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## **An Empirical Assessment of the Role of Competitive Strategy on Performance**

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### **Abstract:**

*This study examined the relationship between competitive strategy and organizational performance of selected fast food firms in Port Harcourt, Nigeria. Related literature was reviewed in the cause of this work. Cross-sectional survey research design was used for the study. A sample size of 49 management and supervisory staff from the selected seven (7) fast food firms in Port Harcourt were sampled, using the purposive sampling technique. Data were obtained using questionnaire as the research instrument and hypothesis were stated and tested. Findings revealed that competitive strategy positively and significantly influence organizational performance. Therefore we conclude that managers should pay keen attention to competitive strategy on their performance. It was therefore recommended that competitive strategy needs to be adopted for better organizational performance, and in order to have a better performance, fast food outlets in Port Harcourt need to adopt a working competitive strategy within the consensus of organizational members.*

**Keywords:** *Competitive strategy, performance, strategy*

### **1. Introduction**

All organizations want to be successful, even in current environment which is highly competitive. Therefore, companies irrespective of size and market strive to retain the best employees, acknowledging their important role and influence on organizational effectiveness. In order to overcome these challenges, companies should create a strong and positive relationship with its employees and direct them towards task fulfillment. In order to achieve their goals and objectives, organizations develop strategies to compete in highly competitive markets and to increase their performance. In today's highly competitive environment, business organizations need to act fast in order to secure their financial situations and their market positions. Firms are continuously striving for ways to attain a sustainable competitive advantage. They need to count more on their internal distinguished strengths to provide more added customer value, strong differentiation and profitability; in other words count more on their core competences (Hame & Prahalad, 1994). More recently the business world of fast food operators is characterized by competition that is getting stiffer and stiffer by the day and continues to grow in intensity. A major reason for business failure among others is that firms operate in a competitive environment and quite a number fail when they are unable to cope with the demand of competition (Ituwe, 2005), most of them fail for applying the wrong strategy in their distinct situations. The increased levels of collapse in fast food firms (eateries) have made it difficult for new entrants which have continually generated interest. The suggestion from this observation which explains the minimal entrant levels as well as failure to be at competitive advantage and low levels of organizational performance witnessed in the country due to certain flaws in harnessing competitive strategy. This is the primary focus of this research; helping these restaurants operators understand that every business scenario is unique and consequently requires a unique strategy that will increase customers' satisfaction because the main aim of establishing a business is to increase profitability by satisfying our customers. The strategy is set by a number of factors such as proximity of competitors, site and location, nature of expected customers etc. most businesses fail or perform poorly due to insufficient consideration for inevitable factors in designing the overall business or competitive strategy. To plan effective competitive strategies the company needs to have an accurate competitive profile wherein it constantly compares its products, prices, channels and promotion with those of close competitors. In this way companies can find areas of potential competitive advantage and disadvantages it can launch more effective market campaigns against competitors' actions. Furthermore, companies through the effective harnessing of technological capabilities and processes can also achieve advantages in the areas of focus, differentiation and cost. Therefore this study attempts to investigate the influence of competitive strategy on the performance of fast food firms in Rivers State.

## 2. Literature

Competitive strategy is highly important element of organizational success (Papulova & Papulova, 2006). The attainment of superior performance is challenging if not impossible task if fast food firms do not implement competitive strategies. In order to be successful, organizations must be strategically aware. The need for all managers is to be able to think strategically. Decisions by managers have a strategic impact and contribute to strategic change. Dess, Lumpkin & Eisner (2007)'s findings support that firms adopting at least one of the generic strategies have superior performance than firms that do not (firms that have a stuck-in-middle position). Obado, (2005) opined that a superior cost or differentiation position leads to a larger market share, which in turn leads to higher profitability. White (1986) handles the strategy-organization-performance context within Porter's competitive strategies' typology.

