

Cost Leadership Strategy and Performance of Pastoral Centers in the Archdiocese of Kisumu, Kenya

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Abstract- That state that organizational efficiency is the ability of a business to manufacture or provide goods and services at a lower cost than competitors in the market is the foundation of cost leadership. The pursuit of economies of scale, proprietary technology, privileged access to raw materials, and other reasons can all be sources of cost advantage. The study therefore sought to determine how cost leadership strategy enhances performance of pastoral centers in the Archdiocese of Kisumu. The study adopted a survey research design. It involves a method that involves in-depth collection of data and analysis in order to describe the characteristics of a given population. It is a method used to narrow down a very broad field of research into easily researchable topic. The target population of the study included pastoral centers in the Archdiocese of Kisumu whose population is 450. The sample of the study was 135 respondents of pastoral centers in the Archdiocese of Kisumu who were given questionnaires to fill. For the purpose of the study, the researcher used questionnaires with both open and closed ended questions to collect data. Questionnaire is the most appropriate tool as it permits a greater response from the respondent, thus enables more detail data on the subject to be obtained. The researcher piloted the study instruments on the non-sampled members of the population to assess the reliability of the instruments; this was done to allow necessary adjustments to be made on the instruments so as to enable collection of data related to the study objectives. After a period of one week the researcher collected the filled questionnaires. After collection of data with questionnaires, editing was done. The edited data was organized and coded. This was done by considering similar views and responses and grouping them together. The data was tabulated according to variables where each table represented a variable. The data was analyzed using descriptive

statistical methods of weighted average and percentages. The study concludes that there is a significant positive effect between cost leadership strategy and performance. It recommends that pastoral centers should enhance cost leadership strategies like doing market research on goods and services before purchasing, recycling of used products, procuring customer based good and services and offer quality service to attract more customers leading to enhanced performance.

Indexed Terms- Cost Leadership Strategy, Performance of Pastoral Centers

I. INTRODUCTION

Based on the fit between the company's competitive advantage and the target market being targeted as the primary determinant of choice, management employs integrated sets of actions known as competitive strategies to determine how the business will compete most effectively (Auka, 2014). Therefore, businesses must choose between two main competitive advantages when deciding which competitive strategy to pursue: being able to differentiate themselves from competitors and charge a premium price that covers costs, or having lower costs than competitors (Hitt, Ireland & Hoskisson, 2015). Management must carefully lay out their strategic orientation in the fast-paced, expanding company environment in order to align their skills with the opportunities that are currently available. Cost leadership, distinctiveness, and focus are the three basic competitive strategies that a company can use to acquire a competitive advantage. Whereas the studies herein have looked at competitive strategies from the business world perspective, the current study sought to fill the exiting gap in competitive strategies and performance of pastoral centers in the Archdiocese of Kisumu Kenya.

Performance is further defined by Maduenyi, Oke, and Fadenyi (2015) as the capacity to accomplish organizational goals and objectives. They go on to say that it is the organization's capacity to use resources in a well-planned way to achieve its goals and objectives. Therefore, in addition to maximizing profits, businesses should strive to provide high-quality goods and services that benefit all stakeholders.

The findings of a study conducted by Pulaj et al. (2015) indicate that when certain crucial criteria are satisfied, a targeted strategy aiming at gaining a competitive edge based on either low cost or differentiation becomes more and more appealing. - A target market niche that is large enough to be profitable and has high growth potential is one of the requirements. If other industry players find the market segment appealing, there will be fierce competition for market share, which might quickly reduce revenue.

In a study of the competitive strategies used by savings and cooperative organizations in Kenya, Kinyuira (2014) found that the main uses of technology were for scheduling, resource control, and product and service differentiation. Specialized technology used by a company in its product manufacturing process may be patentable. Prominent corporations such as IBM, Samsung, and Microsoft file many patents to safeguard the technology they have invented in order to produce distinctive and valuable goods (Fisher & Oberholzer-Gee, 2013).

