However, this pursuit of market leadership is limited if an organization cannot establish a sustained advantage over its industry counterparts over an extended period. Every business entity operates within a turbulent environment, influenced by a range of factors in both the micro and macro contexts of its existence. While the degrees of turbulence vary, they present diverse challenges that organizations must confront amid competition, alongside the imperative of maintaining a unique strategic position that translates into competitiveness (Besanko, Dranove & Schaefer, 2017).

In the face of increasing globalization, the effects of business strategies implemented are of great significance in organizations (Wairimu, & Nyangau, 2023). Global business strategies emerged because of continuous and comprehensive management techniques designed to assist companies to compete in the global markets effectively. These global business strategies have also emerged because of the globalized and internationalized competition of established domestic organizations purported to increase the value of the organization in question (Schmitz, & Schmitz, 2022).

As an organization, the National Social Security Fund (NSSF) possesses its own values and expectations that define its purpose and relevance in society. These values and expectations need to be guarded for the NSSF to remain relevant to the expectations of its competing groups, which play an important role in formulating a strategy. Based on this premise, the study has been conducted to evaluate the strategic actions that NSSF has taken to compete with other pension funds in Kenya. These responses are intended to combat NSSF's competition from other pension funds.

Porter (1980) delineates three fundamental generic business strategies. He proposes that companies opt for one of these strategies to prevent being caught in a vague middle ground. These strategic options encompass cost leadership, differentiation, and focus, as Wairimu, & Nyangau, (2023) highlighted. The selection of the appropriate strategy holds the potential to enhance a company's market positioning and overall performance significantly. Nonetheless, organizations also have the option to employ multiple strategies concurrently to fulfill their mission and gain a competitive edge within their industry, as discussed by Peter, and Okello, (2023). This study will seek to establish how generic competitive strategies affect the performance of the National Social Security Fund in Kenya.

1.2 Statement of the Problem

Firms must deliberately adapt to environmental concerns for sustainability (Hamel and Prahalad, 1993). Competition is an important environmental factor that reduces industry attractiveness and profitability. This increased rivalry forces organizations to take proactive actions and develop

effective strategies to adapt to market developments. A corporation has a competitive edge when it attracts customers and repels competitors (Thompson & Strickland, 1998). Sustainable competitive advantage comes from core competencies that serve the organization long-term. The services industry deserves attention as it grows in the global economy. The NSSF encourages savings in Kenya by collecting monthly contributions from workers and pooling them into a shared fund. The collected amounts are reinvested in multiple asset classes, circulating money and lowering economic liquidity. Despite its large pension fund market share, the NSSF confronts stiff competition from insurance companies. This increased rivalry in the pension supply market requires enterprises to establish competitive strategies to adapt to the increasingly difficult environment. Kenya was the second African nation to establish a pension program for the entire public after Ghana. Kenya's National Social Security Fund was founded in 1965. Through a Parliamentary Act (Cap 9 258). Since it was founded as a provident fund, the Scheme paid lump sum benefits rather than commuting a portion as a cash dividend and converting the remainder into a pension. The NSSF in Kenya helps mobilize savings and promote a savings culture by collecting monthly contributions from workers and aggregating the same common fund. The funds collected are invested in various asset types, circulating money and reducing surplus liquidity. Due to mismanagement and poor contribution rates, NSSF has lost its relevance as the workers' major social protection pillar (Chelimo, 2010). To survive pension fund and insurance company rivalry, it must reposition and restructure its competitive strategy. Technological advances also challenge the NSSF, which struggles to keep up while members are clueless. Government regulations, especially higher taxes, can impact the fund's strategic goals. Managers' lack of full engagement in strategic objectives, public ignorance of social security's need, and perceived inadequate member perks further restrict the NSSF's growth and effectiveness. NSSF performance depends on formal and informal sector growth, as its failure directly affects the organization. Employees understate compliance, misleading employers about the fund's legitimacy, and lack of coordination and support from multiple organizational units contribute to lower-level problems and resistance (Gitari, Nderitu, & Ngala, 2023). Past pension fund research covers several studies. Kinyanjui (2004) examined Kenyan pension funds' real estate investments' risks and returns. Ndirangu (2003) examined how the 1997 Retirement Benefits Act affected Kenyan provident pension funds' investment performance. Rotich (2003) examined Kenyan occupational pension fund liquidity determinants. Kihunyu (2005) examined how the Retirement Benefits Authority Act affected Kenyan pension funds' investment risks. These research were done in diverse contexts and focused on different concepts, creating contextual and conceptual information gaps that the current study would solve by examining NSSF Kenya's performance after general competitive strategies.

1.3 Research Objectives

The objectives of the study were divided into two, the general objective and the specific objectives.

1.3.1 General Objective

The study's general objective is to establish the effect of generic strategies on NSSF's performance in Kenya.

1.3.2 Specific Objectives

- i. To evaluate the effect of cost leadership strategy on the performance of national social security fund in Kenya.
- ii. To determine the effect of differentiation strategy on the performance of national social security fund in Kenya.
- iii. To analyze the effect of cost focus strategy on the performance of national social security fund in Kenya.



- iv. To evaluate the effect of innovation strategy on the performance of national social security fund in Kenya.

