Influence Of Differentiation and Cost Leadership Strategies on Performance in Interior Design Industry in Kenya: A Survey of Selected Companies in Nairobi County

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Abstract

The objective of this study was to investigate the impact of competitive strategies on organizational performance within the interior design business in Kenya. To do this, a survey was conducted among interior design enterprises located in Nairobi County. The primary aims of the research were: This study aims to assess the impact of cost leadership tactics on the performance of interior design businesses and investigate the association between differentiation strategies and the performance of interior design firms in Kenya. The research used a descriptive survey methodology, focusing on a population of 50 interior design businesses located in Nairobi County. Stratified random sampling procedures were utilized to choose a sample of 8 companies, consisting of 95 workers. The data was subjected to descriptive analysis, and afterwards, the findings were presented in tabular format. The respondents had a response rate of 80% during the interviews. The research derived conclusions based on its findings. The aforementioned results indicate that in order to establish themselves as industry leaders in terms of cost efficiency, enterprises must possess a diverse portfolio of services and products that effectively cater to the preferences and demands of their client base. Findings on differentiation strategy revealed that, on average, organizations that market new services are adaptable and flexible to change and develop a strong brand reputation remain competitive and hence have good performance in the market. To outperform other organizations in the industry, the study recommended organizations to develop competitive strategies in align with their business there is no one size fits all. The study also advised interior design firms to conduct in-depth market research to determine the markets' gaps before developing competitive strategies.
Keywords: Differentiation strategies; cost leadership strategies; performance of interior design firms; profitability

1.0 Introduction

The business setting is in a continuous state of fluidity, with evolving needs and demands. To maintain a competitive edge, organizations must adapt to these changes regularly (Rainbird, 2004). The ever-changing landscape and competition can erode market attractiveness and profit margins. Hence, firms encounter the need to adopt a proactive stance and develop efficacious competitive strategies that may effectively address both expected and real shifts in the commercial landscape. Interior design projects in Kenya typically operate under consultancy agreements, with general oversight provided by professional bodies like the Engineering Board of Kenya (EBK) for engineers, as well as numerous Acts of Parliament and parastatals that control facets of the built environment. It is imperative for these firms to develop competitive strategies that shield them from the impact of these external factors.

Competitive strategy is a company's long-term design to attract more customers, enhance market performance, and gain an advantage over rivals (Chepkwony, 2008). Porter (2008) emphasizes the uniqueness of competitive strategies, emphasizing the need for organizations to do things differently and better than their competitors. Porter provides an overview of fundamental competitive strategies, which comprise the low-cost producer strategy, low-cost leadership strategy, and differentiation strategy. Thompson and Strickland (2012) argue that competitive strategies are vital for organizations to outperform their competitors and succeed in the market. Without these strategies, firms fail to capitalize on market opportunities. A company gains a competitive advantage when it excels in acquiring and defending against competitive forces. Organizations that lack distinctiveness and imitate others risk losing their competitive advantage and may perform worse than their competitors (Sufian & Chong, 2016). Strategic planning, technological expertise, and product quality are organizational factors that significantly impact superior performance (Atikiya & Nzulwa, 2014). Porter's (1980) generic strategy is often associated with enhanced performance and serves as the foundation for several strategic management frameworks.

Resource allocation is the starting point for competitive strategies. Resources include material resources like raw materials and immaterial resources such as technology, human capital, and brand impartiality. These resources have the potential to be cultivated into capabilities, which include the company's proficiency in converting resources into competitive goods and processes. The formalization and imitation of capabilities may pose significant challenges, so making them a valuable source of competitive advantage. Organizational performance may be seen as a subjective evaluation of an institution's capacity to effectively use its resources in order to create financial returns. Al-Tamini (2014) suggests that this tool has the potential to facilitate comparisons across firms operating in similar industry, such as banking, communication, and insurance. Growth strategies are essential planning tools for organizations to achieve future growth and competitive advantage (Ansoff, 2012). Organizations can employ strategies like market penetration to increase sales and market share (Ferguson, 2017).

In the Kenyan interior design industry, companies are mostly located in urban areas due to the proximity of the market. The industry has seen significant growth, with projects ranging from universities to hospitals, restaurants to hotels, and retail to office spaces. Starting an interior design business in Kenya is relatively affordable, but offering products may require additional investment. Interior design as a profession is gaining recognition in Kenya, with the Interior Designers Association of Kenya formed to promote excellence in the industry. However, the presence of unqualified practitioners remains a challenge.

This study will focus on eight prominent interior design companies in Kenya: Prime House Interiors, Panacea Building Solutions Limited, African Eye Crafts, EL Interior Designer, Terrt Interior Designs, Creo Interiors, Planning Interior Designs, and Udesign Interior Designers. These companies offer a diverse range of services within the interior design industry, making them suitable for a comparative investigation of competitive approaches and performance. Analyzing these companies' competitive strategies and performance can provide insights into effective approaches and best practices in the Kenyan interior design industry. This information may aid other businesses in the sector aiming to improve their competitiveness and general performance.

1.1. Statement of the Problem

It is essential for firms to surpass the performance of their rivals within the sector. In the context of an expanding economy, several enterprises want to acquire a substantial portion of the market in order to secure sufficient profitability that aligns with their organizational objectives (Sumer & Bayraktar, 2012). The demand for interior design items is on the rise as more families transition into the middle-income bracket and market risks for projects escalate as a result of increased investments in the nation. In order to foster sustainable development and capitalize on emerging prospects, the functions of innovation and differentiation become significance (Deloitte & Touche, 2015). The heightened rivalry among interior design businesses has resulted in price wars, prompting enterprises to realign their competitive tactics in order to maintain relevance (Arasa & Gathinji, 2014). However, many firms don't follow up after implementation of competitive strategies to find out how it relates to performance.

Previous research has been inconclusive regarding what generates organizational performance and a sustainable competitive advantage in interior design organization. O'Regan, Kluth, and Parnell's (2011) study affirmed this, as most studies on the subject are focused on the role of tactical management kin to enterprise performance. Pearce and Robinson (2011) contended that the association between competitive advantage and administrative performance had been a combative and unsettled matter in the field of tactical management. Hence the need to do research especially in the interior design industry.