II. LITERATURE REVIEW

• Cost Leadership Strategy and Performance

According to Hitt et al. (2015) cost leadership is a collection of coordinated steps designed to create products and services with customer-acceptable qualities at the lowest possible cost in comparison to rivals' offerings. One of the three primary competitive strategies for outperforming rivals over the long term is cost leadership, commonly known as low cost leadership (Chaudhry & Gul, 2017). Pearce and Robinson (2013) depicted cost leadership in the following graphic, which aims to capture a large industry market and leverage cost advantages to establish a strong position against rivals.

Pulaj, Kume, and Cipi (2015) state that organizational efficiency the ability of a business to manufacture or provide goods and services at a lower cost than competitors in the market is the foundation of cost leadership. The pursuit of economies of scale, proprietary technology, privileged access to raw materials, and other reasons can all be sources of cost advantage. In order to maintain their competitive edge, low-cost leaders must make investments in capital-intensive technology and cost-cutting automation systems. In addition, they might use extremely effective logistics and keep labor, material, and resource costs lower than rivals. Whereas the study by Pulaj, Kume, and Cipi (2015) have been done abroad, they leave a gap in the cost leadership strategy and how it enhances performance of pastoral centers in the Archdiocese of Kisumu, Kenya, a gap that this study sought to fill.

According to Hough et al. (2011), a company attains cost leadership when it breaks through as the lowest cost manufacturer in the industry as opposed to merely being one of numerous competitors with relatively low costs. To get a low-cost advantage, businesses must take care not to sacrifice the product or service's appeal. According to Jones and Hill (2013), companies can maintain their position as cost leaders by continuously inventing and coming up with new ways to run efficiently. For any company using a cost leadership business model, cutting costs and increasing efficiency are obviously essential tasks. This beneficial position can also be obtained by investing in manufacturing facilities, learning from experience and other sources, and taking advantage of all available economies of scale (Birjandi et al., 2014).

Price Waterhouse Coopers (2016) lists several cost-reduction strategies that a business can use to manage and control its expenses. These strategies include cutting back on unnecessary activities that don't add value, outsourcing certain tasks, like processing payroll, conducting intensive research and development for innovation and continuous improvement, automating procedures or using technology to increase efficiency, streamlining procedures for operational excellence, and minimizing costs through backward vertical integration. These methods may require a large initial

investment, but if done well, the advantages outweigh the drawbacks (Gildemeister et al., 2013).

According to a Tanwar (2013) study, a company can become the lowest cost producer in the business by identifying and utilizing every source of cost advantage through cost leadership. Efficiency is the cornerstone of this approach. The company is able to cut costs and provide lower pricing than rivals by implementing efficient procedures across the board and in all pertinent areas. In order to maintain low prices, companies must control costs, but they must also ensure that quality and customer preferences are not compromised, according to Nyauncho and Nyagara's (2015) study on the effect of cost leadership on the performance of liquefied petroleum gas companies in Kenya.

A study conducted by Gakumo (2006) found that most business organizations in Kenya base their cost leadership strategies on high levels of investment and efficient organizational structures. Process engineering, high volume sales skills and techniques are less emphasized aspects of cost leadership strategies applied by business organizations. According to Njoroge (2006), it is better to have a lower overhead than a competitor than to maintain a competitor's overhead, which means offering a product at a lower price than the competitor.

A study conducted by Gitonga (2003) found that cost leadership is one of the strategies adopted by hospitality establishments in Nairobi, Kenya. In a study conducted by Kariuki (2006), the preference for cost leadership strategy was not very high, with 72% of respondents in the hotel industry not preferring to use this strategy. Although this study was in the service industry, it will be important to compare the results of this research project in the dairy industry that deals with tangible goods.

According to Chepkwony (2008), cost leadership is a strategy that aims to reduce costs without changing product quality, either positively or negatively. Companies that follow this type of strategy seek competitive advantage based solely on achieving low-cost production. According to Dulo (2006), manufacturing companies pursuing a cost leadership strategy purchase material in large quantities to

obtain low raw material costs, produce large quantities of a limited range of products, and (to avoid advertising) purchase materials. They do, and (to prevent advertising) we follow an Unauthorized Marketing Policy. -Products and services with a private label or brand. cost), extensive use of automation to maximize economies of scale, locating manual production in low-wage regions of the world, and using aggressive pricing to build and maintain market share.

