



Effect of Functional Strategies on Competitiveness of Sugar Industry in Western Kenya

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Abstract

Globally, the functional strategies remain a cornerstone for competitiveness and is viewed as a game plan management for positioning the organization in its chosen market arena for heightened performance. After years of policy mending through strategic framework and government interventions the sugar factories in Kenya are still under-performing with low productivity culminating to low competitiveness and massive indebtedness within the industry. Despite the adoption of functional strategies by the sugar industry there has been a continued weakening of the competitiveness and momentum of the industry. It is in this regard that study was designed to assess the effect of functional strategies on competitiveness of sugar industries in western Kenya. The study focused on the effect of financial strategy and production strategy on the competitiveness of sugar industry in Western Kenya. In a bid to effectively achieve this, the study adopted a cross-sectional study design based on samples drawn from across the sugar industry in western Kenya. The target population was 98 senior employees from sugar factories in western Kenya region or the former western province which include Mumias, Nzoia, West Kenya, Busia and Butali sugar factories which were studied by use of census inquiry using questionnaire for data collection. Data was analyzed by use of both inferential and descriptive statistics using SPSS version 25. From the study findings correlations among the functional strategies and competitiveness were significant. The variables jointly explained 54.6% ($R^2=0.546$) variation in competitiveness of sugar industry with a significant F change at $q<.05$. In conclusion functional strategies significantly influences the competitiveness of sugar industry. The management of sugar industry should formulate and implement functional strategies to effectively enhance their competitiveness. The findings are of significance to various stakeholders in sugar industry for the sustainable development and body of knowledge on embracing functional strategies for competitiveness.

Keywords: Functional strategies, Financial strategy, Production strategy and competitiveness

1. Introduction

The dynamic business environment invokes the need to change and develop new strategic directions for competitiveness. Thus, the drivers of competitiveness diametrically correspond to the variables in which an organization needs to perform well to survive and stand out in the market (Roman & Erdmann, 2012). In this regard the organization needs competencies in different functional areas, administrative functions or categories of specialization to enhance their competitiveness. This underscores the indispensability of functional strategies in enhancing organizational competitiveness (Altuntaş, Semercioz, Mert & Pehlivan, 2014). Despite government's investments, the sugar industry still faces stiff competition locally and regionally resulting in low productivity and poor financial performance (Obange, Onyango & Siringi, 2011). This casts aspersions on the competitiveness of the Kenyan sugar industry and their functional strategies. Following this, there is need to interrogate the functional strategies of the industry amongst other competitive strategies to enhance their success particularly in a hostile environment.

Functional strategies are usually a part of overall corporate strategies prepared for various functional areas of its organizational structure (Krzysztof, 2019). It helps managers in focusing company's activities to its major functional areas of activity known as key success factors. Functional level strategies are the goals and related actions linked to specific departments in support of the corporate level strategy (Muhoro, 2019). Functional strategies focus on the event and coordination of resources through which business level methods will be dealt with effectively and expeditiously and so as a usefully vital facet of making a good and competitive organization (Chepchumba, 2014). A functional strategy consists of decisions of each department or functional area in a business associated with the effective use of resources to meet the objectives in a business. Most common functional strategies used in management are: financial strategy, marketing strategy, production strategy, human resources strategy and research and development strategy (Salimian, Khalili, Nazemi & Alborzi, 2012). These strategies specify the outcomes an organization want to see achieved from the daily operations of specific departments (or functions) of the organization.

Functional strategy remains important in the creation of competitive advantage and synergy (Altuntas, Semercioz, Mert & Pehlivan, 2014). This could be ascribed to the fact that through functional strategies the functional level management is able to make key decisions to make sure that the resources available are competitive. However, there is need to strategically keep pace with the changes in the business