Numerous empirical investigations have been conducted on competitive tactics in Kenya, but under varying contextual conditions. The study steered by Gathoga (2011) fixated on the examination of competitive tactics used by commercial banks operating in Kenya. The findings of the research show that banks operating inside the nation use several techniques in order to maintain their competitive edge within the business. He also expressed his opinion that several banks in the sector used a strategy of growth by establishing more branches in different places. In the study conducted by Karanja (2002), an examination was undertaken to assess the competitive tactics used by real estate businesses, with a particular focus on Porter's competitive model. The research conducted by Kihoro and Ombui (2012) examined the impact of competitive tactics on customer retention in G4S services (K) Ltd. (Krapfel et al., 2006). The findings of the research revealed that competitive tactics played a vital role in achieving client retention. The primary emphasis of this research was on the security business, which functions within a dissimilar context apart from that of PSV. In a study conducted by Munyiri (2014), an examination was undertaken to investigate customer retention and competitive strategies within the commercial banking sector of Kenya. The results of the study showed that the banks used differentiation strategies, whereby they offered their customers exceptional products and services characterized by superior quality.

These studies provide more evidence that firms operating in various sectors tend to employ unique competitive strategies that are specific to their own contexts. Despite the abundance of available information, there is an inadequate number of studies that have explored the competitive tactics and performance of the interior design sector, particularly considering its status as a relatively nascent profession within the market. An empirical inquiry is necessary to validate the correlation between competitive strategies and the operational effectiveness of Interior design firms in Nairobi, in order to get insights into the existing landscape. This research aims to explore the correlation between competitive strategies and the success of interior design businesses operating inside the Nairobi County Government.

1.2. Specific objectives

i. To evaluate the effect of cost leadership on firm performance at Interior design companies in Nairobi County.
ii. To determine how differentiation strategy affects the firm performance of Interior design companies in Nairobi County.

1.3. Scope of the study

The scope of the research study was restricted to Interior design enterprises located within Nairobi County. This research aims to assess the influence of competitive tactics on the organizational performance of Interior design businesses operating in Nairobi. The competitive strategies under consideration include the differentiation strategy and the cost leadership approach. The target audience consisted of all 190 workers comprising the senior-level and middle-level managerial personnel, as well as the non-management workforce. The research used a sample size of 95 respondents, who were picked randomly from the target demographic. The participants supplied the essential data for the research. The study included the timeframe spanning from January to July of 2023.

2.0 Literature Review

2.1 Theoretical Literature Review.

This study was anchored on Resource-based View theory supported by the configuration theory and open-system theories.

2.1.1 Resource based View Theory

The Resource-Based View (RBV) is a strategic management framework used to evaluate an organization's strategic assets that can be leveraged to achieve and sustain a competitive advantage (Newbert, 2007). This concept builds upon the theories of firm growth proposed by Penrose (1959) and the notion of resources introduced by Wernerfelt (1984). Barney (1991) formalized the RBV into a theoretical framework to understand how an organization's environment affects its performance. According to Barney (1991), the Resource-Based View (RBV) posits that resources refer to a wide range of elements including assets, capabilities, processes, information, and knowledge that are within the control of an organization. These resources are used by the organization to advance and implement strategies aimed at improving operational efficiency and effectiveness. The resources mentioned in the literature are categorized into three overarching classifications: physical assets, human capital, and organizational capital (Amit and Schoemaker, 1993). Strategic resources include distinctive characteristics, including but not limited to worth, rarity, inimitability, and non-substitutability, which contribute to their status as valuable assets.

The RBV operates on two key assumptions. Firstly, resources are not uniformly distributed among organizations, and secondly, these assets are not perfectly mobile (Barney, 1991). This means that organizations possess different resource mixes, leading to varied strategic choices and outcomes. The RBV underscores the importance of focusing on internal resources to identify assets, capabilities, and competencies that can yield excellent results. This theory provides a crucial tool for managers to identify and connect an organization's resources with its capabilities silently, emphasizing the profitability and benefits associated with the firm (Newbert, 2007). The RBV proposes that competitive advantage is achieved when a firm deploys its key assets in a distinctive and effective manner compared to its competitors.

Penrose (1959) and Wernerfelt (1986) initially developed the Resource-Based View Theory, emphasizing that organizations with more resources can effectively implement advanced competitive strategies, leading to improved performance (Bates & Flynn, 2005). The theory highlights a company's internal sources of long-term competitive advantage. Penrose (2007) provided more elucidation into the relationship among company resources, production capacities, and performance, so offering insights into the reasons behind the substantial performance disparities seen across ostensibly identical enterprises operating within the same industry. Based on the theoretical framework, it is posited that not all resources inside an organization are indispensable for achieving market competitiveness. Rather, these resources must possess certain attributes such as value, uniqueness, irreplaceability, and non-transferability (Kraaijenbrink, Spender, & Groen, 2010).

However, some scholars, including Barney (1991), Priem and Butler (2001), and Sanchez (2008), have criticized the RBV. Barney (1991) argued that the theory lacks a suitable conceptual foundation for identifying valuable resources, hindering its development as a scientific theory. Sanchez (2008) echoed this critique, stating that the theory's failure to provide a conceptual basis hampers its potential as a scientific theory about resources. According to the Resource-Based View (RBV), a firm's competitive advantage and performance results are attributed to its distinct and challenging-to-duplicate resources and skills. Hence, it is important for firms to discern and use their resources in order to get a competitive advantage in the market. In contrast to Porter's Five Forces model, which evaluates the external competitive landscape, the Resource-Based View (RBV) takes an inside perspective by analyzing the organization's internal resources. The article emphasizes the correlation between competitive strategy and organizational success, specifically examining cost leadership, differentiation, and focus strategies (Barney, 1991). The Resource-Based View (RBV) offers a helpful conceptual framework for comprehending how firms may acquire and sustain a competitive edge via the strategic utilization of their distinct and valued resources. This statement underscores the significance of internal resources and competencies in attaining exceptional performance and establishing a competitive position within the market.