1.4 Research Questions

- i. How does cost leadership strategy affect the performance of the national social security fund in Kenya?
- ii. What is the effect of the differentiation strategy on the performance of the national social security fund in Kenya?
- iii. What is the effect of the focus strategy on the performance of the national social security fund in Kenya?
- iv. How does innovation strategy affect the performance of the national social security fund in Kenya?

1.5 Scope of the Study

The current study focused on establishing the effect of generic competitive strategies on the performance of Kenya's national social security funds (NSSF). The study specifically aimed at assessing how; cost leadership, differentiation strategy, focus strategy and innovation strategy, influences the performance of the national social security fund (NSSF) in Nairobi County, Kenya. The study will target 7 branches listed on the NSSF's website in 2023, the 7 key divisions of the fund and the 18 departments which are domiciled at the head office, also formed part of the study. The target population was 67 employees. The focus on the national social security fund in Kenya is informed by the fact that fund has been facing challenges in its performance. The study took 4 months and was conducted between August and November 2023.

2.0 LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Porter's Competitive Strategy Theories

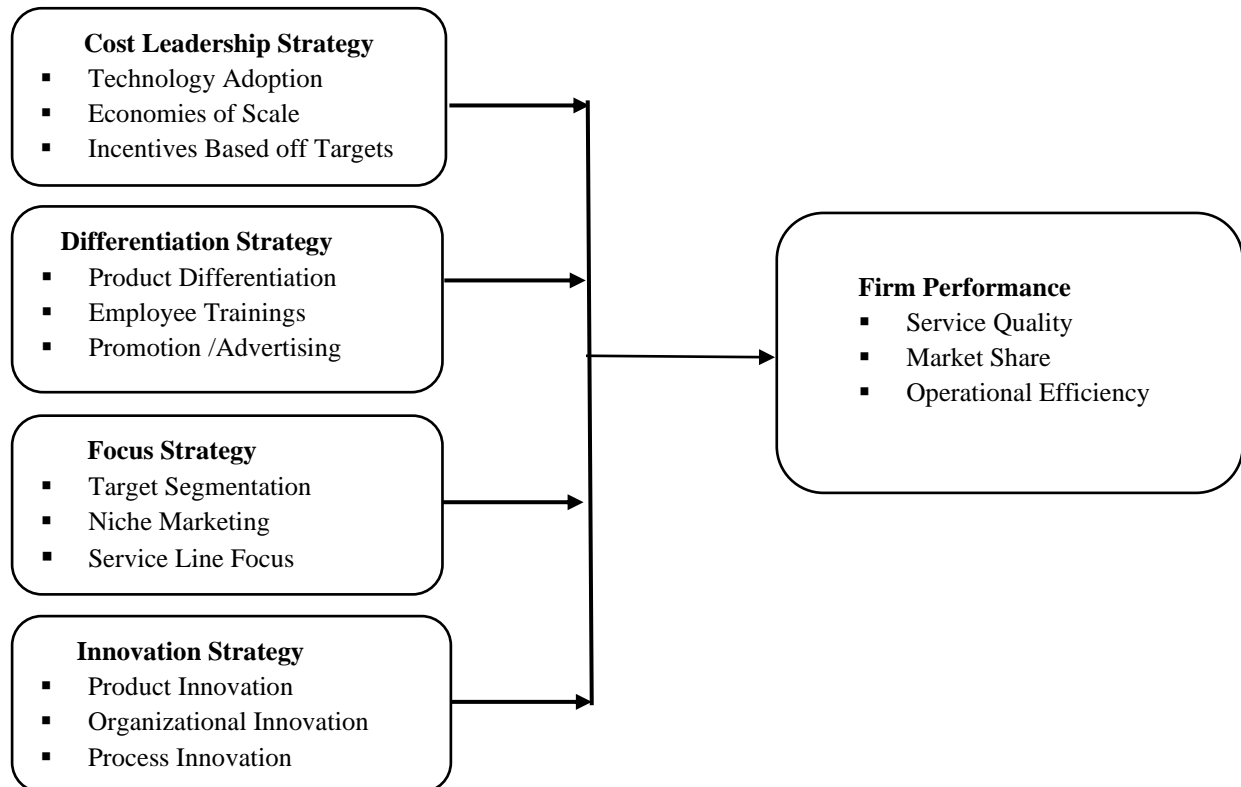
To facilitate businesses in gaining a competitive advantage within their respective industries, Michael Porter formulated a series of frameworks and concepts collectively known as "Porter's competitive strategy theories." This paper aims to delve into the core tenets of Michael E. Porter's theories, encompassing the Five Forces model, the Value Chain analysis, and the Generic strategies. First and foremost is Porter's Five Forces model, which furnishes businesses with a comprehensive comprehension of the competitive landscape within their industry (Charles, Ndolo, & Odari, 2023). It enables the evaluation of strategic options by dissecting forces such as supplier bargaining power, buyer negotiating power, the threat posed by new entrants, the substitute products or services threat, and the intensity of competitive rivalry (Firoz Rashidirad, & Firoz 2019). By scrutinizing these elements, companies can proactively anticipate threats and exploit opportunities. Subsequently, we delve into Porter's Value Chain analysis, the second paradigm under discussion. By employing this methodology, businesses gain an in-depth insight into the internal processes that culminate in delivering customer satisfaction. The Value Chain encompasses core operational functions and auxiliary components like supply chain management, research and development, human resource administration, and customer service. Organizations can enhance efficiency, efficacy, and customer delight by mastering and optimizing these facets (Ali, & Anwar, 2021).