environment through constant transformation of the functional strategies for competitiveness. This argumentation is justified by the fact that the business environment in which the firms operate is dynamic and turbulent with constant and fast paced changes that often render yester-years' strategies irrelevant (Ofunya, 2013). Therefore, the observation of the competitiveness factors is essential for a firm to improve its performance and thus realize its mission, strategic objectives and vision of the future. At the functional level there are strategies on innovation, organization, marketing and processes etc (Ercan, 2013). It is clear that strategies on different organizational levels affect each other to yield competitiveness. Organization's competitiveness is a complex and multi-dimensional concept that should be analyzed in a continuous dynamic (Radu & Popesu, 2011). Competitiveness is achieved when a firm successfully formulates and implements value-creating strategies (Hitt, Ireland & Hoskisson, 2013). Competitiveness relates to how effective an organization meets the needs of its customers' comparative to other similar organizations. Competitiveness is based on strategy, a plan for achieving organizational goals, through tactics, or methods and actions taken to accomplish strategies (Ugoani, 2016). An organization can gain competitiveness when it scans substantive issues affecting the long-term well-being and implements strategies that creates a superior value for its customers which its competitors are unable to duplicate or find costly for them to imitate. Man et al. (2002) proposes four characteristics of competitiveness; long-term orientation (focusing on long-term performance), controllability (managing various resources and capabilities), relativity (relative to other firms) and dynamism (involved in a dynamic process to generate the outcomes). The organizational competitiveness relates to continuous presence in markets, profit making and the ability to adapt production to demand (Díaz-chao, Sainz-González & Torrent- Sellens, 2015). The organization that seeks to build competitiveness has to well manage its core processes and resources -human, operations, technology and financial (Sadegh, Senin & Tourani, 2015). This gives credence to the adoption of functional strategies by the sugar industry to clip the market shares away from more traditionally managed competitors. The industrial competitiveness is assessed based on a number of indicators, mainly total productivity, Innovation, market share, profitability, finance and investments, ability to export, business environment and entrepreneurship, public administration and sustainability (Chiang, Wu, Hsieh & Chen, 2008; Razvan & Moisoiu, 2015). Product quality, price, growth rate, and the enterprises' cost leadership ability and overall ability to turn input into output in the most efficient and economical way (Wilfred, Matoke, Yegon & Egeessa, 2014). Put simply, the competitiveness of the sugar industry expresses the ability

of domestic sugar industry to compete with foreign sugar industry (Nielsen, Madsen & Pedersen, 1995). Competitiveness is hinged on the government or state interventions which are focused on establishing strong foundations in terms of strategic and operational objectives, as well as systems and processes to address the needs, priorities and expectations of the sugar industry (Sugar Research Australia, 2017). Thus, the government interventions have the capacity to moderate the relationship between functional strategies and competitiveness of the sugar industry.

In the Kenyan sugar industry, two forces from horizontal competition and one force from vertical competition are the most critical for sugar firms. These include threat of established rivals, threat of new entrants and bargaining power of suppliers (Kenya Sugar Board, 2010). The problems hampering competitiveness at the factory level are ascribed to high operating costs, cheap imported sugar from Common Markets for Eastern and Southern Africa (COMESA) countries, inefficient and old factory machinery that forces the sugar factories to operate below the maximum crushing capacity. Kenya's sugar industry has remained under threat by cheap imports from more efficient sugar-producing countries (KIPPRA, 2010). These constraints make the sugar industry in Kenya very inefficient and uncompetitive. The environment within which sugar firms in Western Kenya region operate is constantly changing and firms have to respond to these changes (KIPPRA, 2010). It therefore remains conspicuous that the Kenyan sugar industry is losing terrain in front of its international competitors thus it may not survive full liberalization. This calls for nothing other than synergizing functional strategies of these sugar millers at factory level with the government interventions for competitiveness. This is likely to make the industry competitive to the extent of meeting the national demand of sugar, even becoming a net exporter. In this regard, astute functional strategies which engender strategic orientation of the sugar industry for competitiveness remains indispensable. However, previous research that focuses on competitiveness of sugar firms in Kenya is limited. Hussein (2011), Waswa, Mukras and Oima., (2018); Akungu and Muturi, (2016) all studied the effect of competitive strategies on performance of sugar processing firms in Kenya and found a positive relationship; however, they didn't look at how functional strategies affect competitiveness of sugar firms providing a lacuna for the current study.