2.1.2. Configuration Theory

The development of configuration theory may be attributed to Chandler (1962), who subsequently received critical evaluation and refinement by Mintzberg and Miller (1970). The fundamental tenet of configuration theory is that the performance of an organization is contingent upon its design and its alignment with the prevailing business environment. The underlying assumption posits that optimal organizational performance is contingent upon aligning the structure of the organization with external factors. Only those firms that connect their operations with the current environment are able to attain optimal productivity. According to Fincham and Rhodes (2010), the theoretical framework posits that for an organization to attain effectiveness, it is essential to maintain a harmonious equilibrium among strategy, structure, and the environmental backdrop.

According to the contingency technique, the effect of the independent variable on the dependent variable might vary in terms of both intensity and direction, contingent upon the specific circumstances. Sandberg and Hofer (1987) conducted a study on entrepreneurship research, specifically focusing on the relationship between the breadth of market entry strategy and net present value (NVP) in different market environments. Their findings indicated that the early-stage market environment exhibited a stronger positive correlation between the breadth of market entry strategy and NVP compared to the later-stage market environment. This is due to the fact that in an early-stage market, a firm with a narrow strategy may inadvertently restrict its potential growth prematurely. The feasibility of implementing a subsequent comprehensive market strategy is limited due to the existing incumbents' established market dominance.

Dess, Newport, and Rasheed (1993, 776) assert that a configuration encompasses the interconnections among pieces or things that represent several domains. The configurational method is capable of generating more complex models compared to the contingency approach because to its ability to concurrently examine interactions across several domains, such as person, structure, strategy, and environment. The correlation between the theory and organizational aspects has often been shown in empirical research as a significant determinant of organizational performance (Slater & Olson, 2005). According to Geo, Zhou, and Yim (2007), the external environment may be considered exogenous. According to Gao, Zhou, and Yim (2007), it is important for organizations to recognize that there is no universally ideal strategic choice that can be applied to all enterprises. Therefore, businesses must be prepared to adjust their strategies in response to the environmental limits they face. The theory of configuration has faced significant criticism from scholars such as Smith and Lewis (2011), who argue that it inadequately captures the complexities of organizational dynamics and fails to effectively modify them. These academics have expressed a disproportionate amount of criticism towards this theory. Ployhart and Vendenberg (2010) provide more critique of the theory, highlighting the need of including temporal dynamics and accounting for the impact of change when developing models to assess the continual effect of change on causal relationships between two constructs. The concept underscores the correlation between the level of competition and the strategic approaches used within this particular context, serving as a characteristic of the external environment.

This study purposes to analyze the correlation between organizational performance and the choice of a competitive strategy, taking into account contextual changes. Additionally, it seeks to elucidate the importance of aligning the competitive strategy with organizational performance. The chosen theory is used in this research because to its alignment with and support for organizational performance via the three factors of cost leadership, differentiation, and focus strategy.

2.1.3 Open Systems Theory

Organizations were traditionally thought of being independent, closed systems that were cut off from the outside world. Because traditional theory had overlooked a number of external aspects that affected organizational effectiveness, the majority of academics and theorists adopted an open view of organizations. The open-to-open approach makes the notion that since every business is different, so should its structure be able to handle various opportunities and issues. Environmental factors, which can be either specific or generic, have an impact on open systems. The network of suppliers, distributors, governmental entities, and rival companies that interact with the firm are the specific environmental characteristics that can have an impact on an organization (Hatch, 1997).

The organization is seen through the lens of the systems approach to management theory as an open system with interconnected and interdependent components that operate as subsystems. The aforementioned idea is commonly acknowledged as the fundamental basis for the field of organizational development. The achievement of organizational success is contingent upon the interplay and interdependence of subsystems, the resulting synergy, and the dynamic contact between internal (closed system) and external (open system) components (internal system). From a systems viewpoint, it is understood that choices and activities taken within one organizational domain will inevitably have influence on other interconnected domains.

According to Burnes (2000), advocates of the open systems theory argue that many factors such as events, changes, and components present in the external environment may significantly influence the manner in which organizations are managed. In order to thrive, it is essential for every organization to consistently interact with the dynamic external environment. In order to attain success and efficiency, it is essential for businesses to demonstrate adaptability in response to the dynamic changes occurring within their environment. Firms have a proclivity for environmental stewardship and are reliant upon the environment. According to Ansoff et al. (1990), in order to maintain competitiveness, organizations must establish a strategic alignment with their external environment (Duncan, 1972).

The seminal work conducted by Lawrence and Lorsch in 1967 demonstrated that enterprises had the ability to maintain their operations by engagement with their external environment inside various systems. The phenomenon is self-sustaining because to its permeability, lack of boundaries, and continuous interaction with the surrounding environment. Open systems are characterized as living systems that sustain themselves via the interchange of inputs with their external environment. businesses that operate inside open systems exhibit high adaptability due to their non-porous nature and lack of interchange with the external environment, but businesses operating within closed systems do not possess the same level of adaptability. It is important for firms to engage in frequent interactions with their external environment in order to get resources that may effectively contribute to the maintenance or enhancement of their performance. According to Carmeli and Tischer (2004), enterprises must engage in competition to acquire the limited resources necessary for their continued existence. They further assert that only those firms that are well-suited to their local environment are able to escape extinction.

This theory posits a correlation between the competitive tactics that an organization choose and its organizational performance, as mediated by three variables: cost leadership strategy, differentiation strategy, and focus strategy. In the absence of a comprehensive comprehension of the overarching framework of the company, consultants and managers often exhibit a tendency to concentrate only on the observable behaviors and incidents linked to workplace issues, rather than addressing the underlying processes and structures that have given rise to those issues. The ability to accurately identify the underlying causes of issues and develop appropriate strategies for their resolution is of paramount importance in achieving successful problem-solving outcomes within various organizational contexts. A systems perspective offers a comprehensive comprehension of the overarching context. The primary duty of a leader is to establish a clear course of action and exert influence on others to align with and pursue that course. Establishing a clear trajectory and maintaining organizational alignment may be challenging when lacking a comprehensive understanding of the organization's operational dynamics. In the absence of a comprehensive comprehension of the organization's overarching characteristics and requirements, a leader may get engrossed in routine tasks, neglecting crucial responsibilities such as strategic planning and resource allocation. Consequently, the leader is unable to see the broader context due to being too focused on little details. The leader ultimately expends more effort rather than using more efficient strategies. The adoption of a systems perspective enables a leader to get a comprehensive understanding of the underlying structures and dynamics inside an organization. This understanding is crucial in determining the necessary actions to be taken in order to propel the company towards its strategic vision and objectives.