Our third framework pertains to Porter's Generic Strategies. These strategies propose three fundamental avenues for businesses to secure a competitive edge: cost leadership, differentiation, and focus. The cost leadership approach strives to manufacture goods or services at the lowest cost to undercut competitors. On the other hand, the differentiation strategy focuses on offering unique, high-quality products that warrant higher price points. The "focus strategy" involves catering to a specific subset of customers, addressing their needs more effectively than rivals in that niche. Amidst these concepts, Porter underscores the significance of strategic positioning and long-term sustainability. Strategic positioning occurs when companies differentiate themselves from



competitors by adopting a distinctive stance within the market. This positioning is contingent on meticulously analyzing internal resources and the external environment. Furthermore, sustainability pertains to a company's ability to maintain its competitive advantage over time. Porter asserts that businesses must continually refine and adapt their strategies to remain ahead in a dynamic landscape of evolving markets and technologies (Charles, & Benson, 2023).

2.2 Conceptual Framework



Independent Variable
Figure 2.1: Conceptual Framework

Dependent Variable

2.4 Empirical Review

As per Hamari, Koivisto, and Sarsa (2014), an empirical review involves scrutinizing previous research conducted by other scholars within the investigated domain. This process is essential to identify both commonalities and disparities regarding conceptual frameworks, research methods, and contextual factors, aiming to pinpoint areas where research gaps exist. The following segment will present a comprehensive exploration of prior research on change management practices and firm performance. This literature review will delve into studies concerning the effect of cost leadership, differentiation strategy, focus strategy and innovation strategy on performance.

Researchers have delved into the implications of cost leadership strategy on firm performance. Kharub, Morans, and Sharma (2019) investigated the relationship between cost leadership competitive strategy and firm performance in micro, small, and medium enterprises (MSMEs). Their study revealed a significant relationship between cost leadership strategy and firm performance, with the mediating effect of quality management practices. This study underscores the role of operational efficiency and cost control in achieving improved performance outcomes. Similarly, focus strategy has been scrutinized for its impact on firm performance. Chepchirchir,

Omillo, and Munyua (2018) explored the relationship between focus strategy and the performance of logistics firms at the Jomo Kenyatta International Airport.

The study demonstrated a positive correlation between focus strategy and logistics firms' performance, indicating that concentrating efforts on specific market segments contributes to enhanced sales volume and profitability. This approach allows organizations to cater to distinct customer needs, potentially improving customer satisfaction and financial outcomes. Differentiation strategy, another essential competitive approach, has also been studied in the context of firm performance. Researchers have highlighted how differentiation strategy influences performance outcomes. For instance, Olughor (2015) investigated the connection between innovation and business performance in Nigeria and found that firms that introduce top-level innovation early into the market tend to experience increased sales income. By creating unique products or services that stand out, firms can capture customer interest and potentially command premium prices, improving financial performance (Kiraka, 2020).

Moreover, innovation strategy, characterized by pursuing novel ideas and solutions, has been explored for its impact on firm performance. Innovation strategies encompass product, process, marketing, and organizational innovation (OECD, 2005), each influencing performance outcomes differently. Kositany, & Lewa, (2023) underscored the significance of innovation as a need in the 21st century and highlighted the positive relationship between innovation and firm performance

3.0 RESEARCH METHODOLOGY

The research design of the study, as outlined by Creswell (2014), involves organizing research components coherently to address study questions and align research purpose with economic outcomes. The chosen exploratory research design utilized secondary data from audited financial statements spanning nine years (2013-2021) and panel data to examine NSSF behavior in Kenya. The target population comprised of NSSF managers drawn from the key divisions and departments domiciled at the head office and branches across Nairobi, while the sampling frame included all divisions, departments, and branches. The study employed a stratified sampling technique, adopting a census method, with a sample size of 67 management personnel. Primary data collection relied on questionnaires, using a Likert scale, emphasizing its appropriateness in obtaining key information. The data collection procedure involved obtaining necessary permissions, utilizing drop-and-pick methods, and follow-ups via phone calls. A pilot study with 10 respondents demonstrated instrument reliability through Cronbach's alpha, ensuring the study's findings' validity. All variables exhibited Cronbach alphas above 0.70, confirming instrument reliability and enabling trustworthy inferences.

4.0 DISCUSSION OF FINDINGS

4.1 Response Rate

The study sample comprised of 60 respondents. A total of 50 questionnaires were filled in and returned by the respondents thus representing 88.33% of the total sample size. 7 of the directors (division heads) were not available for the interview.

4.2 Inferential Statistics

4.2.1 The Regression Model

In order to conduct the inferential statistics analysis, regression tests were utilized in this study. The independent variables include cost leadership, differentiation strategy, focus strategy and innovation strategy. The dependent variable is NSSF performance. A simple linear regression analysis was carried out to establish the relationship between the independent variables and the performance of the national social security fund (NSSF).



