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INFLUENCE OF COST LEADERSHIP STRATEGIES ON PERFORMANCE OF JUA KALI GARAGES IN THIKA SUB COUNTY, KIAMBU COUNTY, KENYA

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Abstract: Jua Kali artisans are faced by increased competition due to the large number of entrants into the sector, availability of substitute products from large manufacturers and because of importation. This study set out to explore how cost leadership strategies on Jua Kali garage performance in Thika Sub County, Kiambu County, Kenya. Porter's Competitive Advantage Theory served as the study's central tenets. The research design used was descriptive. The target population included of 719 Jua Kali garages licensed to operate in Thika sub county, Kiambu County with the unit of observation was the Jua Kali owner/manager. Based on the various subgroups of the heterogeneous population, the study used stratified random sampling. The particular company was chosen using simple random sampling. A total of 108 respondents were chosen because they made up 15% of the study's target population according to recommendations on sample size. With the aid of a semi-structured questionnaire, primary data was gathered. The most often used descriptive statistics were mean, frequency, and standard deviation. Multiple linear regression was used to analyze data. The results showed that Cost leadership strategy, differentiation strategy, positively and significantly influence performance of Jua Kali garages in Thika Sub County. This study recommends Jua kali garages to focus on utilizing capacity effectively and comprehensively to produce at low cost, reconfiguring various tasks appropriately to cut operational costs, trying to offer products at lower prices than rivals by having fewer products to produce and sell, and putting an emphasis on proper product development to ensure cost reduction are just a few ways to cut costs. To further bolster the performance Jua Kali should offer a wider range of services than competitors, tailor products and services to the needs of identified consumer groups, and make a variety of products and services available.

Keywords: Jua Kali Garages, Cost Leadership Strategies, Financial Services and Markets

Introduction

The business environment has become extremely competitive in the modern world as companies compete with one another. According to Liu (2017), firms need to remain competitive by having to create competitive advantage strategies that they can work to retain. Due to a more globally integrated economy, competition is becoming more intense every day. Pulaj, Kume, and Cipi (2015) assert that a company is competitive if it has a competitive advantage over its rivals in protecting consumers and fending off market pressure. An organization is in competitive parity with the industry if it produces sufficient returns, or at least as much as the industry is producing. If a company is losing money, the shareholders will begin to withdraw their money, making it difficult for that company to survive (Kotabe & Kothari, 2016).

The Kenyan economy depends heavily on the Jua Kali industry (informal sector). Businesses within that sector have acknowledged that the rising competition in this market necessitates the creation of competitive strategies that will improve performance. The plans created will also ensure the survival of the business. Companies in

Jua Kali will struggle to survive in this industry if their plans are unclear. Due to growing innovation among competitors and new market entries over the past few years, businesses in Kenya's Jua Kali industry have faced greater competition (Lillo, 2020). To enhance their competitive edge, there is a need for the firms in the Jua Kali sector to enhance their competitive strategies (Nyakamba, Kimutai & Getare, 2017).

Competitive strategy, according to Porter (2010), is about being unique. This entails purposefully carrying out tasks in a unique and superior manner to rivals. Cost leadership strategy in addition to focus or niche strategy as well as differentiation strategy were the three competitive strategy pillars outlined by Oyewobi, Windapo, and James (2015). The cost leadership strategy seeks to create items at a low cost.

The goal of the cost leadership approach is to outperform the competition by maintaining the lowest costs in the sector (Ali & Zehir, 2016). For the aim of attaining a reduced cost advantage, organizations necessitate a low- cost leadership strategy, reduced operations costs inside functional departments, and a workforce committed to the low-cost plan. A corporation that employs a cost leadership approach will charge various prices for similar a product in various markets (Atikiya, 2015). This can refer to the practice of pricing the same product differently for different socioeconomic or geographic market segments. It describes a plan for gaining a competitive edge

The Jua Kali Sector in Kenya

The unregistered and unregulated informal sector is very small, requires little capital, primarily employs selfemployed individuals, though it may also occasionally hire a few others, and is labor-intensive (Obare, 2015). Small-scale enterprises (both official and informal), which account for more than 50% of total employment and more than 90% of all new jobs, according to Meghana, Demirguc-Kunt and Maksimovic (2014) are said to have been significant in reducing the region's unemployment and poverty rates.