2.2 Empirical Studies

2.2.1. Strategy and Organization Performance.

The concept of strategy, as defined by John and Richard (2013), pertains to comprehensive and forward-looking plans that are designed to navigate the competitive landscape and accomplish certain goals and objectives. The formulation and execution of these plans are mostly carried out by the senior management of a business. Banker, Mashruwala, and Tripathy (2014) suggest that the objective of a cost leadership strategy is to provide goods or services at the most competitive price within the industry. The primary objective of this strategy is to generate a profitable outcome for the firm, as opposed to incurring losses and depleting profitability for all market participants. Consequently, this approach aims to enhance performance across various sectors of the company, including accounting, operations, marketing, and overall survival. According to Aboyassin and Abood (2013), the selection of a cost leadership strategy is of utmost importance for both the viability and achievement of a firm's performance.

The study led by Kharub, Mor, and Sharma (2019) investigated the correlation between the execution of a cost leadership strategy and the performance of organizations, with a specific focus on the arbitrating influence of quality management within the setting of micro, small, and medium enterprises (MSMEs). The research obtained data from a sample of 245 ISO 9000 certified micro, small, and medium enterprises (MSMEs), which had a response rate of over 65%. The data was acquired via the administration of questionnaires. The research conducted revealed that a direct correlation between the implementation of a cost leadership strategy and the overall performance of a business was not seen. The study steered by Kharub, Mor, and Sharma (2019) found that the relationship between the 8 model parameters and product quality improvement was completely mediated by quality management practices. Among these parameters, continuous improvement was ranked as the most influential, followed by information and analysis, and supplier management. The findings of the research indicate that the primary determinant for achieving the objective of small and medium-sized enterprises' (SMEs) cost leadership strategy is in the consistent enhancement of operations via the use of precise information and thorough data analysis.

In a study led by Muasa (2014), the researcher examined the impact of implementing a cost leadership strategy on the long-term viability of Naivas supermarket's competitive advantage. The research used a survey methodology to collect primary data, including questionnaires and interviews with key personnel including the Human Resource manager, operations manager, business development manager, marketing manager, buying and supply manager, and ICT manager. On the other hand, secondary data was acquired from various sources such as the organization's official website, industry publications, and academic journals. The method of content analysis was used to examine the data that was supplied in tabular form. The research determined that the organization had mostly implemented a cost leadership approach in its day-to-day activities, which delineated its target market as low and middle-income consumers. However, it is important to do this action in order to optimize the cost leadership business model (Muasa, 2014).

The research further determined that the organizational environment is undergoing mild changes, and it is defined by the prevalence of privately-owned firms that shape the competitive tactics being used. The results of the study also validated the notion that in order for the cost leadership strategy to be effective, organizations must allocate resources towards information and communication technology (ICT), prioritize the evolving needs of customers, enhance employee motivation, and offer a diverse array of products. Moreover, it is imperative for organizations to establish a solid foundation in effective management and customer relationship management, as these factors are crucial for sustaining a competitive advantage. The research suggests that it would be beneficial for workers, particularly those in managerial and supervisory roles, to periodically engage in training sessions and workshops. This would allow them to gain the required skills and knowledge to stay updated with the always evolving environmental circumstances. Muasa (2014) suggested that more investigation should be conducted on alternative techniques and the difficulties associated with implementing a cost leadership approach inside a regulated economic system.

The study steered by Ndungu, Otieno, and Rotich (2016) intended to examine the impact of competitive financial performance on banks in Kenya. The findings of the research show that the implementation of cost-cutting strategies has enabled banks to enhance their competitive position by reducing economic costs. Furthermore, this approach has facilitated the expansion of banks into new service markets and has played a significant role in customer retention. Banks have been seen using competitive pricing strategies to specifically cater to middle-class clientele, while concurrently developing novel financial products to address the evolving demands of prospective clients.

A recent study has shed light on the various procurement strategies employed by manufacturing companies in order to improve their performance. The findings indicate that organizations that adopt a cost-effective procurement strategy aim to achieve a competitive advantage by becoming a low-cost producer, thereby safeguarding their market position against rivals while simultaneously generating substantial profits. The firms' cost leaders have a strong emphasis on enhancing operational efficiency and exercising effective cost control measures throughout their supply chains. This strategic approach has a profound influence on the overall performance of these establishments (Kiprotich, Gachunga, & Bonuke, 2018).

The study conducted by Gloria and Ding (2015) examined the impact of a company's competitive strategy on its success inside the Chinese market. The research suggests that market orientation has a range of implications for competitive strategy and performance. The conclusions from the structural equation analysis indicated that the innovation strategy, which plays a vital role in creating more value for the firm in the emerging market, was the primary factor mediating the effect of the competitive strategy. In their 2015 study, Duran and Akci conducted an investigation into the effect of supply chain and competitive strategies on company performance within the manufacturing sector. The researchers specifically focused on the instance of Borsa Istanbul.

A total of 174 firms listed on the Borsa Istanbul were selected for the sample using a simple random sampling approach. The use of questionnaires for data collection by telephone and electronic mail has grown widely prevalent. The study revealed a notable and favorable impact of competitive tactics on supply chain strategies. The implementation of cost management and lean supply chain strategies has been shown to have a substantial influence on company performance during periods of heightened uncertainty. Conversely, differentiation and agile supply chain strategies have been seen to have a notable effect on firm performance in conditions characterized by lower levels of uncertainty. Based on the research findings, it is advisable for enterprises to take into account environmental unpredictability during the formulation of their strategic plans.