Table 4.1 Model Summary for Cost Leadership Strategy

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.406	0.165	0.142	0.51843

a. Predictors: (Constant), Cost Leadership Strategy.

The R-value from the model summary in table 4.1 shows multiple correlation coefficients between the dependent and independent variable. It indicates the degree of correlation between the predictor and the dependent variables. A value of .406 indicates a lower degree positive of correlation. The R squared indicates how much of the dependent variable's total variation can be explained by the independent variable. From table 4.6 above, 16.5 % of the total variation is explained by the independent variable. The findings of the analysis therefore indicated that there was a weak positive relationship ($R = 0.406$) between the cost leadership strategy and the performance of the national social security fund (NSSF).

Table 4.2 ANOVA for Cost Leadership Strategy

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.958	1	1.958	7.286	0.010
	Residual	9.944	37	0.269		
	Total	11.903	38			

a. Dependent Variable: Firm Performance

b. Predictors: (Constant), Cost Leadership Strategy

The findings from the ANOVA table 4.2 show how well the regression model fits the data. It reveals the relationship between the predictor and the dependent variables. The sig value of 0.01 is below 0.05. Therefore, the regression model statistically and significantly predicts the dependent variable. It is a good fit for the data. The model, thus, predicts the dependent variable significantly very well.

Table 4.3 Coefficients for Cost Leadership Strategy

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.070	0.374		5.536	0.000
	Cost Leadership Strategy	0.390	0.145	0.406	2.699	0.010

a. Dependent Variable: Firm Performance

The cost leadership strategy has a significant positive relationship with the performance of the national social security fund (NSSF). With a p-value of 0.01, which was below 0.05, the relationship was therefore significant. The regression model from the analysis was as shown.

$$\text{NSSF's Performance} = 2.07 + 0.39X_1 \text{ ----- (i)}$$

Therefore, the cost leadership strategy is one of the key components for NSSF's performance. Similar research findings were established by Peter and Okello, (2023). in his study examining the relationship between cost leadership strategy and firm performance in the manufacturing industry established that this strategy only resulted in improvements in performance with a large market share. Balsam, Fernando, & Tripathy (2011) also examining firm strategy and performance moderated by executive compensation established that cost leadership was more likely to lead to long term performance of the firm in comparison to the other generic strategic. Similarly, Panwar, Nybakk, Hansen, & Pinkse (2016) also examining the use of cost leadership strategies in small firms and its impacts on firm performance found a positive association between cost leadership and firm performance.

Table 4.4 Model Summary for Differentiation Strategy

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.812	0.660	0.653	0.45281

a. Predictors: (Constant), Differentiation Strategy

The R-value from the model summary in table 4.4 shows multiple correlation coefficients between the dependent and independent variable. It indicates the degree of correlation between the predictor and the dependent variables. A value of 0.812 indicates a strong positive correlation. The R squared indicates how much of the dependent variable's total variation can be explained by the independent variable. From table 4.4 above, 66% of the total variation on the dependent variable is explained by the independent variables. The findings of the analysis therefore indicated that there was a very positive relationship ($R = 0.812$) between the differentiation strategy and the performance of the national social security fund (NSSF).

Table 4.5 ;ANOVA for Differentiation Strategy

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	19.104	1	19.104	93.173	0.000
	Residual	9.842	48	0.205		
	Total	28.945	49			

a. Dependent Variable: Firm Performance

b. Predictors: (Constant), Differentiation Strategy

The findings from the ANOVA table 4.6 above show how well the regression model fits the data. It reveals the relationship between the predictor and the dependent variables. The sig value of 0.00 is below 0.05. Therefore, the regression model statistically and significantly predicts the dependent variable. It is a good fit for the data. The model, thus, predicts the dependent variable significantly very well. The study therefore concludes that product differentiation strategy has a significant influence on firm performance.

Table 4.6 Coefficients for Differentiation Strategy

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.416	0.196		7.217	0.000
	Differentiation	0.609	0.063	0.812	9.653	0.000

a. Dependent Variable: Firm Performance

According to the findings of the study, differentiation strategy has a significant influence on the performance of the national social security fund (NSSF). With a p-value of 0.00, which was below 0.05, the relationship therefore is significant. The regression model from the analysis was as shown.

NSSF's Performance = $1.416 + 0.609X_2$ ----- (ii)

Therefore, differentiation strategy is one of the key components for NSSF's performance. Gyan, Brahmana, & Bakri (2017) in his study examining differentiation, diversification and firm performance indicated that differentiation led to unique products and services that enhance the firm's financial performance. Similarly, Zehir, Can, & Karaboga (2015) examining differentiation and innovative performance of entrepreneurial firms indicated that there was a positive significant relationship between the differentiation and entrepreneurial innovative performance. Muia (2017) examined effects of business strategies on the performance of insurance companies in Kenya. The study further sought to establish the relationship between focus strategy and the performance of the national social security fund (NSSF). The results from the analysis were as shown below.