Gichowi (2006) conducted a study on the competitive strategies applied by Mumias Sugar Company and found that cost leadership is a combination of aggressive construction of large-scale facilities, strict cost and overhead control, and cost reduction related to learning effects. It has been shown to be based on the pursuit and intensive exploitation of the economy of the company. The size of discretionary expenses such as research and development, advertising and promotion. To successfully implement a cost leadership strategy, companies must have adequate financial resources, appropriate process engineering skills, complete workforce supervision, and low-cost logistics capabilities.

According to Mbugua (2006), the production and control of materials is the center of attention in organizations pursuing a cost leadership strategy. To successfully implement cost leadership strategies, cost leaders typically ignore different market segments and position their products to appeal to the average customer. This is because it is very expensive to develop customized product lines to meet the needs of different market segments. Manufacturing companies adopt lean manufacturing principles and five sigma management systems to achieve low cost leadership strategies. The goal of these two management systems is to reduce waste during the production and production process at the lowest possible cost.

III. MATERIALS AND METHODS

The study was based on survey research design since it employed only quantitative tools for data collection. The target population was 450 respondents drawn from the pastoral centers in Kisumu county. The sample of the study was 135

respondents from pastoral centers in the Archdiocese of Kisumu who were given a questionnaire to fill. The sample was 30% of the total population and suitable for this study as recommended by Cooper and Schindler (2001). Questionnaires is the most suitable instrument as it allows more responses from the respondent, thus enabling more detailed data on the topic to be obtained. The choice of questionnaire as a data collection tool was based on the fact that it is suitable for collecting a large amount of data from the respondents in a short period of time. A pilot study was carried out at in the neighbouring St. Vincent Kisii Pastoralcenter to enable validation the study instruments. Census sampling technique was used to convert the study population into a study sample. The study established significant effect. After collecting the data with the questionnaire, editing was done. Edited data was organized and coded. This was done by considering similar views and responses and grouping them together. Data was tabulated according to variables where each table represents a variable. Data was analyzed using descriptive statistics methods of weighted mean and percentage. The results were then presented in the form of tables. The relationship of variables in this study was established using inferential statistical tools such as regression analysis.

IV. DESCRIPTIVE ANALYSIS

Data was first analyzed descriptively before making inferences of the descriptive data through various regression statistics. It was therefore important to explain how the mean values were interpreted throughout this study. The respondents were required to use the 5-point Likert scale which was interpreted using the ranges of 4.3-5=Strongly Agree; 3.5-4.2=Agree; 2.6-3.4=Undecided; 1.9-2.6=Disagree and 1-1.8=Strongly Disagree (Nemoto & Beglar, 2014; Joshi, Kale, Chandel & Pal, 2015). In addition to the use of the mean to gauge the level of each item, the corresponding standard deviation of each item was also reported to evaluate the level of variation (agreement gree and 1-1.8=Strongly Agree (Nemoto & Beglar, 2014; Joshi, Kale, Chandel & Pal, 2015). In addition to the use of the mean to gauge the level of each item, the corresponding standard deviation (SD) of each item was also reported to evaluate the

level of variation agreement. The results were as shown in Table 1.

Table 1: Cost-Leadership Strategies enhances performanceof pastoral centers

Statement	N	Min	Max	Mean	Std. Dev
Our service costs are the lowest in the region	135	1	5	4.43	0.98
We recycle used items in the Centre	135	1	5	2.30	1.54
We procure our items based on our customers standards	135	1	5	4.28	1.34
We share purchases with other similar centres	135	1	5	4.30	1.28
Our quality services attract more clients hence reducing marketing costs	135	1	5	4.28	1.22
Aggregate Scores				3.92	1.27

