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INFLUENCE OF COST LEADERSHIP, DIFFERENTIATION AND FOCUSED STRATEGIES ON FIRMS' COMPETITIVENESS- THE CASE OF AKBF KANDAHAR

MOHAMMAD WASE SADDIQI& NOOR AHMAD MOHAMMADI

MIRWAIS NEEKA INSTITUTE OF HIGHER EDUCATION
Kandahar, Afghanistan

Abstract

This Study Covers and Explores the Cost Leadership, Differentiation, and Focused Strategies on Firms' Competitiveness within Kandahar Province. the purpose of this study is to determine the influence of Cost Leadership, Differentiation and Focused Strategies on Firm's Competitiveness in Kandahar Province. The study will concentrate on the influence of Cost Leadership, Differentiation and Focused Strategies on Firms' Competitiveness. This is a quantitative research and the data for the research have been collected from Primary and Secondary Sources respectively. Primary data have been collected by well-established and circulated questionnaire (x156) and secondary data have been collected from journals, books, chapter notes, and well known internet websites. The data is analyzed by IBM SPSS Statistics Program after collection for deriving the required results and drawing viable conclusions accordingly. The research involved detailed review of published and unpublished literature relevant to the study. The data used within the research is collected from both Primary and Secondary Sources of data. Primary data is collected from well design and structured 5 Point Likert Scale Questionnaire, which is distributed to x156 employees of the AKBF, and Secondary Data is collected from well-known and controlled internet websites, books, journals and chapter notes. The data is Categorized and analyzed in IBM SPSS Statistics after collection in order to draw viable conclusions for the study. The findings of the research conducted that Cost Leadership, Differentiation and Focused Strategies have significance influence and impact on firm's competitiveness.

Keywords: Strategies, Competitiveness, Impact, Significance, Customer, etc.

CHAPTER 1: INTRODUCTION

A competitive strategy is a set of policies and procedures that a business uses to gain a competitive advantage in the market. It's the process for identifying and executing actions that allow a business to improve its competitive position. Businesses use a variety of competitive strategies to raise the value of their products and services for consumers, investors and employees and so they can gain sustainable revenue streams. Competitive strategy is important because it affects the overall strategies of a business (Porter, 1996). If a business doesn't have a competitive strategy, it may not find a competitive advantage against its competitors. Competitive strategy is crucial in finding and developing new ideas for products and services that the company can offer. There are several advantages to having a competitive strategy, including: being able to explore new opportunities, keeping organization customer loyal with better products and services and keeping the organization updated and abreast with technological innovations. (Rogers, 2005) There are five types of competitive strategies an organization can utilize for enhanced customer satisfaction and market competiveness, namely cost leadership strategy, product differentiation, Customer relationship management, cost focus and commitment to customer strategies. A cost leadership strategy keeps prices for products and services lower than competitors to encourage customers to purchase the lower-priced products to save money. Businesses use a cost leadership strategy in industries with high price elasticity, such as energy and transportation. For example, in the oil industry, lower prices give consumers a reason to buy oil instead of other types of energy, like natural gas and electricity. The oil companies making money off of keeping fuel prices low through this strategy often consider higher revenue and market share important factors in their decision-making. Businesses may use a product differentiation strategy to differentiate their products from their competitors by emphasizing specific features of their products. This strategy might involve the design, function or brand of a product. For example, a mobile phone company may differentiate its phones from other products through a sleek design and different colors. The goal is to appeal to more customers through unique features and quality while keeping competitors from obtaining a larger market share for products. A customer relationship management (CRM) strategy is used to help businesses create positive relationships with their customers. This type of strategy can be helpful when creating products and services for businesses because it increases customer loyalty by providing them with the best possible services. Customer loyalty also helps companies develop new markets for their products or services, since customers may pay more for goods they like. A CRM strategy is important because even slight changes in customers' attitudes can affect decisions people make regarding the business' products and services. Businesses that can keep production costs low by outsourcing or improving their supply chain are using a cost focus strategy. This strategy helps businesses try to control costs and manage profits.