According to White (1986), business units that employ pure cost strategies achieve higher return on investment (ROI) when they have low autonomy, and the sales growth of pure differentiation strategies benefits from strong functional coordination for key functions under the responsibility of business unit manager. Yamin, Gunasekruan and Mavondo, (1999) denotes that the adoption of both low cost and differentiation strategy can lead to highest performance. Njunguna, (2012) conducting a field research in hardwood lumber industry, supports that overall cost leadership is not satisfactory in a mature industry. Whereas, the study reveals that successful companies are those that combine cost leadership with differentiation. Tan, Kannan, and Handfield, (1999). Examined the relationships among competitive strategy, competitive advantage, and organizational performance in their research. Similarly, looking firm performance through the profitability perspective, Johnson (2002) has studied the relative advantages of a cost leadership strategy versus a differentiation strategy. Shapiro and Varian, (1999) employs the resource-based and strategy-based views of the competitive advantage paradigm in order to explain the performance of value-added. Pearson, (2011) discusses the impact of five types of competitive strategies (product differentiation, low cost, marketing differentiation, focus product differentiation, and focus low cost) on preeminent performance among sixteen segments of high-tech industries in the United States and European Union. The results indicated that the relationship between competitive strategy and performance depends on the geographies the firm operates in, since US firms that adopt product differentiation, low cost, and focus product differentiation had superior performance than others while in Europe only the low cost firms outperformed other firms. A firm who adopts a focus strategy is said to have an effect on the market share of the performance of the organization. As discussed earlier that in a differentiation strategy a firm seeks to be unique in some dimensions that are widely valued by buyers. When many buyers in an industry perceives a particular firm as important and such firm positions itself to meet those needs, it is expected that it will have effect on performance of the organization.

A firm who adopts a cost leadership strategy, who tends to become the low cost producer in its industry and brings quality product to the buyers tends to out compete its rivals because it will attract more buyers, which will lead to the firms increase in profitability. Robson, (2005) examines the relationship among advanced manufacturing technologies (AMT), competitive strategies, and firm performance. The study, which is conducted in manufacturing firms, located in Gaziantep, reveals that AMT usage and adoption of differentiation strategy are both positively and significantly influential on firm performance. Another significant finding is that Implementation of a dual strategy (combination of cost leadership and differentiation) has a positive impact on performance especially when AMTs usage is higher. The studies have generally concentrated on one sector and found results that cannot be generalized to other industries. Hence, we hypothesize that:

*Ho1: there is no significant relationship between competitive strategy and organizational performance.*

## 3. Methodology

A survey design was adopted, with seven (7) selected fast food firms in Port Harcourt, Rivers State. These firms are: Kilimanjaro fast food, Chicken Republic fast food, Genesis fast food, Tantalizers Fast foods, Skippers fast food, Pepperoni fast food and Country Style Fast food as the population of the study. The sampling procedure adopted in this study is the purposive sampling technique. Since our unit of analysis is the organization, seven respondents from each of the selected firms, comprising of managers and supervisor were selected making a total of forty nine (49), as it is believed that these top officials truly understands what performance means to their respective firms. The seven fast foods were selected based on the criteria of at least 5 years in operation, and total staff strength of not less than 10 workers. 40 completed copies of the distributed questionnaire were retrieved and used as sample size in the presentation and analysis of data.

## 4. Data Analysis and Results

### 4.1. Bivariate Analyses and Test of Hypothesis/ Decision Rule

The relationships between the study variables were done using the Pearson's product moment correlation coefficient since the data for the study were ordinal data from the Likert scale. Also in testing the stated hypothesis the decision rule states that if the Significant/Probability Value (PV) is less than (<) 0.05 (Level of Significance) = reject the null and conclude significant relationship and if the Significant Probability value (PV) is greater than (>) 0.05 (Level of Significance) = accept the null and conclude that there is no significant relationship.

#### 4.2. Relationship between Competitive Strategy and Organizational Performance

Table 1 Correlations analysis showing the relationship between competitive strategy and organizational performance.

		Competitive Strategy	Organizational Performance
Competitive Strategy	Pearson Correlation	1	.989**
	Sig. (2-tailed)		.000
	N	40	40
Organizational Performance	Pearson Correlation	.989**	1
	Sig. (2-tailed)	.000	
	N	40	40

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

Table 1: Correlation between Competitive Strategy and Organizational Performance  
Source: Field Survey, 2017

Table 1 revealed a Pearson's product moment correlation coefficient of  $(r) = 0.989$ . This value is very high, which indicate that a very strong relationship exists between competitive strategy and organizational performance. It also show that a positive relationship exist between the two variables due to the positive sign of the correlation coefficient. This implies that a change in competitive strategy will cause the same degree of change in organizational performance in the same direction in the studied firms. The probability/ significant value  $(PV) = 0.000 < 0.05$  (level of significance) therefore a significant relationship exists between competitive strategy and organizational performance

#### 4.3. Effects of Competitive Strategy on Organizational Performance

Summary of regression analysis result showing the effects of competitive strategy on organizational performance.