Over 95% of enterprises and entrepreneurs in Kenya are part of the country's massive, thriving informal economy, which is a key driver of job creation in Kenya (Bull, Daniels, Kinyanjui & Hazeltine, 2016). The Jua Kali sector's contribution to the nation's GDP climbed from 18.2% in 2013 to over 24.2% in 2019 when compared to the other economic sectors (Kenya National Bureau of Statistics, 2019). It is currently estimated that this sector contributes more than 25% of the GDP (Economic Survey, 2021). Businesses in Kenya's Jua Kali sector keep performing miserably thereby lacking competitiveness despite the government of Kenya's valiant efforts to assist their growth because it has been designated as a key strategic area (Mang'unyi, Mwanzia, & Govender, 2018). Additionally, there are numerous obstacles preventing the sector's development.

Problem Statement

A level playing field for businesses in the Jua Kali sector has been created by technological advancements, new regulatory requirements, and the liberalization of the global economy, making it increasingly challenging for any firm to achieve a permanent competitive edge. The development of the Jua Kali firms has also been hampered by negative policy, access to financial services and markets, a lack of business expertise and connections with large enterprises, job quality gaps, limited information access, and subpar occupational health and safety regulations. The Jua Kali artisans are also faced by increased competition due to the large number of entrants into the sector, availability of substitute products from large manufacturers and because of importation. Competition according to Namada, Awino and Wainaina (2014) remains one of the major challenges facing firms in the Jua Kali sector. Finding the distinctive qualities that will enable businesses in the Jua Kali sector to outperform their peers in light of recent developments and an increased depth of

competition is becoming more difficult, so this study is timely in looking at how cost leadership strategies affect the performance of Jua Kali garages.

Objective of the Study

This study sought to analyse the influence of cost leadership strategies on performance of Jua Kali garages in Thika Sub County, Kiambu County, Kenya.

Value of the Research

The current study intended to provide insights into study are anticipated to be important not only for the Jua Kali industry but also for other stakeholders like policymakers, academics, and researchers. Although other publications on cost leadership strategies have been examined, this study offers a unique perspective on the topic because the Jua Kali region of Kenya continues to do poorly in comparison to other economic sectors.

Literature Review

Theoretical Foundation of the research

Porter's Competitive Advantage Theory, the theory is pertinent to the study because it relates to the competitive strategies that make up its independent variable. Three generic strategies were identified in Porter's study on corporate strategy. Each of these strategies has a different effect on a firm's success (Armstrong & Taylor, 2014). This theory explains how cost leadership affects performance. The Generic Framework theory by Michael Porter offers methods for examining markets and rivals. This idea can be used to determine where a firm should be located within a given industry, and it is frequently the case that the attractiveness of the industry in which a company works affects that company's profitability.

Empirical Literature Review

Cost Leadership Strategy and Firm Performance

According to Mbugua (2016) firms pursuing the cost leadership strategy have production and material management at the centre of attention. This is due to the high cost of creating a range of products specifically designed to satisfy the requirements of various market segments. Businesses in the manufacturing sector use the five-sigma management system and Lean manufacturing principles to implement low-cost leadership strategies. These two management methods strive to produce at the lowest cost while simultaneously minimizing waste during the production process.

In research conducted by Kariuki (2010), only a small percentage of respondents in the hotel business preferred to employ the cost leadership strategy (72%). It is crucial to compare the findings of this research project with those of the previous study conducted in the dairy business, which deals with tangible commodities. Cost leadership is a strategy that aims to lower costs without affecting the product's quality in any way, according to Chepkwony (2008). Businesses that employ this type of approach attempt to gain a competitive edge solely through the achievement of low-cost production. According to a study by Gakumo (2006), the majority of Kenya's commercial banks have a highly streamlined organizational structure and a high degree of capital investment as the foundation of their cost leadership approach. The commercial banks' cost leadership strategy placed the least emphasis on the process engineering, talents, and volume sales techniques. Njoroge (2006) asserted that it was preferred to maintain lower overheads than competitors as opposed to keeping the same as competitors, which would result in the offering of items at a reduced price than that of the competitors.