1.1. Statement of the Problem

There is renewed interest in the manufacturing sector through the Big 4 Agenda which seeks to increase the GDP contribution of the sector from 8.4% in 2017 to 15% by 2022 without exception to the sugar industry which earns Kenya more than US\$ 250 million in foreign exchange annually (KAM., 2018). This is geared towards achieving the goal of being globally competitive and prosperous country with a high quality of life and income per capita by 2030 (Waswa, Mukras & Oima, 2018). In this regard the industry is estimated to contribute approximately 15 percent to agricultural Gross Domestic Product (GDP) besides supporting an estimated 250,000 smallholder farmers who supply over 90 percent of all cane milled in the country (Monroy, Mulinge & Witwer, 2013). To this extent the state has traditionally played a pivotal role in the sector to galvanize its competitiveness through its interventions. Kenya has therefore set an import quota (of approximately 200,000 Metric tons annually) to restrict sugar imports from other COMESA countries under the guise of allowing its un-competitive industry to become competitive (Njeru, 2016). Besides, in 2015 the Government of Kenya successfully lobbied for an extension of the COMESA safeguards which have existed since 2005 to enhance the competitiveness of the industry. However, the attempted reduction of the scope of government interventions through market liberalization also targets to increase competitiveness of the sugar industry. These is ascribed to the fact that the partial success of these short-term interventions and the functional strategies of the millers provides optimism for the industry to transit smoothly into a competitive and efficient industry in tandem with modern business expectations to enhance their competitiveness (Odera, 2014). This is echoed by Ansoff, (1987) who opines that strategic responses involving the changes in a firm's strategic behavior ensures their success in terms of competitiveness in the ever -changing environment.

Despite the adoption of functional strategies by the industry, combined with government policies as sources of intervention there has been a continued weakening of the competitiveness and momentum of the industry (Njeru, 2016). With time, after years of policy mending through strategic framework and government interventions, the sugar factories in Kenya are still under- performing. The Industry shows little gains to consumers, growers or millers, but tends to transfer these gains to importers and bureaucrats starving them off competitiveness in the international and domestic markets. These ills are fomented by managerial inefficiencies crippling their functional strategies precipitating under-mechanization, labor

intensiveness, high cost of production and low productivity culminating to low competitiveness and massive indebtedness within the industry (Odera, 2014). These problems are evidenced by Kenyan cane farms that yielded around 130 tons of cane per hectare in the 1980s and 80 tons of cane per hectare in the 2010, a reduction of over 38% over the two decades below the demand (Food and Agriculture Organization., 2012). In addition, the cost of producing sugar in Kenya is estimated to be 550 USD per metric ton compared to an average of 250 USD to 330 USD in other Common Market for East and Central Africa (COMESA) countries and a global average of 300 USD to 400 USD, (FAO., 2013). Besides Retail prices for refined sugar are also substantially high, consumers pay 120 Shillings (1.2 USD) per Kilogram of sugar almost, double what European and US consumers pay (Fengler, 2012). These altogether give credence to the need for interrogation of the effect of functional strategies on the competitiveness of sugar industry as moderated by the government interventions.

Several studies have been conducted on the competitiveness of the Kenyan sugar industry including (Obado, 2005; Okunyanyi, 1999; Akombo, 2010; Chisanga, Gathiaka, Nguruse, Onyancha & Vilakazi, 2014), on strategies adopted by sugar industries (Mbithi, Muturi, & Rambo, 2015; Kaburu, 2014; Jakait, 2012; Moraa, Senaji & Mbithi, 2017) but little work has been done to establish the effect of functional strategies on competitiveness on sugar industry in western Kenya. Thus, the study was conducted to proximate the effect of functional strategies on the competitiveness of the sugar industry in western Kenya to fill in the existing gap in literature.

1.2. Purpose of the Study

To analyze the effect of functional strategies on competitiveness of sugar industry in Western Kenya: a focus on government interventions. The study was guided by the following specific objectives;

- To assess the effect of financial strategy on competitiveness of sugar industry in Western Kenya.
- To determine the effect of production strategy on competitiveness of sugar industry in Western Kenya.

2. Literature Review

2.1. Financial Strategy and Competitiveness

Financial strategy consists of three interrelated kinds of decisions: investment, funding and working capital decisions (White, 2010). Investment decisions relate to the allocation of capital to carry out investment opportunities that are valuable (bring value) to the company, taking into account the magnitude, opportunity and risk of the future cash flows of investment. Funding decisions concern the specific mix of long-term debt and capital that the company uses to finance its operations, i.e., optimal capital structure. Working-capital decisions include the management of short-term assets and liabilities in a way that ensures the adequacy of resources for company operations. Assuming the corporate aim is to maximize profits, it is important for businesses to seek the optimum combination of the three kinds of financial decisions.

