ABSTRACT

Sugar industry performance in the country has been on a declining trend over the past ten years. Most research has tried to explain this trend with some blaming it on illegal sugar imports and corruption. Little, however, has been done to relate strategy implementation and performance in the industry that might be the pointer to the solution of the problem. This study used longitudinal research design that focused on western Kenya, a region whose largest population relies on the sugar industry either as producers of sugarcane, or for direct and indirect employment. Despite expectation from this industry due to the many years of existence, stakeholders still lament of several issues like accumulation of debts and late payment to farmers. There is dearth of empirical findings on this area and especially on poor performing sugar industry in Kenya, thus, the study has shade more light on this gray area by answering the question: what is the effects of the selected generic strategy implementation on performance among sugar firms in western Kenya? The aim of research was to suggest lasting solution to perennial negative trend in performance of sugar industry in the country. The general objective of this study was to analyze the effect of strategy implementation on the performance of firms' in the sugar industry in western Kenya. The specific objectives were to; assess the effect of growth strategy on performance of sugar firms; assess the effect of cost minimization strategy on performance of sugar firms; assess the effect of product differentiation strategy on performance of sugar firms. The research was anchored on the resource-based theory of Competitive Advantage, Porter's Generic Strategy Theory and Contingency Theory and guided by a conceptual framework comprising selected strategy implementation as independent variables and performance as dependent variable. Document analysis guide was used in collecting relevant data from the firms' financial reports while questionnaire and interview sessions were used to gather primary data from selected firm's top management team. Multivariate linear regression was done to determine the type of relationship that exists between strategy implementation and firm performance. Four sugar firms in western Kenya were selected using purposive sampling techniques representing both privately and state owned sugar firms in the western Kenya. Pearson correlation was used to determine strength and association among variables. Panel data analysis based on Generalized Method of Moments (GMM) technique was used to estimate a multiple regression model using instrumental variables regression and test for significance of relationship between strategy implementation and performance. The findings were that Growth Strategy (GS) implementation has a strong correlation coefficient ($r = -.0009971$). Cost Minimization Strategy (CMS) was also significantly correlated with firm performance with a correlation coefficient ($r = 0.327$), and Product Differentiation Strategy (PDS) was significantly related and had a regression coefficient ($r = -0.1756133$). The moderator variable for the research - Market demand had a significant effect on firm performance with a p-value (0.0057). Thus the study revealed the existence of a significant relationship between strategy implementation and performance. This study recommends that sugar firms should diversify their operations, cut operational and overheads costs to minimize cost and increase their nuclear estates. For further research, this study could be expanded to cover more sugar firms in the western sugar belt of Kenya, study of the effect of market demand on performance and the use of other econometric techniques for relationship verification.