Table 4.7 Model Summary for Focus Strategy

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.679	0.461	0.450	0.57013

a. Predictors: (Constant), Focus Strategy

Findings from the R-value from the model summary in table 4.7 shows multiple correlation coefficients between the dependent and independent variable. A value of .0.679 indicates a strong positive correlation between the focus strategy and firm performance. The R squared indicates how much of the dependent variable's total variation can be explained by the independent variable. From table 4.8 above, 46.1% of the total variation is explained by the independent variables. The findings of the analysis therefore indicated that there was a very positive relationship ($R = 0.679$) between the focus strategy and the performance of the national social security fund (NSSF).

Table 4.8. ANOVA for Focus Strategy

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13.343	1	13.343	41.048	0.000
	Residual	15.603	48	0.325		
	Total	28.945	49			

a. Dependent Variable: Firm Performance

b. Predictors: (Constant), Focus Strategy

The findings from the ANOVA table 4.8.1 above show how well the regression model fits the data. It reveals the relationship between the predictor and the dependent variables. The sig value of 0.00 is below 0.05. Therefore, the regression model statistically and significantly predicts the dependent variable. It is a good fit for the data. Thus, focus strategy predicts firm performance significantly. The study therefore concludes that focus strategy is a key ingredient in promoting firm performance.

Table 4.9; Coefficients for Focus Strategy

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.148	0.331		3.466	0.001
	Focus	0.718	0.112	0.679	6.407	0.000

a. Dependent Variable: Firm Performance

The focus Strategy has a significant positive association with the performance of the national social security fund (NSSF). With a p-value of 0.00, which was below 0.05, the relationship was therefore significant. The regression model from the analysis was as shown.

NSSF's Performance = 1.148 + 0.718X₃ ----- (iii)

Therefore, focus strategy is one of the key components for NSSF's performance. Chen, Guo, Hsiao, & Chen (2018) examined the influence of business strategies moderated by corporate social responsibility on firm performance. The findings indicated that firms that adopted a more focused strategy in comparison to either differentiation or cost leadership had a significant non-financial performance. The study finally sought to establish the relationship between innovation strategy and the performance of NSSF. The results from the analysis were presented in table 4.9 as shown below.

Table 4.10. Model Summary for Innovation Strategy

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.640	0.410	0.398	0.59637



a. Predictors: (Constant), Innovation Strategy

The R-value from the model summary in table 4.10 shows multiple correlation coefficients between the dependent and independent variable. It indicates the degree of correlation between the predictor and the dependent variables. A value of 0.640 indicates a strong positive correlation. The R Squared indicates how much of the dependent variable's total variation can be explained by the independent variable. From table 4.10, 41.0% of the total variation is explained by innovation as one of the independent variables. The findings of the analysis therefore indicated that there was a very positive relationship ($R = 0.640$) between the innovation strategy and NSSF performance.

Table 4.11 ANOVA for Innovation Strategy

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.874	1	11.874	33.385	0.000
	Residual	17.072	48	0.356		
	Total	28.945	49			

a. Dependent Variable: Firm Performance

b. Predictors: (Constant), Innovation Strategy

The findings from the ANOVA table 4.11 above, show how well the regression model fits the data. It reveals the relationship between the predictor and the dependent variables. The sig value of 0.00 is below 0.05. Therefore, the regression model statistically and significantly predicts the dependent variable. It is a good fit for the data. The model, thus, predicts the dependent variable significantly very well. The study therefore concludes that innovation as a strategy has a significant influence on firm performance.

Table 4.12 Coefficients for Innovation Strategy

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.949	0.400		2.376	0.022
	Innovation	0.787	0.136	0.640	5.778	0.000

a. Dependent Variable: Firm Performance

According to the findings of the study, differentiation strategy has a significant influence on the performance of NSSF. With a p-value of 0.00, which was below 0.05, the relationship therefore is significant. The regression model from the analysis was as shown.

NSSF's Performance = $0.949 + 0.787X_4$ ----- (iv)

Therefore, innovation as a strategy is one of the key components for NSSF's performance.

4.2.2 The Multiple Regression Model

Table 4.13 Model Summary For Overall Regression Model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.737	0.544	0.490	0.39965

a. Predictors: (Constant), Innovation, Focus, Cost Leadership, Differentiation

The R-value from the model summary in table 4.13 shows multiple regression analysis between the dependent and independent variables. The study established a Pearson correlation coefficient of 0.737. This indicates a stronger degree of strong positive association. The R squared indicates how much of the dependent variable's total variation can be explained by the independent variable. From table 4.9.3 above, 54.4 % of the total variation is explained by the independent variables. The findings of the analysis therefore indicated that, there was a strong positive relationship ($R = 0.737$)



between), Innovation Strategy, Focus Strategy, Cost Leadership Strategy, Differentiation Strategy and performance of the national social security fund (NSSF).

Table 4.14; Overall ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.472	4	1.618	10.131	0.000
	Residual	5.430	34	0.160		
	Total	11.903	38			

a. Dependent Variable: Firm Performance

b. Predictors: (Constant), Innovation, Focus, Cost Leadership, Differentiation

The findings from the ANOVA table 4.14 above, show how well the regression model fits the data. It reveals the relationship between the predictor and the dependent variables. The sig value of 0.00 is below 0.05. Therefore, the regression model statistically and significantly predicts the dependent variable. It is a good fit for the data. The model, thus, predicts the dependent variable significantly very well. The study therefore concludes that Innovation Strategy, Focus Strategy, Cost Leadership Strategy and Differentiation Strategy has a significant influence on firm performance.