Research Problem

This study has been conducted in order to identify and explore the impact and influence of Cost Leadership, Differentiation, and Focused Strategies on Firms' Competitiveness within Kandahar Province.

Purpose of Research

the purpose of this study is to determine the influence of Cost Leadership, Differentiation and Focused Strategies on Firm's Competitiveness in Kandahar Province

Research Questions

- what is influence of Cost Leadership, Differentiation and Focused Strategies on the competitiveness of Firms in Kandahar Province?

Research Significance

The findings of this study is beneficial to the firms within the Kandahar province in order to pro-actively identify the best and viable strategy to be adopted for enhanced market penetration and coverage, at the same time to avoid deviations in fulfilling the demands and preferences the customers, and increase customer patronage and commitment in terms of organization and businesses brand loyalty.

Research Constraints

The major concerns and constraints faced by the researcher during conduct of this study was illiteracy and lack of knowledge of filling the Five Point Likert Scale Questionnaire for the study, which resulted in existence of moderate amount of non-response and Attrition.

Research Structure

This study is organized in six chapters. The first chapter introduces the case strategies, statement of problem, significance of the study, and the scope within which the study was conducted. In chapter two a review of existing

literature on cost leadership, differentiation and focused strategies is done. Chapter three focuses on research methodology adopted for this study; population and sampling design, data collection procedure, research procedures to be followed. Chapter four captures the Analysis part of the study to be used. Chapter Five captures the findings and conclusions along with recommendations to the business organizations in Kandahar province. Chapter Six includes the references of the study.

CHAPTER 2: LITERATURE REVIEW

This chapter reviews literature on existing studies that have been done in relation to the influence of cost leadership, differentiation and focus strategies on firm competitiveness. It is divided into sections based on the research questions that include: What is the influence of cost leadership on the firm's competitiveness in Kandahar province? What is the influence of differentiation on the firm's competitiveness in Kandahar province? What is the influence of focused strategies on the firm's competitiveness in Kandahar province?

Firms' Competitiveness

Competitiveness is a multidimensional concept that can be looked at from three different levels: country, industry, and firm level. Competitiveness originated from the Latin word, competer, which means involvement in a business rivalry for markets. It has become common to describe economic strength of an entity with respect to its competitors in the global market economy in which goods, services, people, skills, and ideas move freely across geographical borders (Murths, 2008). Firm level competitiveness can be defined as the ability of a firm to design, produce and or market products superior to those offered by competitors, considering the price and non-price qualities (Dcruz, 2012). Competitiveness processes are those processes, which help identify the importance and current Competitiveness of core processes such as strategic management processes, human resources processes, operations management processes and technology management processes. The competitiveness process as a focused integrating mechanism can be viewed as a business balancing process that complements traditional functional processes such as operations management and human resources management.

Influence of Cost Leadership on Firms' Competitiveness

Cost leadership strategy refers to gaining competitive advantage through charging sustainably lower prices than other competitors (Porter M. , 1996). This is achieved by reducing costs incurred in production and distribution in order to lower the overall price of commodities. In markets where there is price control, this is still possible through automation, flexibility and improved production thereby eliminating large percentage of inefficiencies in the production process. When a company keeps lowering prices without a reduction in operating costs, it runs the risk of depletion of resources and consequently becoming insolvent especially in a fiercely competitive market (Wadruff, 2014). A low cost strategy requires that the firm is the lowest cost producer in that industry and not among several vying for that position (Porter M. , 1996). This strategy requires "aggressive construction of efficient- scale facilities, vigorous pursuit of cost reduction from experience, tight cost and overhead control, avoidance of marginal customer accounts and cost minimization in areas like research and development, service, sales force and advertising. Low cost, relative to competitors becomes the running theme through the entire strategy, though quality, service, and other areas cannot be ignored (Porter M. , 1996)