This strategy allows the organization to effectively safeguard itself during price conflicts, engage in competitive pricing strategies against competitors, expand its market presence if it already has a dominant position, and capitalize on unexpected financial gains. Barney and Hesterley (2006) argue that organizational structures characterized by a limited number of corporate personnel, clear reporting lines, and a focus on a certain niche market facilitate the successful implementation of cost leadership strategies by enterprises. According to empirical study conducted by Agyapong and Boamah (2013) and Tanwa (2013), the use of a cost leadership strategy has been shown to enhance performance in both small and big firms. Jahromi, Darabi, Birjandi, and Birjandi conducted a study in 2014.

A cost advantage is achieved by a corporation when it provides same services to its competitors, yet at a reduced price. The main goal of this strategic tactic is to position the firm as the most cost-effective producer within the industry. The aforementioned sector caters to a diverse array of market segments, prioritizing the reduction of expenses. The manufacturer that has the lowest costs will provide the most profits, provided that the sales price is equal to or greater than the industry average. This strategy is often associated with a prominent corporation that provides conventional items without significant uniqueness, but are deemed satisfactory by the majority of customers. Rendering to Porter (2018), a competitive advantage is attained by a firm when it is able to sustain profits that above the average earnings of its industry counterparts. Organizations that adopt a cost leadership strategy are able to sustain a robust competitive stance and achieve enduring profitability due to their focus on operational efficiency and effectiveness across various functional domains (Porter, 2018).

According to Spulber (2009), companies that prioritize cost reduction not only operate efficiently but also establish themselves as leaders in pricing, so impeding industry expansion by exerting dominance in price competition and adversely affecting rivals' profitability. This strategic advantage enables them to provide cheaper prices, greater quality, or both. By implementing a cost leadership strategy, a business may gain a competitive edge over its competitors via the reduction of economic expenses (Barney, 2012). By leveraging economies of scale and capitalizing on the experience curve, the business endeavors to establish a sustained competitive advantage vis-à-vis its competitors via a strategic emphasis on operational efficiency, so ensuring the provision of high-quality and standardized products or services.

2.2.2 Differentiation Strategy and Organization Performance

A differentiation strategy is the strategic approach used by a company to provide distinctive and value products and services for its consumer base (Teeratansirikool, Siengthai, & Badir, 2013). The use of separation strategies enables organizations to provide distinct offerings, often at a greater cost, with the aim of delivering added value and pursuing increased profitability via the cultivation of customer loyalty (Buul & Omundi, 2017). The distinction is evident via the incorporation of superior standards, originality, ingenuity, and diligent investigation and advancement in order to address evolving client demands. Adimo (2018) posits that many elements are influential in determining the success of enterprises. These aspects include the quality of goods and services provided, the size of the firm, the kind of product, the inventory system, and a set of 12 marketing techniques. The primary determinant of differentiation is in the possession of distinctive attributes, including client responsiveness, expeditious design, and technological leadership.

The enhancement of business performance is contingent upon the attainment of a relative competitive advantage by the enterprise (Porter, 1980). Kotler (2001) posits that the attainment of competitive advantage occurs when a firm successfully establishes a distinctive arrangement of its value chain, delineates a suitable range of operations, and harmonizes it with the value chains of its intended customer base. According to Bordes (2009), the implementation of high-quality initiatives has the ability to enhance a firm's market share to a certain degree. Indeed, notable research highlighted that the implementation of competitive strategies centered on elevated product quality resulted in a rise in market share and substantial improvements in profitability. The correlation between product quality and reputation, as well as the subsequent impact on demand and market share, is an often-observed phenomenon.

The study conducted by Klinger, Silveira-Martins, Castro, and Rossetto (2019) investigated the strategic positioning, distinctiveness, and performance of wineries in Brazil. The primary objective of the study was to examine the potential consequence of decision-making orientation among supervisors and managers within organizations on the differentiation process, as well as to evaluate the subsequent influence of these characteristics on the performance of enterprises operating in the wine sector in Brazil. The research conclusions indicate a positive correlation between decisive orientation and distinction. The findings of the analysis indicate a negative correlation between analyst positioning and businesses' differentiation. Additionally, a positive correlation was seen between differentiation and organizational success. The significance of the study findings lies in their contribution to the advancement of the scientific discourse by addressing a previously unexplored aspect of the existing theory. Additionally, the study has furnished decision-makers with valuable insights into strategies that can enhance differentiation and consequently lead to improved performance (Klinger, Silveira-Martins, Castro, & Rossetto, 2019).

The study conducted by Nuru (2015) examined the impact of differentiation strategy on the performance of branded bottled water within Mombasa County. The research focused on examining the many components that contribute to organizational effectiveness. The research used a cross-sectional design methodology. The target population of this research included all water bottling enterprises that were registered within Mombasa County. Primary data was acquired via the use of interview guides and questionnaires, whilst secondary data was obtained through recorded firm records and academic sources. The features of the mass data were summarized using descriptive statistics, and inferential statistics were obtained by the use of Pearson's Correlation and logistic regression analysis. The method of content analysis was used to analyze qualitative data. Subsequently, the findings were shown in tabular form, as well as visually represented using pie charts and graphs. The findings of the research indicate a clear beneficial relationship between the implementation of a differentiation strategy and organizational performance. According to Nuru (2015), the research findings show that the execution of a product differentiation strategy has a superior impact on the overall performance of water firms compared to the adoption of a service differentiation approach.

The study conducted by Atikiya, Elegwa, and Waiganjo (2015) investigated the impact of competitive tactics on the operational outcomes of manufacturing companies in Kenya. The research conducted an assessment of the impact of differentiation strategy on the operational outcomes of manufacturing enterprises in Kenya. The research study used a survey research design that included both quantitative and qualitative methodologies. The researchers used the sample size determination algorithm proposed by Kothari (2016) to ascertain the appropriate number of businesses to be included in the intense investigation, resulting in a selection of 189 firms. The data in this research was gathered via the use of a questionnaire. The Pearson product-moment correlation was employed to assess the impact of competitive strategies on the performance of manufacturing firms. Additionally, linear multiple regression analysis was utilized to elucidate the degree to which competitive strategies, specifically cost leadership, differentiation, and focus strategies (independent variables), accounted for the variation in firm performance (dependent variable).