Table 4.15 Overall Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.221	0.428		5.190	0.000
	Cost Leadership Strategy	0.278	0.183	-0.289	-1.516	0.001
	Differentiation Strategy	0.628	0.147	0.975	4.262	0.000
	Focus Strategy	0.137	0.114	0.162	1.204	0.000
	Innovation Strategy	0.191	0.185	-0.183	-1.036	0.007

a. Dependent Variable: Firm Performance

According to the findings of the study, Cost Leadership Strategy, Differentiation Strategy, Focus Strategy, Innovation Strategy have significant positive influence on the performance of NSSF. All the p-values were 0.05, denoting that the relationship, therefore, was significant. The regression model can therefore be summarized and presented as indicated below.

Firm Performance = Cost Leadership Strategy + Differentiation Strategy + Focus Strategy + Innovation Strategy.

$$Y = 2.221 + 0.278X_1 + 0.628X_2 + 0.137X_3 + 0.191X_4 \text{ ----- (iv)}$$

Where:

Y – Firm Performance which is (the dependent variable)

α – constant number

B_i – the coefficient of X_i ($S_i = 1, 2, 3, 4$)

X_1 – the coefficient of cost leadership strategy

X_2 – the coefficient of differentiation strategy

X_3 – the coefficient of focus strategy

X_4 – the coefficient of innovation strategy

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Findings

5.1.1. Cost leadership strategy and performance of the national social security fund in Kenya.

The other research objective examined the relationship between the cost leadership strategy and organizational performance. The findings therefore showed that this variable has a positive effect which consequently meant that a unit change in cost leadership strategy leads to a positive change

on the performance of NSSF. The study further revealed that NSSF charges lower prices compared to other organizations offering similar services. The total contribution by individuals has changed by a significant margin over time. The increase in revenues collected by NSSF could be attributed by the ability of NSSF to operate its low-cost leadership strategy compared to their counter parts in the same industry. Cost leadership enables firms to establish a sales promotion strategy that can generate superior profitability for the firm except where & when it is used up in aggressive price-cutting efforts to win customers from rivals. Building a cost-based advantage firm thus requires the firm to find and exploit all the potential cost drivers that allow for greater efficiency in each value-adding activity. The reason for a firm to apply the strategy on cost leadership is to obtain the advantage by reducing economic costs amongst its competitors. A cost-leadership strategy is a broad approach to business whereby a significant aspect of a company's strategy is an effort to operate as the lowest-cost business in its industry. Cost leadership strategy is coined around organization-wide efficiency, therefore companies implementing the strategy need to maintain a strong competitive position so as to sustain their profit margin overtime; they therefore have to place a premium on operation efficiency in all the major functional areas. Similar results have also been found in other related studies. Expounding on this therefore, it can be concluded that there was a positive relationship between cost leadership strategy and firm performance.

5.1.2. Differentiation strategy and performance of the national social security fund in Kenya.

The study concludes that NSSF focused on product design techniques that economized on cost of materials while offering a broad range of products. NSSF made a conscious effort to differentiate their products from those of competitors by offering a narrower range of products compared to what their competitors offer. NSSF continuously developed new products that were developed through strong brand identification. They strived to build a strong reputation within their respective industry. It was noted that differentiation as a strategy is a business strategy intended to increase the perceived value of the firm's products or services compared to those of their competitors, to create a customer preference due to its distinct features. The study results showed that NSSF has not made any conscious effort to differentiate their products from those of its competitors. The study indicated that NSSF offered a narrower range of products than their competitors. Differentiation niches could be a particular buyer group, a narrow segment of a given product line, a geographic or regional market, or a niche with distinctive, special tastes and preference which NSSF needs to really capitalize on. Successful pursuit of high differentiation along some key product attributes or buyer needs may allow NSSF to carve its own strategic group within the industry to avoid direct price-based competition with one another by frequently & continuously differentiating their products and even introducing new ones. Whereas other firms have strived to build a strong reputation within the industry, NSSF has been left behind.

5.1.3 Focus strategy and performance of the national social security fund in kenya.

The study revealed that NSSF served a specific group of individuals in the market. Focus strategies are assigned to help a firm target a specific niche within an industry and this could be a particular buyer group, a narrow segment of a given product line, a geographic or regional market, or a niche with distinctive, special tastes and preference. The study indicated that NSSF serves diverse market segments both in the public and the private sector.

The study results showed that NSSF emphasized on marketing specialty products. NSSF deals with a broad product serving wider markets. Additionally, it was found out that NSSF provides products/services in different geographical locations. Due to the differences in the market segment, the needs and wants also remain different and hence NSSF has taken advantage of the differences to design products and services to be offered to the customers so as to fulfill their needs and wants. To a smaller extent, NSSF regularly evaluates customer feedback to sustain superior customer



experience. It is through this customer feedback and their perception of the organization that has allowed for the successful positioning of its brand as a leading choice within their chosen niche. The study further established that the firm's marketing efforts are concentrated on a specialized market niche rather than a broader audience. NSSF emphasizes on a select range of products & services that align with their focus strategy with the hope of excelling in those specific areas.