(Strickland, 2014) observes that in cost leadership, a firm sets out to become the low cost producer in its industry for a given level of quality. This can be at an average industry price to earn a profit higher than the competition or below the average price to grow market share. This becomes handy in a price war environment where the firm may retain some profits and the competition booking loses. (Porter M. , 1980) advises that cost leadership requires aggressive construction of efficient scale facilities, vigorous cost reductions from experience, tight cost curve control and cost maximization in various functions. While pursuing low cost leadership, the firms must ensure to include features and services that the consumers consider essential. This strategy benefits the firm in withstanding intense price competition.

New entrants are also deterred by low cost capabilities (LINA, 2013). It is important to note

that generic strategies pose risks and the low cost strategy is no exception. Other firms may be able to lower their costs as well through economies of scale, proprietary technology, and preferential access to raw materials among other factors. In light of this, the competitive advantage will be eliminated. Other firms may opt for a focus strategy targeting narrow markets and may be able to achieve even lower costs within these segments and grow their market share. (LYNCH, 2009) highlights that a company may be a cost leader but that does not necessarily imply that that the firm's products will have a low price. In some instances, the firm can charge an average price while following the low cost leadership strategy and reinvest the extra profits into the business.

(Hitt, 2011) observes that low cost producers typically sell a standard or "no frills" product and place a considerable emphasis on reaping scale or absolute cost advantages from all sources. Risks of cost leadership include the following: the low cost leaders could become obsolete because of competitors' technological innovation; due to too much concentration on implementing cost leadership firms may fail to detect changes in customer needs or competitors' efforts to differentiate; and finally there is risk of imitation by competitors Another risk according to Porter (1998) is that inflation in costs may narrow the firm's ability to maintain enough of the price differential to offset the competitors' brand images or other approaches to differentiation.

Literature presents conflicting findings on the influence of cost leadership on firm competitiveness. For example, (Anderson, 2012) in his study of Asian markets affirms that since bottom of the pyramid consumers have low disposable incomes, products may need to match the cash flow of consumers who frequently receive their income on a daily rather than weekly or monthly basis. Miyagawa and (Yoshida, 2015) found that Japanese businesses are currently making major moves into the burgeoning Chinese marketplace. These opportunities are very much cost-leadership in nature, based on China's low-wage workforce. Continuous, incremental improvements in quality and efficiency are needed in Chinese products to build the Chinese market into a manufacturing base able to compete in the Japanese marketplace. Relying on the low wage workforce alone may not help if the process and operational costs are not minimized hence this study failed to adequately address the factors that enables cost leadership. Amir (2010) did a study on competitive strategies adopted by petroleum retail stations in Kenya. The findings showed that all stations are applying some strategies for competition but most of them combine both the cost leadership and differentiation strategies at the same time, most of which are the multinationals due to their favorable financial capabilities.

CHAPTER 3: RESEARCH METHODOLOGY

This chapter discusses the methodological approach for the study. It presents the research design, the population of the study, sample and sampling techniques, and data collection methods.

Research Design

The study adopted the Quantitative research design to determine the influence of generic strategies on competitiveness of business firm in Kandahar province (Case Study of AKBF-Amin Karim Box Production Factory). This design is suitable for this study as it permits analysis of the relationship between competitive strategies and competitiveness of Business Firm in Kandahar province at a particular point in time (Saunder et al., 2007).

Population and Sampling Design

The target population of this study was 50 Employees working in AKBF in different capacities and levels of management. The choice of the population was hinged on the fact that all the three strategies that are cost leadership, differentiation and focus are geared towards attracting and retaining customers for Firm in Kandahar to gain competitiveness in the market. Thus customers are at a much better place to give objective responses as to what exactly causes them to stick with AKBF.

Sampling Design and Selection

In this study the whole population has been taken for collecting and acquiring primary data as Case Study approach has been utilized in which all the population is considered viable for collecting data, and the sample size is equal to the overall volume of the population.