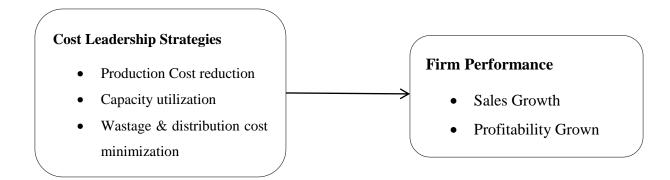
Conceptual Frame Work

This is intended to produce a hypothesis abstract to prevent the study's findings from being extrapolated beyond its unique set of circumstances (Finchman, 2008). The dependent variable in this study is firm performance, and the independent factor cost leadership methods.

Fig 1. A Conceptual Model showing Green loans and Firm performance

Independent

Dependent



Source Researchers (2022)

Methodology

Research Design

Descriptive design is a technique for gathering data that focuses on the opinions of the respondents and uses surveys and interviews. A descriptive research approach was applied in this study because it enables the acquisition of exact data and provides a distinct depiction of the phenomenon under investigation. The combination of qualitative and quantitative techniques was made possible by this design.

Population of the study

According to Kothari (2008), population refers to a group of items within a specific research area. This research aimed to target 719 Jua Kali garages licensed to operate in Thika sub county, Kiambu County according to Kiambu County licensing department. These firms are spread across different support service businesses like welders and fabricators, painting, scrap metal dealers, mechanics as shown in table 1. The unit of observation involved owners/managers of the Jua Kali garages to provide the study with reliable information.

Population category	Population of the Stratum	Percent %
Automobile Carpentry	75	10.4
Automobile Mechanics	251	34.9
Automobile Painting	182	25.3
Automobile Welders and fabricators	211	29.3
Total	719	100

 Table 1: Distribution of Target Population

Source: Kiambu County Business Licensing Department

Sampling Technique and Sample Size

A sample is a discrete segment of the intended population that is chosen using a structured process (2004). There was a use of stratified random sampling based on the heterogenous population sub-groups. Simple random sampling was then applied in selecting the individual firm from each stratum. 15% of the study's target population made up the sample size. A sample size of between 10 and 30% of the target population, according to Mugenda & Mugenda (2008), is a good representation of the target population. Thus, 108 respondents made up the study's sample size, as stated in table 2.

Population Category	Population	Sample Size (15% of the Stratum)
Automobile Carpentry	75	11
Automobile Mechanics	251	38
Automobile Painting	182	27
Automobile Welders and fabricators	211	32
Total	719	108

Table 2: Sample Distribution

Source: Researcher Calculation, 2022.

Data collection

This research gathered and analyzed primary data from a variety of sources. It was utilized to look at the influence of cost leadership strategies on performance of Jua Kali garages in Thika Sub County, Kiambu County, Kenya.

Reliability Analysis

To prevent bias, the main study did not include the pilot study's subjects. The study used a Cronbach's Alpha value of 0.7 to assess the internal consistency of the questions of 10 questionnaires that were put through a pilot test in order to ensure the reliability of the instrument. Table 3 presents the findings.

Table 3: Reliability Test

Scale	Cronbach's Alpha	Number of Items
Cost Leadership Strategies	0.887	7
Firm Performance	0.929	8

Source: Pilot Data

As indicated in Table 3, cost leadership strategies had alpha coefficient value of 0.887, while firm performance had alpha coefficient of 0.929. Since all the variable had alpha coefficients higher than 0.7 (α >0.7), this implies that the instrument was reliable for data collection.

Response Rate

The target participants comprised of 108 respondents. Each of the participants received a questionnaire whereby 81 questionnaires were returned. Table 4 summarizes the responses with an explanation provided.

Response Rate	Frequency	Percent	
Responses received	81	75.1	
Non response	27	24.9	
Total	108	100	

Source: Research Data

According to table 3, 24.9 percent (n=27) of respondents declined to complete and submit their questionnaires. Nevertheless, 75.1% (n=81), completed the questionnaires and returned them for examination. As a result, the response rate was within the permissible range. A response rate of more than 70% is deemed to extremely good for statistical reasons according to Mugenda et al., (2003).

Gender of the Respondents

More than three quarters (84 percent) of the participants were male. The female participants consisted of 16 percent of total participants. It was therefore clear that the male gender dominated the management of the Jua Kali garages in Thika subcounty, Kiambu county.

Age of the Respondent

The results indicate that the largest proportion of the respondents accounting for 44.4% were between the ages of 26-35 years while 19.8% of the respondents were above 45 years. However, 18.5% were below 25 years whereas 17.3% of the respondents were between 36-45 years. Based on the findings, the respondents who were below 35 years were the majority (62.9%) which is an indication that Jua Kali garages in Thika subcounty, Kiambu county are dominated by the youth.