5.1.4 Innovation strategy and performance of the national social security fund in kenya.

The study established that NSSF does not employ strategies to identify and capitalize on new market opportunities, contributing to its market share growth. NSSF has tried on the other hand to successfully increase its market share in the industry. They have managed this though to a smaller extent. It was established that the firm places a strong emphasis on delivering high-quality services to their customers. Some respondents were indifferent regarding the measures taken to streamline our operational processes, improving efficiency, and reducing costs. Additionally, the study established that to a smaller extent the firm regularly analyzes the data to identify areas for further improvement. Based on the responses, most of the employees feel that NSSF has not been able to effectively manage its costs and resources, which has contributed to a decline in the financial wellbeing of the fund. Lastly, the study further established that NSSF regularly carries out an assessment of customer satisfaction levels and makes improvements based on their feedback to enhance the quality of service offered.

5.2 Conclusions of the Study

In general, the study findings show that the four generic strategies have a positive relationship with organizational performance. Product differentiation strategy and innovation strategy were established to be the key measures or drivers of financial performance. This was based on the strength of association, which was established by the study. Cost leadership strategy and differentiation strategy were also found to be other measures though they should not be used in isolation. Therefore, choosing either of the strategies would have an impact on the overall financial performance of an organization.

5.3 Recommendations

The study recommends that organizations should ensure that they identify the cost drivers of their various businesses and ensure that they constantly monitor these cost drivers and how they influence their value chains. This will facilitate their ability to ensure that their firms gain economies of scale.

The study recommends that NSSF should apply a differentiation strategy with the intention of increasing their perceived value. NSSF can achieve this through the creation of intricate details that would make their current customers and potential customers have an awareness of their differentiated products that offer more value than those of their competitors.

This study sought to examine the effect of generic strategies on the performance of NSSF. The scope of the study was limited to NSSF's Nairobi County/region only. The study results are therefore limited in terms of scope of the study. Therefore, there's a need to conduct a national study across all the counties within the republic of Kenya.

5.4 Suggestions for Further Research

A similar study could be carried out in other organizations to find out whether the same results will be obtained. This study also suggests that a research study could be carried out to determine factors influencing effective implementation of competitive strategies in other public institutions.

REFERENCES

- [1]. Ali, B. J., & Anwar, G. (2021). Porter's Generic Competitive Strategies and its influence on the Competitive Advantage. *Ali, BJ, & Anwar, G.(2021). Porter's Generic Competitive Strategies and its influence on the Competitive Advantage. International Journal of Advanced Engineering, Management*

and Science, 7(6), 42-51.