Table 1 observed that the majority of respondents with a mean of 4.43(SD=0.98) were in agreement that their service costs were the lowest in the region implying that majority of the pastoral centres have embraced the cost leadership strategy. The study also revealed that majority of the respondents with a mean of 2.30(SD=1.54) were in disagreement that they recycled used items in their centres. This meant that the pastoral centers do not take advantage of reducing costs through recycling of used products. Additionally, the study revealed that majority of the respondents 4.28(SD=1.34) were in agreement that they procure their items based on our customers’ standards. Implying that the pastoral centres do purchase goods and services which meet customer demands hence, cost leadership strategy. Further, the study revealed that majority of the respondents with a mean of 4.30(SD=1.28) were in agreement that they share purchases with other similar centres. Finally, the study observed that majority of the respondents

with a mean of 4.28(SD=1.22) were in agreement that their quality services attract more clients hence reducing marketing costs. By aggregate, the study revealed that majority of the respondents were in agreement that the pastoral centers in the study area maintain cost leadership strategy hence, performance of pastoral centers.

• Linear Regression

The study conducted a linear regression statistic to help make inferences from the descriptive analysis between cost leadership strategy and performance of pastoral centers the following statistics were produced as described in Tables 2, 3 and 4.

• Cost leadership strategy and performance of pastoral centers

The study conducted a linear regression statistic to help make inferences from the descriptive analysis between cost leadership strategy and performance of pastoral centers. The following statistics were produced as described in Table 2.

Table 2: ANOVA model for cost leadership strategy

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.198	1	1.198	4.406	.043 ^b
	Residual	10.337	38	.272		
	Total	11.535	39			
a. Dependent Variable: CLS						
b. Predictors: (Constant), MEAN1						

Table 2 reveals that cost leadership strategy has a significant effect performance of pastoral centers $F(1, 38) = 4.406, p < 0.05$. Statistically, the null hypothesis, “There is no significant relationship between the cost leadership strategy and performance of pastoral centers,” was rejected since $p < 0.05$. Hence, the study accepted the alternative hypothesis that there is significant effect between cost leadership strategy and performance of pastoral centers in the in Kisumu County.

Table 3: Model summary for cost leadership strategy

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				Durbin-Watson	
					R Square Change	F Change	df1	df2		Sig. F Change
1	.322 ^a	.104	.080	.52155	.104	4.406	1	38	.043	2.107
a. Predictors: (Constant), CLS										
b. Dependent Variable: Performance										

Table 3 observed that the R^2 value of 94.8 shows that about 10.4% of changes in performance of pastoral centres are explained by the independent variable, cost leadership strategy, while 89.9% is explained by the error term. The adjusted R^2 value of 0.080 shows that 8% changes in performance of pastoral centres is explained by the e-marketing while the difference, 92% is captured by the error term hence showing a model with a good fit at 94.8% (Cohen, 1988).

Table 4: Regression Coefficient for cost leadership strategy

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error				Beta	Tolerance
1	(Constant)	2.752	.589	4.674	.000		
	CLS	.312	.149	.322	.043	1.000	1.000
a. Dependent Variable: Performance							

The study revealed from the coefficients of regression that the correlation between cost leadership strategy and performance of was statistically significant $r(322) = 0.312, p < 0.05$ an indication that companies with strong cost leadership strategy are more likely to realize better performance. The regression equation for predicting organisational performance from cost leadership strategy is $Y = 2.752 + .312X$ implying that cost leadership strategy has positive significant influence on organisational performance ($B = .322, p < 0.05$). The effect is significant as indicated by positive t-value (4.674) and probability value < 0.05 . In quantitative terms,

the regression estimates of .149 means that, holding other factors constant, an increase cost leadership strategy by one unit, the organisational performance increases by 0.022 units.

CONCLUSION

From the study findings, the study concludes that there is a significant positive effect between cost leadership strategy and performance of the pastoral centers in Kisumu County, hence, the predictor of performance.

RECOMMENDATION

Since the study concluded that cost leadership strategy is a significant positive predictor of performance, the study recommends that pastoral centers should enhance cost leadership strategies like doing market research on goods and services before purchasing, recycling of used products, procuring customer based good and services and offer quality service to attract more customers leading to enhancement performance.

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