Respondent Education Background

From the findings, more than half of the participants (53.1%) had college diploma qualifications followed by 16% who had certificate in various fields. A further 13.6% had bachelors degree while only 13.6% and 3.7% had secondary and primary academic qualifications. In this case, more than three quarters of the participants (82.7%) had either undergraduate, higher diploma of certificate qualifications. As a result, the owners and managers of Jua Kali garages in the Thika subcounty had impressive academic credentials. This was helpful since it helped them comprehend the research tool and the information needed.

Descriptive statistics

Cost Leadership Strategy

Table 5 displays the average responses on cost leadership strategies based on a Likert scale of 1 to 5.

Statement	1	2	3	4	5	Mean	Std. Dev
Full capacity utilization	3.7%	6.2%	23.5%	54.3%	12.3%	3.65	0.91
Job redesign	3.7%	8.6%	23.5%	46.9%	17.3%	3.65	0.99

Table 5: Descriptive Results on Cost Leadership Strategies

Providing products at a lesser cost							
than rivals by having fewer products							
to produce and sell	6.2%	9.9%	28.4%	43.2%	12.3%	3.46	1.04
Proper product development to							
ensure cost reduction	8.6%	13.6%	18.5%	48.1%	11.1%	3.40	1.13
Staff cost reduction by employing							
latest technology	7.4%	6.2%	23.5%	45.7%	17.3%	3.59	1.08
Keeping overheads including							
employee salaries and staff training							
costs within the sector level	7.4%	6.2%	24.7%	44.4%	17.3%	3.58	1.08
Wastage and distribution cost							
Minimization	9.9%	7.4%	27.2%	32.1%	23.5%	3.52	1.22
Average						3.55	1.06

Source: Research Data (2022)

The findings show that majority of respondents agreed that Jua Kali garages in Thika Sub County use cost leadership strategy by properly and fully utilizing their capacity to produce at low cost (Mean=3.65, SD=0.91). The results also show that the largest proportion of respondents agreed that they redesign the various jobs accordingly so as to reduce operational cost (Mean=3.65, SD=0.99). On whether Jua Kali garages in Thika Sub County offer products at lower prices than competitors by having fewer products to produce and sell, majority of the respondents were not sure (Mean=3.46, SD=1.04). Similarly, majority of the respondents were not sure whether Jua Kali garages focused on proper product development to ensure cost reduction (Mean=3.4, SD=1.13). Regarding the assertion that Jua Kali garages in Thika Sub County reduce staff cost by employing latest technology, the largest proportion of respondents agreed (Mean=3.59, SD=1.08). On average, majority of the participants also agreed that their firms keep overheads including employee salaries and staff training costs within the sector level (Mean=3.58, SD=1.08). Finally, on whether there are strategies to ensure wastage and distribution costs are minimized, majority of the respondents agreed (Mean=3.52, SD=1.22).

Performance of Jua Kali Garages

The performance of Jua Kali garages in Thika Sub County was used as the study's dependent variable. Table 8 displays the responses on average for the different assertions regarding the performance metrics of Jua Kali garages for a period of 5 years.

Statement	1	2	3	4	5	Mean	Std. Dev
Growth in sales	8.6%	7.4%	32.1%	33.3%	18.5%	3.46	1.14
Growth in revenues	8.6%	8.6%	34.6%	37.0%	11.1%	3.33	1.07
Improvement in profitability	8.6%	21.0%	38.3%	24.7%	7.4%	3.01	1.05
Expansion of market share	12.3%	19.8%	34.6%	24.7%	8.6%	2.98	1.14
Customer satisfaction	9.9%	16.0%	25.9%	39.5%	8.6%	3.21	1.13
Customer retention	12.3%	13.6%	29.6%	32.1%	12.3%	3.19	1.19
Improved operational efficiency	11.1%	16.0%	27.2%	29.6%	16.0%	3.23	1.23

Table 6: Descriptive Results on Performance of Jua Kali Garages

Employee satisfaction improvement	9.9%	12.3%	32.1%	32.1%	13.6%	3.27	1.15	
Average						3.21	1.14	

Source: Research Data (2022)