- [2]. Balsam, S., G. D. Fernando, and A. Triporthy (2011). The impact of firm strategy on performance measures used in executive compensation, *Journal of Business Research*, 64, 187-193.
- [3]. Charles, M., & Benson Ochieng, S. (2023). Strategic Outsourcing and Firm Performance: A Review of Literature. *International Journal of Social Science and Humanities Research (IJSSHR) ISSN 2959-7056 (o); 2959-7048 (p), 1(1)*, 20–29. <https://doi.org/10.61108/ijsshr.v1i1.5>
- [4]. Charles, M., Ndolo, J., & Odari, S. (2023). Inventory management practices and performance of electoral systems in Kenya. *International Journal of Social Science and Humanities Research (IJSSHR) ISSN 2959-7056 (o); 2959-7048 (p), 1(1)*, 811–826. <https://doi.org/10.61108/ijsshr.v1i1.64>
- [5]. Chelimo, F. K. (2010). *Strategy evaluation and control practices at National Social Security Fund, Kenya* (Doctoral dissertation, University of Nairobi, Kenya).
- [6]. Chepchirchir, A. B., Omillo, F., & Munyua, J. (2018). effect of cost leadership strategy on organizational performance of logistics firms at Jomo Kenyatta international airport, Kenya. *European Journal of Management and Marketing Studies*.
- [7]. Dranove, D., Besanko, D., Shanley, M., & Schaefer, S. (2017). *Economics of strategy*. John Wiley & Sons.
- [8]. Firoz Suleman, M., Rashidirad, M., & Firoz Suleman, S. (2019). The applicability of Porter's generic strategies in pure online firms: A case study approach. *Strategic Change*, 28(3), 167-176.
- [9]. Gitari, F. W., Nderitu, D. M., & Ngala, D. M. O. (2023). Cost Leadership Strategy and Performance of Registered Small And Medium Food And Beverage Manufacturing Firms in Nairobi County Kenya. *International Journal of Social Science and Humanities Research (IJSSHR) ISSN 2959-7056 (o); 2959-7048 (p), 1(1)*, 483–492. <https://doi.org/10.61108/ijsshr.v1i1.42>
- [10]. Grant, A. M. (2012). Leading with meaning: Beneficiary contact, prosocial impact, and the performance effects of transformational leadership. *Academy of management journal*, 55(2), 458-476.
- [11]. Gyan, A.K., Brahmana, R. and Bakri, A.K. (2017), “Diversification strategy, efficiency, and firm performance: insight from emerging market”, *Research in International Business and Finance*, Vol. 42, pp. 1103-1114.
- [12]. Karaboğa, T., Zehir, C., & Karaboğa, H. (2019). Big Data analytics and firm innovativeness: the moderating effect of data-driven culture. *The European Proceedings of Social & Behavioural Sciences*.
- [12]. Hamari, J., Koivisto, J., & Sarsa, H. (2014). Does gamification work? A literature review of empirical studies on gamification. Paper presented at the 2014 47th Hawaii international conference on system sciences
- [13]. Kharub, M., & Sharma, R. (2017). Comparative analyses of competitive advantage using Porter diamond model (the case of MSMEs in Himachal Pradesh). *Competitiveness Review*, 27(2), 132-160. <https://doi.org/10.1108/CR-02-2016-0007>
- [14]. Kihunyu, C.M. (2005). Effects of retirement benefit authority Act on risk of investment held by pension funds in Kenya Unpublished MBA Project University of Nairobi
- [15]. Kinyanjui, W. K. (2004). *Risk and Returns of Real Estate Held in Pension Funds Investment Portfolios in Kenya* (Doctoral dissertation, University of Nairobi).
- [16]. Kiraka, R. (2020). 10 University reputation management. *Strategic Marketing of Higher Education in Africa*.
- [17]. Kositany, G. C., & Lewa, S. K. (2023). Influence of Strategic Capability on Competitive Advantage Of Cut flowers Exporting Firms in Nairobi, Kenya. *International Journal of Social Science and Humanities Research (IJSSHR) ISSN 2959-7056 (o); 2959-7048 (p), 1(1)*, 444–465. <https://doi.org/10.61108/ijsshr.v1i1.40>
- [18]. Muia, F. (2017). Effect of Competitive Strategies on the Performance of Insurance Companies in Kenya. (Unpublished master's thesis). United States International University Africa
- [19]. Muriithi, J. G., & Charles, M. (2023). Talent Management Systems and Employee Retention in Devolved Health Care Service Delivery in Kenya. *International Journal of Social Science and Humanities Research (IJSSHR) ISSN 2959-7056 (o); 2959-7048 (p), 1(1)*, 648–664. <https://doi.org/10.61108/ijsshr.v1i1.53>



- [20]. Ndirangu, M. W. (2003). *Implications of retirement benefits' act (1997) on investment performance of provident pension funds in Kenya* (Doctoral dissertation, Univesity of Nairobi).
- [21]. Olughor, R. J. (2015). Effect of Innovation on the Performance of SMEs Organizations in Nigeria, *Management*, 5 (3), 90-95.
- [22]. Olughor, R. J. (2015). Effect of Innovation on the performance of SMEs Organizations in Nigeria. *Management* 5(3), 90-95.
- [23]. Panwar, R., Nybakk, E., Hansen, E., & Pinkse, J. (2016). The effect of small firm's competitive strategies on their community and environmental engagement. *Journal of Cleaner Production*, 129, 578–585. <https://doi.org/10.1016/j.jclepro.2016.03.141>
- [24]. Peter, M. K., & Okello, A. S. (2023). Competitive Strategies on Organizational Growth of Manufacturing Firms in Kenya. *International Journal of Social Science and Humanities Research (IJSSHR)* ISSN 2959-7056 (o); 2959-7048 (p), 1(1), 683–698. <https://doi.org/10.61108/ijsshr.v1i1.55>
- [25]. Porter, M. E. (1985). Technology and competitive advantage. *Journal of business strategy*, 5(3), 60-78.
- [26]. Porter, M. E. (1998). *Competing across locations: Enhancing competitive advantage through a global strategy* (No. 2026). Boston: Harvard Business School Press.
- [27]. Porter, M.E. (1985). *Competitive Advantage: Creating and Sustaining Superior Performance*. New York: Free press.
- [28]. Prahalad, C. K., & Hamel, G. (1994). Strategy as a field of study: Why search for a new paradigm?. *Strategic management journal*, 15(S2), 5-16.
- [29]. Rotich, J. C. (2003). *A survey of factors influencing liquidity of occupational pension funds in Kenya* (Doctoral dissertation).
- [30]. Schmitz, P. G., & Schmitz, F. (2022). Correlates of acculturation strategies: Personality, coping, and outcome. *Journal of Cross-Cultural Psychology*, 53(7-8), 875-916.
- [31]. Thompson, A. A. & Strickland, A. J. (2010). *Crafting and executing strategy*. The quest for competitive advantage: concepts and cases. New York: McGraw Hill.
- [32]. Thompson, A. A., & Strickland, A. J. (1998). *Strategic management: Concepts and cases*. (No Title).
- [33]. Wairimu, R. M., & Nyangau, D. S. P. (2023). Generic Strategies and Operational Performance of Manufacturing Cement Companies in Kenya . *International Journal of Social Science and Humanities Research (IJSSHR)* ISSN 2959-7056 (o); 2959-7048 (p), 1(1), 332–347. <https://doi.org/10.61108/ijsshr.v1i1.33>