Variables	Coef.	t-cal	sig. t	t-tab (0.05, 16)	R	R <sup>2</sup>	F-cal	F-tab (0.05, 1, 17)	sig f
Constant	2.830	4.339	0.001	1.73	0.984	0.967	473.127	4.41	0.000
CS	0.837	21.752	0.000						

Table 2  
Dependent Variable; organizational Performance  
Source: Field Survey Data, 2017

The table above shows that the coefficient of correlation is 0.984. This shows that a very strong and significant relationship exist between the independent variable (predictor) variable and the dependent (criterion) variable. The Coefficient of Determination  $(R^2) = 0.967$ . It implies that 96.7% variation in organizational performance is explained by variations in competitive strategy. This indicates that the model has a good fit (explanation is  $> 50\%$ ). The remaining 3.3% is elucidated by some other variables not covered in this study model. The F-calculated of 473.127 had a corresponding significant t-value of 0.000. The researcher therefore concludes it is a good and useful model. Conventionally  $F\text{-Cal} = 473.127 > F\text{-tab}_{(0.05, 1, 17)} = 4.41$  hence the decision of a useful model is upheld.

The test of significance conducted as shown in the table above shows that competitive strategy significantly influences firm performance  $(PV = 0.000 < 0.05)$ . More so,  $t\text{-cal} = 473.127 > t\text{-tab}_{(0.05, 17)} = 1.73$ .

### 5. Discussion of Findings

King et al, (2001) evidenced that management harmony on competencies is related with higher performance. If organizations are stern about successfully supervising competencies, the results proposed that managers should uphold a conversation concerning their institution's competencies. An ongoing conversation about competencies allows managers to check their organizations' competencies and approval about competencies. Competitive strategy and performance relationship with a special emphasis given to the value chain activities of the firms, which plays an important role in order to identify and develop the competitive advantage in the context of fast food outlets in Port Harcourt. Competitive strategies adopted by any firm aim at achieving competitive advantage over rival firms. It is evident that fast food outlets are continuously adopting new and advanced competitive strategies to win their customers. In this study, the level of competition in the fast food outlets in Port Harcourt, Rivers State has been found to increase especially for the last five years. The increase in number of fast food outlet in Port Harcourt is an indication that firms have had to come up with new strategies that will give

their products competitive edge over competitors. According to Seboru, (2014) business firms need to consider the overall strategy and provide unique products that will help capture particular segment of the market.

It was observed that majority of the outlets were forced by their competitors to adopt different competitive strategies to face off the market competition. These strategies include market segmentation in which it has developed products that meet the needs of various markets such as the children, holiday seekers and working class. Furthermore, some of the outlets has employed cost leadership in which to counter the high marketing costs that are being incurred to inform the customers' on the products. Again some fast food outlets also put in place measures to cut cost such as restricting the organization and reducing on operational costs. According to Porter (2005), in order for a firm to successfully implement the cost leadership strategy and maintain a strong competitive position while still sustaining their profit margins for a longer period of time, they have to place a premium of efficiency of operations in all functional areas. This strategy came out strongly to indicate that fast food outlet's strategy on this has achieved positive results and help in maintaining the organizational competitive advantage. Furthermore, managers of the fast food outlets when asked on whether their firms faced any challenges in implementing focus competitive strategy, majority of them agreed that the mini nature of market segment was one of the challenges mentioned. According to David (2003), a successful focus strategy depends upon an industry segment large enough to have good growth potential but not of key importance to other major competitors. The other challenge was the fact that it was difficult for them to achieve both a broad target and a narrow target within a given segment. To this end, the firms had no choice but to choose the strategy that compliments their core competence, thus the firm's strategy was still wanting and thus needed to be improved if at all competitive advantage was to be realized.

## 6. Conclusion and Recommendations

Competitive strategies are distinctive approaches that organization applies or intend to apply in other succeed and make niche in the market. These plans of action are usually more skill-based and involve long-term thinking, innovation and execution, critical thinking and strategic positioning. More so given that competitive strategy has a significant influence on organizational performance. Managers of fast food firms should not ignore the implications of competitive strategy on their performance as shown from the research. It has proved to have a great influence on their organizational performance in terms of customers' satisfaction. Again, achieving competitive advantage is one of the top priorities of virtually all fast food firms in Port Harcourt. Fast food firms operate in a very competitive environment where most of their products are highly differentiated regulated; hence competitive strategy is a critical element of organizational success and performance. Therefore we recommend that:

- In order to have a better organizational performance, fast food in Port Harcourt needs to adopt a working competitive strategy within the consensus of organizational members.
- Fast Food in Port Harcourt should set fair and reasonable prices in order to acquire more market shares and as well satisfy the customers.
- Fast food firm's managers should put in their time and resources to have a successful focus, as to enhance their profitability

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