The study's findings from table 6 revealed that the majority of respondents agreed that the firm had recorded growth in sales in the past 5 years (Mean=3.46, SD=1.14). Similarly, the largest percentage of respondents agreed that the firm had experienced growth in revenues over a 5-year period (Mean=3.33, SD=1.07). However, the largest percentage of respondents were not sure whether the firm had recorded improvement in profitability over the same period (Mean=3.01, SD=1.05). This was also the case with regard to the claim that the firm had experienced expansion of market share whereby the largest fraction were not sure (Mean=2.98, SD=1.14). On the other hand, a larger percentage of respondents agreed that customer satisfaction had been attained in the last 5 years (Mean=3.21, SD=1.13). This was also the case with regard to customer retention as most respondents agreed (Mean=3.19, SD=1.19). On improvement in operational efficiency, the largest percentage of respondents agreed (Mean=3.27, SD=1.15).

Inferential Statistics

Table 7: Influence of Cost Leadership Strategies on Performance Jua Kali Garages

			ummary			
R	R Sq	uare	Adjusted 1	R Square	Std. Error	of the Estimate
.609	0.371	-	0.347	0.347		
ANOVA						
	Sum of Squares	df	Mean Squa	are F	Sig.	
Regression	25.727	3	8.576	15.163		
Residual	43.549	77	0.566			
Total	69.276	80				
		Coefficient	a a			
		Unstandar Coefficient		Standardiz Coefficient		
		В	Std. Error	Beta	t	Sig.
(Constant)		0.036	0.481		0.075	0.941
Cost Leadership	o Strategies	0.279	0.11	0.247	2.526	0.014
Dependent Vari	iable: Performan	ce of Jua Kali	Garages			

Source: Field Data (2020)

a. Predictors: (Constant), Cost Leadership Strategies

b. Dependent Variable: Performance of Jua Kali Garages

Cost leadership strategies, will significantly improve performance of Jua Kali garages in the Thika sub-county. This is shown by a combined Pearson correlation of 0.609. According to the results, Jua Kali garages in Thika Subcounty would perform better if cost leadership strategies, were improved. The model's R-square indicates

that cost leadership strategies, explain up to 37.1% of the variation in performance of Jua Kali garages in Thika sub-county.

The ANOVA statistics demonstrated that the gradient of the regression line was different from zero at the 5% level of significance. This is because the level of significance for the P value (0.000) is less than 5%. The computed F statistic of 11.929 is higher than the F (3, 77) critical value of 2.723 in a similar manner. This suggests that at least cost leadership strategy, may be used to forecast how well jua kali garages in Thika subcounty perform. The results back the claims made by Oyewobi et al., (2015) and Kunle et al., (2017) that competitive strategies may have an influence on a company's performance.

The regression results as shown in Table 6, shows cost leadership strategy positively and significantly influenced performance of Jua Kali garages in Thika Subcounty (Beta = 0.279). Because the associated P-Value (0.014) is below the 0.05 level of significance, the effect is statistically significant. The result implies that cost leadership strategies enhancement would result in significant improvement in performance of Jua Kali garages in Thika Subcounty. This is in line with research by Kharub *et al.*, (2019), Kariuki (2010), and Mbugua (2014), which found a positive effect of cost leadership on organisational performance.

Conclusion and Recommendations

Conclusion

This study therefore concluded that an improvement in cost leadership strategies results in improvement in performance of Jua Kali garages in Thika Sub County. Utilizing capacity effectively and comprehensively to produce at low cost, reconfiguring various tasks appropriately to cut operational costs, trying to offer products at lower prices than rivals by having fewer products to produce and sell, and putting an emphasis on proper product development to ensure cost reduction are just a few ways to cut costs. Other cost leadership techniques available to Jua Kali garages include lowering staff expenses through the use of cutting-edge technology, maintaining overheads such as employee pay and staff training costs at sector level, and ensuring that waste and distribution costs are kept to a minimum.

Recommendation

To bolster performance, Jua kali garages should focus on cost leadership strategies such as utilizing capacity effectively and comprehensively to produce at low cost, reconfiguring various tasks appropriately to cut operational costs, trying to offer products at lower prices than rivals by having fewer products to produce and sell, and putting an emphasis on proper product development to ensure cost reduction are just a few ways to cut costs. There is also need to lower staff expenses through the use of cutting-edge technology, maintain overheads such as employee pay and staff training costs at sector level, and ensure that waste and distribution costs are kept to a minimum.

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