Data Collection Procedure

The research involved detailed review of published and unpublished literature relevant to the study. The data used within the research is collected from both Primary and Secondary Sources of data. Primary data is collected from well design and structured 5 Point Likert Scale Questionnaire, which is distributed to x156 employees of the AKBF, and Secondary Data is collected from well-known and controlled internet websites, books, journals and chapter notes. The data is Categorized and analyzed in IBM SPSS Statistics after collection in order to draw viable conclusions for the study.

Research Hypothesis

The study has following hypothesis for testing in order to draw viable and reliable/valid conclusions respectively for contribution to the frontiers of the study.

Hypothesis (Compounded)

H0: Cost Leadership, Differentiation and Focused Strategies do not have influence on firms' competitive strength in Kandahar Province

H1: Cost Leadership, Differentiation and Focused Strategies have influence on firms' competitive strength in Kandahar Province

CHAPTER 4: ANALYSIS AND DISCUSSION

A regression model was generated showing generic strategies and firm competitiveness. The regression coefficients were assessed for statistical significance using ANOVA. IBM SPSS version 24.0 was used as the tool for data analysis. The relationship between generic strategies and firm competitiveness was expected to follow a regression model of the nature:

Analysis Method

In this study the OLS (Ordinary Least Square) Model of Multi Linear Regression has been utilized for the purpose of data analysis and the coefficients of the model for this study is identified via literature and studies of theories regarding competitive strategies and firm's competitiveness accordingly.

$$FC_i = \beta_0 + \beta_1 CLS_i + \beta_1 DIF_i + \beta_1 FS_i + \varepsilon_i$$

Reliability Statistics

Cronbach's Alpha	N of Items
.900	15

The widely used Cronbach's coefficient alpha was employed to assess internal consistency Bryman and Cramer (1997) stated that reliability of 0.70 is normally acceptable in basic research. Orodho (2003) also posits that a Cronbach alpha of 0.60 as a minimum is acceptable. Here in our study the Cronbach's Alphas is 90% hence we can conclude that there is internal consistency among the questions of the questionnaire and all the questions of our designed questionnaire describe quite well the research variables on an aggregate.

Correlations

		Firm Competitiveness	Cost Leadership	Differentiation	Focused Strategies
Firm Competitiveness	Pearson Correlation	1	.538**	.449**	.008
	Sig. (2-tailed)		.000	.001	.956
	N	156	156	156	156
Cost Leadership	Pearson Correlation	.538**	1	.479**	.295*
	Sig. (2-tailed)	.000		.000	.038
	N	156	156	156	156
Differentiation	Pearson Correlation	.449**	.479**	1	.741**
	Sig. (2-tailed)	.001	.000		.000
	N	156	156	156	156
Focused Strategies	Pearson Correlation	.008	.295*	.741**	1
	Sig. (2-tailed)	.956	.038	.000	
	N	156	156	156	156

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

*. Correlation is significant at the 0.05 level (2-tailed).

The table above illustrates the correlation of variables among each other. The correlation of each variable is elaborated and shown with respect to all other variables in our data set. If the correlation value is +1 it is showing perfect positive correlation, if the value is +0.70 it is showing strong positive correlation, if the value is +0.50 it is moderate positive correlation, if the value is +0.30 it is showing weak positive correlation, and if the value of (r) is 0 it justifies that there is no correlation among the variables at all. The same case is in it negative value approach. Here in our data set some variable have correlation, but some do not, some have moderate to strong correlation some not.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.733[a]	.538	.508	.86258

a. Predictors: (Constant), Focused Strategies, Cost Leadership, Differentiation

The table above shows the fitness of the model and its strength. In the above table the R Square value should be at least 30% in order to justify that the model has strength of elaborating and describing the variable i.e. the variable correlated and can affect significantly each other (relates to each other), here in our data it is approximately 54% which mean that 54% the independent variable is describing and affecting the depending variable (Cost Leadership, Differentiation and Focused Strategies affecting the Firm's Competitiveness) and rest is describe by other variables not included in the model such as customer relationship management, commitment to competitive strategies etc. in the above table R factor is used to identify the fitness of the model we have utilize in this research which should not be less than 50% but in our data set it is 73% which mean the model is best fit to explore the topic.

