The effects of competitive strategies on perfomance of dairy farms in Kenya

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Abstract:

Agriculture is the mainstay of the Kenyan economy accounting for 24% of the GDP and accounting 18% of all formal employment in the country. Agriculture includes crop husbandly and animal production. The livestock sector in Kenya accounts for 10-15 % of the GDP. Au -1BAR, Kenya livestock sector study .The sector employs about 50% of the total labor force in the agricultural sector. The sector contributes over 30% of the agricultural GDP, out of this the dairy sector accounting for 8% of the total GDP. The dairy sector in Kenya is rapidly and at present , the industry has made a turn around with the annual production of milk exceeding 4 billion litres out of which 2.1 billion litres is marketed is marketed formally and informally. The volumes of milk going to the processing plants have also increased to 516 million litres in 2010 as compared to 144 million litres in 2002 (a growth of 258.5%). The dairy sector is a major source of livelihoods to a large majority of Kenyans and it acts as a source of income and employment to over 1.5 million smallholder farmers in addition to 500,000 jobs in milk transportation, processing and distribution and a further 750,000 in related support services.

The rural based nature of dairying makes it a suitable enterprise to contribute towards the achievement of the government strategy to meeting millennium development goals and vision 2030. The purpose of this study was to establish the effects of competitive strategies on the performance of dairy firms in Kenya. The study focused on the strategies and approaches employed by the various firms, to establish how this relates to competitive advantage and are manifested in performance. The main objective of the study was to establish the effects of competitive strategies on performance of dairy firms in Kenya. The specific objectives were to examine the relationship between cost leadership strategies and performance, to establish the differentiation strategies and their relationship to performance, to examine focus strategies and their relationship with performance. A survey involving fifteen dairy firms was done. Data was xiv collected using personally administered questionnaires; this was edited then coded.

Descriptive statistics was used to analyze the data which was presented in percentages, frequency distribution tables and other descriptive statistics such as mean and standard deviation. The statistical package for social sciences (SPSS) was used. This information was displayed by the use of bar charts, graphs and pie charts. The results of the data analysis were presented and conclusions were drawn. From the results it was concluded that all the three competitive strategies of Cost leadership, Focus and differentiation have a positive and significant relationship to performance. This study recommends that dairy firms in Kenya should use more of the focus strategy than the other two generic competitive strategies since it has the biggest significant relationship to performance.