The research conducted by Atikiya et al. (2015) yielded results indicating that manufacturing firms had positive effects on their performance when they engaged in strategies such as delivering a wide range of goods, establishing a reputable brand image within the industry, and launching new items. The researcher suggests that companies that want to pursue a differentiation strategy should do a more comprehensive analysis on how to reduce the costs associated with achieving uniqueness. This would enable differentiation to become a more prominent and effective practice within the industry. The research steered by Atikiya et al. (2015) primarily focused on the concepts of cost leadership, focus strategies, and differentiation strategy. The author used a differentiation strategy as a variable, without distinguishing between product differentiation and service differentiation strategies. Consequently, the result drawn was based only on product differentiation.

Numerous empirical research has revealed a substantial correlation between competitive strategy and organizational success. Porter (2015) posits that firms aiming to attain sustained competitive advantage have the option to choose and execute a generic strategy. Organizational performance may be enhanced by the use of cost leadership, differentiation, and focus techniques. Conferring to Kaplan and Norton (2016), the measurement of organizational performance is contingent upon the successful translation of strategy into actionable steps, with strategy playing a crucial part in the formulation of strategies. The examination of alignment inherently encompasses the potential for complementarity or synergy within a well aligned system. When there is a conflict between system components, whether it is internal or external, it may have either good or negative implications. On one hand, the conflict may result in a positive outcome where the whole system becomes greater than the sum of its individual parts. On the other hand, the conflict may have negative consequences, leading to the destruction of value rather than its production. The more precise the alignment criteria and the more unique to a certain business, the greater the potential for competitive tactics to provide an unparalleled strategic advantage.

2.3 Conceptual framework

Conceptual framework is a diagrammatic depiction showing the hypothesized association between variables of study. In this study, it illustrates the interaction between Cost Leadership Strategy, Differentiation Strategy, Focus Strategy, Growth Strategy as independent variables and Organizational Performance as the dependent variable as shown in Figure 1.

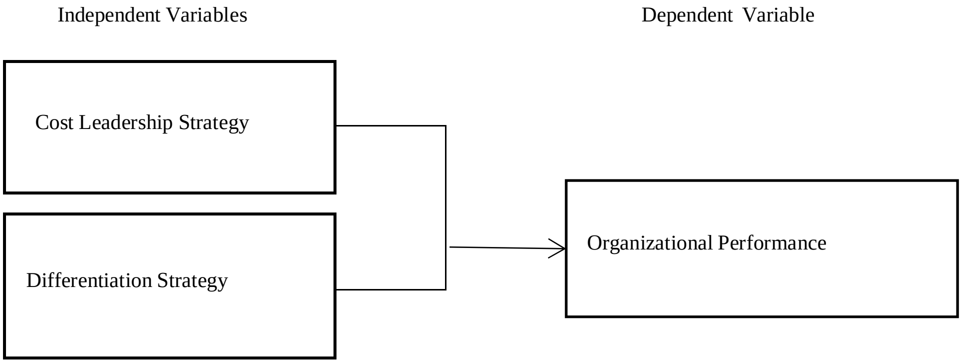

Figure 1: Conceptual framework

3.0 Research Methodology

3.1 Research Design

Research design, as defined by Akthar (2016), serves as the structural framework that encompasses all components of a research project, outlining the plan for conducting the proposed research. Tripathy and Tripathy (2017) concur, characterizing research design as the logical blueprint that guides the execution of a study. It represents the translation of this logic into a series of procedures aimed at optimizing data validity, particularly for a specific research problem.

In this Paper, a descriptive design was selected as the most suitable approach for gathering pertinent data from a defined population, focusing on variables of interest within a specific timeframe. Consequently, it enabled the formation of inferences about potential relationships and assessement whether exposure to specific factors correlates with particular outcomes, aligning with Kesmodel's (2018) perspective. The descriptive design's primary advantage lies in its capacity to meticulously depict an existing phenomenon, offering a foundation for further research, as noted by Atmowardoyo (2018). This design was judiciously selected because it allows for an in-depth inspection of the impact of differentiation strategies, cost leadership strategies, and focus strategies on organizational performance, with a specific focus on the interior design industry in Nairobi, Kenya.

3.2 Target population.

Heldal, Jentoft (2011) defined the target population as the population of persons that a researcher is attentive to, in describing and making statistical inferences about. This study focused on top 8 companies in Nairobi County government which include Prime House Interiors, Panacea Building Solutions Limited, African Eye Crafts, EL Interior Designer, Terrt interior designs, Creo Interiors, Planning Interior Designa and Udesign Interior Designers. The project managers, interior designers and Sub-Contractors formed a total of 190 respondents as shown below.

3.3 Sample Population.

According to Kothari (2009), a sample may be defined as a subset of a population that is chosen to accurately reflect the characteristics of the whole population. According to Kothari (2009), the process of randomly drawing a sample ensures that it is impartial, since it eliminates the possibility of any population being picked several times. Rendering to Sekaran (2010), it is recommended to have a sample size ranging from 10% to 30% in order to effectively reflect the target community, particularly when dealing with populations below ten thousand. The researchers purposively chose a sample size of 95 individuals who had a high level of knowledge and understanding about the competitive strategies and performance of interior companies.

3.4 Data Collection Instruments

In this research, key data was collected directly from respondents using structured questionnaires as a data collection tool. The questionnaire was compiled on a Likert scale based on research questions. The Likert scale was simple to understand and easy to answer, simplifying the data analysis process. The questionnaire is presented in a three-part framework. The first section considered background information and population; the second phase summarized the questionnaire of the first research question, which was to assess the effect of cost leadership on firm performance at Interior design companies in Nairobi. The third section will deal with questions on how focus Strategy influences performance of Interior design companies in Nairobi; this was followed by addressing how differentiation strategy affect firm performance at Interior design companies in Nairobi and lastly how growth Strategy affects firm performance at Interior design companies in Nairobi. Questionnaires were managed by emails and by drag and drop. Secondary data as a benefit indicator was used to supplement the key data collected.

3.5 Data Analysis and Presentation

Tables and charts were used explain the findings since they simplify results in a more understandable form. All diagrams bore tags so that the users could swiftly grasp the information being relayed. Various forms of measure of central tendency and dispersion were used to express descriptive statistics. The specific measurement used included mean, standard deviation, and frequency tables.