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
n1	Regression	39.807	3	13.269	17.834	.000[b]
	Residual	34.226	46	.744		
	Total	74.033	49			

a. Dependent Variable: Firm Competitiveness

b. Predictors: (Constant), Focused Strategies, Cost Leadership, Differentiation

In the table above the Significance Value is of much importance, via which we can conclude whether the research Null Hypothesis are accepted or rejected. If the Significance value is 0.05 or less than 0.05 then the research Null Hypothesis are rejected and all Alternate Hypothesis are accepted, if the Significance value is more than 0.05 then vice versa happen. In our case and in our research Sig value is less than 0.05 which concludes that all H0 Null Hypothesis are rejected and all research H1 Alternate Hypothesis are accepted, which result to say that Cost Leadership Strategies, Differentiation Strategies and Focused Strategies have significant impact and influence on Firms Competitiveness I.e. competitiveness of Amin Karim Box Production Factory in Kandahar Province.

CHAPTER 5: CONCLUSION

There are five types of competitive strategies an organization can utilize for enhanced customer satisfaction and market competiveness, namely cost leadership strategy, product differentiation, Customer relationship management, cost focus and commitment to customer strategies. A cost leadership strategy keeps prices for products and services lower than competitors to encourage customers to purchase the lower-priced products to save money. Businesses use a cost leadership strategy in industries with high price elasticity, such as energy and transportation. For example, in the oil industry, lower prices give consumers a reason to buy oil instead of other types of energy, like natural gas and electricity. The oil companies making money off of keeping fuel prices low through this strategy often consider higher revenue and market share important factors in their decision-making. Businesses may use a product differentiation strategy to differentiate their products from their competitors by emphasizing specific features of their products. This strategy might involve the design, function or brand of a product. For example, a mobile phone company may differentiate its phones from other products through a sleek design and different colors. The goal is to appeal to more customers through unique features and quality while keeping competitors from obtaining a larger market share for products. A customer relationship management (CRM) strategy is used to help businesses create positive relationships with their customers. This type of strategy can be helpful when creating products and services for businesses because it increases customer loyalty by providing them with the best possible services. Customer loyalty also helps companies develop new markets for their products or services, since customers may pay more for goods they like. A CRM strategy is important because even slight changes in customers' attitudes can affect decisions people make regarding the business' products and services. Businesses that can keep production costs low by outsourcing or improving their supply chain are using a cost focus strategy. This strategy helps businesses try to control costs and manage profits. Businesses that use this strategy focus on the lowest available production costs to compete with other businesses. A business using a cost focus strategy often may reduce staffing and equipment expenses and other inputs, such as raw materials and utilities, to remain cost-effective compared to other businesses. Businesses that focus on customer satisfaction may use a commitment to customer's strategy. This type of strategy is important because the more satisfied a customer is, the more likely they are to buy products and services from that company again. Customers may be more likely to purchase products and services from a company they like and trust because they may believe the products are of higher quality and worthy of their price. In the race to bring products which meet the customers' needs, the companies devise a lot of strategies in terms of product improvement, pricing, values, benefits etc. but the reality is that the competitors start coming when the market segment becomes lucrative and viable. At that time, a company needs a well devised competitive strategy to stay a front runner and earn profits. Now to do that a company can do a lot of things. They can offer products which are cheaper than the competitors. They can offer products which provide value which no other competitor is providing. There are 4 types of such competitive strategies which a company can use to gain that edge in the market full of competitors. The findings of the research conducted that Cost Leadership, Differentiation and Focused Strategies have significance influence and impact on firm's competitiveness.

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