In order to derive inferential statistics, the research adopted multivariate regression analysis to find out the association among variables under consideration. The study statistical model involved four independent variables and one dependent variable.

The relationship equation is as shown below-

$Y = \alpha + \beta_1 X_1 + \beta_1 X_2 + \varepsilon$

Where Y = Performance, α = Constant term, β_1 = Beta co-efficient, X_1 = cost leadership, X_2 = differentiation strategy, ε = Error term**-** The model facilitated the identification of the independent factors that are associated with the dependent variable and enabled the examination of the nature of their relationship.

4.0 Research Findings and Discussion

4.1 Response Rate

The researcher distributed 95 questioners. Out of the 95, 76 questioners were well filled and returned this represented 80% response rate 20% were the non-response. The study's response rate of 80% aligns with the advice made by Kothari (2014) that a minimum response rate of 50% is a suitable criterion for analysis and for making generalizations based on the study's findings, as seen in Table 1.

Table 1: Return Rate

Response rate	Frequency	Percentage
Response	76	80
Nonresponse	19	20

Total	95	100

4.2 Gender of the Respondents

The findings showed that 41% were female while 59% were male the researcher observed that gender was well represented in all interior design companies. The findings showed that interior designs did comply with the criteria for the 2/3 rule of each gender in employment opportunities as shown in Table 2

Table 2: Gender Response

Category	Frequency	Percentage
Male	45	59
Female	31	41
Total	76	100

4.3 Age Bracket

The study shows that most of the interviewees aged between 18-25 years representing, 20% of the interviewees fell in aged bracket of 26-30 years, 21% of the respondents were aged between 31- 40 years 10 % aged between 41-45 years and only 8% of the interviewees were aged above 46 years. This distribution of respondents' age suggests that respondents of different age categories were fairly involved which means the views provided were varied. as shown in Table 3

Table 3: Age Bracket

Category	Frequency	Percentage
18-25	31	41
26-30	15	20
31-40	16	21
41 -45	8	10
46 Years and above	6	8
Total	76	100

4.4 Education Level of Respondents

The education level of respondents varied as shown in table 4. below.

Table 4: Education Level of Respondents

Category	Frequency	Percentage
Primary	0	0
Secondary	17	22.4
College	40	52.6
Degree	11	14.5

Masters	8	10.5
Total	76	100

The study shows that most of the interviewees were of college level representing 52.6%, followed by secondary at 22.4%, 14.5% of the respondents were degree holders, 10.5 % were master's holder and none was of primary level. This distribution of respondent's education background suggests that respondents of different education levels were fairly involved which means the views provided were varied.

4.5 Years in Service

Table 5: Years in Service

Response	**Frequency**	**Percentage**
1 - 5 year	29	38.2
6 - 10 years	32	42.1
11 -15 years	8	10.5
16 Years Above	7	9.2
Total	**76**	**100**

The study shows that most of the respondent's year of service was 6-10 years representing 42.1%, closely followed by 1-5 years at 38.2%, while those with 11-15 years was at 10.5% and 16 years and above was 9.2%. This year's in service distribution suggest that respondents of at different years of service at workplace were fairly involved which means the views provided were varied.

4.6 Descriptive analysis

4.6.1 Descriptive statistics of Leadership Strategy and Organization Performance

The study pursued finding out how cost leadership enhances organizational performance.

Table 6: Cost leadership strategy

Cost leadership strategy	N	Mean	Std. Deviation
My organization uses low prices for our services to remain competitive in the Market.	76	1.1842	.39023
Reduced operations cost in my organization help the firm to adopt cost leadership strategy	76	2.1842	.81176
Our organization enhances our market share by charging low prices as a cost leadership strategy	76	1.1711	.37906
My organization strive for an economy of scale that assists the company to remain Competitive in terms of operations cost.	76	1.9474	.48702
My organization has access to the low cost of raw materials than our competitors	76	1.9737	.69231
Valid N (listwise)	76		

The study's discoveries, as presented in Table 6, indicate that interior design organizations predominantly employ low operations costs (mean of 2.1842) as a means to adopt the cost leadership strategy. They also utilize economies of scale (mean of 1.9474) and offer services at lower prices (mean of 1.1842) to enhance their competitiveness in the market. However, the use of low prices to gain market share as part of the cost leadership strategy is less common, with a mean of 1.1711. Notably, the research highlights that implementing a cost leadership strategy positively influences both the financial and non-financial performance of interior design firms in Nairobi.

These findings align with prior studies, such as Ouma's (2016) examination of cost leadership strategy in Kenya's insurance sector, which emphasized the importance of cost-effective strategies in crowded markets. Furthermore, the results are consistent with research by Tavitiyaman, Qiu Zhang, Qu, Baraza, Kago, Gichunge, Baimwera, Kampire, and Ouma, all of whom reported the positive effect of cost leadership on organizational performance.

In the current business landscape, where cost minimization and market share growth are paramount, interior design firms have adopted cost leadership methods such as cost decrease, leveraging economies of scale, outsourcing, and technology utilization. These strategies aim to reduce costs, increase profitability, and expand market presence, in line with the broader business trend observed by Bloucher, Juraras, and Cokins (2015).

4.6.2. Descriptive statistics of Differentiation strategies

The study pursued finding out how differentiation enhances as a competitive strategy.

Table 8: Differentiation strategy

	N	Mean	Std. Deviation
My organization Offers unique services to the market	76	1.0658	.24956
Our organization focus more on continuous improvements	76	1.0395	.19601
In my organization, our services have developed into a strong brand identification	76	1.1447	.35417
My organization strive in building a strong reputation in the market	76	1.2632	.57430
Our organization is always the first to introduce new services in the market	76	1.7237	.53163
We engage our clients using the latest design compared to our competitors.	76	1.0789	.27145
Our organization use qualified staff to engage our customers	76	1.1842	.39023
Our organization is fast and flexible in dealing with change	76	1.3026	.46245
Valid N (listwise)	76		

The results in table 8 divulge that on average organizations will seek to always first introduce new services to the market as a differentiation strategy to stay competitive with a mean of 1.7237. The second factor that was highly used by organizations to stay competitive was organization adapting and been flexible to change at a mean of 1.3026. The third factor was that the organization will strive to build strong reputation in their market at a mean of 1. 2632.This was followed up by organizations developing a strong brand reputation at a mean of 1.1447. Other factors that are considered by organizations were offering unique services to the market, engaging clients, and focusing on continuous improvements at a mean of 1.0658, 1.0789 and 1.0395 respectively.

The results suggest that the implementation of a differentiation emphasis strategy is associated with a favorable consequence on the general performance of a company. The process of differentiation serves to enhance consumer loyalty and mitigate price sensitivity. According to Strickland (2010), it is recommended that differentiation techniques are most effective in market environments characterized by a multitude of options for product or service differentiation, as well as a significant number of customers who see the differential as valuable. According to Porter (1980), interior design businesses have the ability to establish a unique market position by altering or adjusting product attributes, integrating various departments within the organization, strategically timing product launches, using geographical advantages, diversifying product offerings, and forming strategic alliances with other firms.

4.7 Inferential Analysis

The research used multiple regression analysis to assess the impact of predictors on the dependent variable, using SPSS software Version 24.0. The model's summary is shown in Table 9. The researcher used the coefficient of determination to assess the extent of variability between the dependent variable and independent factors in the study. The R-squared statistic is a statistical measure that quantifies the proportion of variability in a dependent variable that can be explained by the predictors or independent variables included in a given model. The regression analysis reveals a statistically significant positive linear connection between the independent factors and the dependent variable, as shown by an R-value of 0.713.

Table 11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.713[a]	.509	.497	. 47997

Predictors: (Constant), Resource allocation, Innovation

The model's significance was tested at a 95% confidence interval and a significance level of 5%, as shown in Table 11. The ANOVA analysis revealed that the model's significance level had a probability value of 0.000, indicating statistical significance. This probability value was lower than the conventional threshold of 0.05, suggesting that the model had a very low likelihood (less than 0.005) of making inaccurate predictions. This demonstrates that the model used in this investigation was statistically significant and appropriate. Based on the analysis of variance (ANOVA) findings, the research revealed that the regression model exhibited a statistically significant level of 0.00%. This result indicates that the data was very suitable for generating generalizations about the parameters of the whole population, as the probability value was far lower than the conventional threshold of 5% used in this study.

Table 12: ANOVA Result

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.051	2	10.026	43.521	.000[b]
	Residual	19.351	84	.230		
	Total	39.402	86			

Dependent Variable: Organizational Performance
Predictors: (Constant), Cost Leadership Strategy, Differentiation Strategy

As demonstrated in Table12, the study results showed that Cost Leadership Strategy, Differentiation Strategy, and Organizational Performance showed a positive and statistically significant relationship. This figure showed that Cost Leadership Strategy and Differentiation Strategy, positively influenced Organizational Performance. units.

5.0 Summary, Conclusion and Recommendation

5.1 Summary of the Research Findings

On the aspect of Cost Leadership Strategy, the study confirmed that cost leadership strategy plays a crucial role in the performance of interior firms. Organizations that aim to be low-cost leaders in the industry must offer products and services that appeal to customers while maintaining lower production costs than competitors. This strategy aligns with the idea of providing value to customers through cost-effective operations.

On the second objective Regarding differentiation strategy, the findings revealed that organizations often introduce new services as a means of differentiation, adaptability to change, and building a strong reputation. These factors contribute to the competitiveness of interior design companies. Additionally, a strong brand reputation, unique services, client engagement, and continuous improvement were identified as factors considered by organizations to differentiate themselves in the market.

5.2 Conclusion

Based on the analyzed data, this research has provided valuable insights into the relationship between various business strategies and employee performance within interior design firms in Nairobi County. Cost leadership strategy, characterized by maintaining the lowest operational costs in the industry, was found to have a positive and significant impact on the performance of interior design firms in Nairobi County. This suggests that organizations striving to be cost leaders can achieve enhanced performance outcomes.

The study also concluded that successful product differentiation, which fosters brand loyalty and reduces price sensitivity among customers, leads to superior profitability and organizational performance. Organizations that focus on creating unique offerings and building strong reputations can expect positive performance outcomes.

Furthermore, the research noted that not all competitive strategies have a uniform impact on organizational performance, and many interior design companies pursue multiple strategies simultaneously. This underscores the complexity of the competitive landscape and the need for a nuanced approach to strategy development and implementation.

The study's conclusions suggest that cost leadership and differentiation strategies each play a significant role in the performance of interior design companies in Nairobi County. However, it's important to note that not all competitive strategies affect organizational performance equally, and companies often pursue multiple strategies simultaneously. To enhance their competitiveness and performance, interior design companies should carefully consider and tailor their strategies to their specific market and customer needs.

In conclusion, this study provides interior design firms in Nairobi County with valuable insights into the strategic choices that can positively influence employee performance and overall organizational success. By carefully considering and implementing these strategies, firms in the interior design industry can position themselves for sustained growth and competitiveness in their respective markets.

5.3 Recommendations

From the foregoing, the study identified several recommendations for both managerial practice and policy considerations within the interior design industry: Interior design companies should prioritize comprehensive market research to identify various market gaps, including product, market, and promotion gaps. Understanding these gaps is crucial for designing effective competitive strategies that can enhance overall company performance. Firms should consider implementing cost leadership strategies successfully. This approach involves creating efficient and low-cost operations within their industry, thereby reducing financial vulnerabilities that could threaten the organization's sustainability in the long term.

To foster customer loyalty and attract new clients, interior design organizations should focus on product differentiation. This entails producing products tailored to different market segments, catering to both affluent customers who buy in bulk and those who can only afford smaller quantities.

Policymakers and interior design company management should encourage the full implementation of cost leadership and differentiation strategies. Moreover, they can explore the benefits of simultaneously utilizing both differentiation strategies to improve the overall performance of interior design firms.

Firms opting for market-focused strategies should concentrate on narrow market segments and strive to achieve either cost advantages or differentiation within those segments. This targeted approach can lead to more effective resource allocation and strategic positioning.

To ensure long-term success, interior design organizations should integrate performance management systems into their operations. This will help monitor and optimize the implementation of competitive strategies, ensuring adaptability and resilience in the dynamic business environment.

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