The effect of financial strategies on business competitiveness is a topic that researchers have not yet studied in depth (Valencia, Nava, Dubcovsky & Gómez, 2012). Despite its importance and the need to adapt financial strategies to an organization's characteristics, few studies have focused on analyzing financial strategies and its impact on competitiveness (Malette, 2012). A business's financial environment is a main factor for the organization's success, especially small businesses forced by financial limitation to be highly efficient in allocating their scarce resources in order to ensure survival and generate profits. The importance of financial decisions in business is evident, since many of the factors that contribute to failure can be managed properly with strategies and financial decisions that drive growth and the organization's objectives. According to a number of studies Lazaridis (2012) and Rasheed (2012) the main causes of business failure are the lack of financial planning, limited access to funding, lack of capital, unplanned growth, low strategic and financial projection, excessive fixed-asset investment and capital mismanagement. Many of these causes of failure are challenges that can be successfully managed with financial strategies developed and implemented by the organization. However, the study of financial decisions has been, for a long time, limited to large corporations, about which extensive research has been published (Nielsen, Madsen & Pedersen, 2010). One of the main features of small businesses is that they do not have useful financial information to make decisions. One area that has received little attention in the establishment of strategies, especially in the study of sugar industries, is that of financial decisions, even though it is a determinant of business competitiveness. Financial analysis and planning, which represent

basic features that support organizational strategy, are not well spelled out in sugar factories, which impose a constraint on the kind of financial decisions they make (Zopounidis & Doumpos, 2013). Financial strategy represents a path to achieve and maintain business competitiveness and position a company as a world class organization Mallette (2012) studied the impact of financial decisions and strategy on small business competitiveness. The study analyzed 200 businesses in Mexico and found that an organization's financial strategy is so important to the company that it must be evaluated and adjusted as frequently as the operational strategy. The study confirmed that the evaluation of financial strategies must be consistent with operations, needs and specificities of the business. The description of financial practices carried out by businesses represents an issue that has received more attention (Mallette, 2012). This study was conducted in businesses without manufacturing orientation and not the sugar industry. This limits the generalization of the findings to the sugar industry owing to differences in organization structure and policies.

Valencia, Nava, Dubcovsky and Gómez (2014) assessed financial practices in Mexican firms taking into account the organizations' characteristics. They found that most enterprises establish an optimal leverage ratio, use investment evaluation techniques, have traditional management based on budgets and the Return on Investments (ROI), do not use techniques such as Balanced Scorecard (BSC), Economic Value Added (EVA) and apply financial ratios as a technique to analyze profitability. The study was conducted in a Mexican context limiting its generalizations to the Kenyan context. Jog and Srivastava (2014) conducted a study that looked at financial decision-making processes that Canadian companies followed, as well as techniques they used to make decisions on capital budget, financing costs and sources, and dividends. Their results show that investment decisions are closely related to funding opportunities, and that the method used for the capital budget is the internal rate of return and the net present value. They also found that most Canadian companies determine an optimal debt and equity ratio. With regard to dividends decisions, present and future earnings represent the most relevant factors enterprises consider when deciding on dividend policy. The study focused on the financial decision making process used by Canadian firms but was limited in the outcome of such decisions. This provides a gap for the current study which is poised to find out the competitiveness of the sugar industry as a result of financial strategies.

Ngure (2013) did a study on financial strategies and factors that influence the efficiency of functional level strategies at Saape Ltd. The researcher used a case study research design through the use of an interview

guide as the data collection tool. The data was analyzed through a report that was compiled after carrying out the interviews on the branch managers and the director of Saape Ltd. The study established that finance function influences efficiency at Saape Ltd that used different strategies, like advertisement, pricing, management of cash flow, etc to enhance the overall effectiveness of the organization. Further, the study established that organizational structure, strategic leadership and organizational culture were factors that influenced the efficiency of the functional level strategies. The study adopted case study research design which limits the generalization of the findings.

Escalera and Herrera (2016) studied the relationship between financial decision-making and economic value creation in Mexican companies. They found that companies that use supplier financing are more likely to create economic value as long as they do not have collection problems, and that investment decisions must take inventory into account. However, their study is based on small-business owners' perceptions of the importance of decisions, leaving aside the study of variables such as business performance and competitiveness when carrying out financial strategies. Besides the study was conducted in the Mexican context thus limiting its generalization to the manufacturing sector in Kenya. It is evident that most studies have focused on the analysis of the techniques used to make financial decisions rather than on the decisions themselves and their impact on competitiveness. These studies have been conducted in small and medium enterprises, Micro-finance's, banks and Hotels. None has been conducted in a sugar industry and therefore this objective looked at the effects of financial strategies on competitive advantage.

2.2. Production Strategy and Competitiveness

Production strategies are concerned with the management of all activities involved in the provision of goods and services, and it is central part to the manufacturing process. Its responsibility is resource planning as well as controlling the processes involved in converting raw materials and components into the finished goods and services required to satisfy the needs and wants of the existing and potential customers (Cole, 2010). In a market- oriented organization, production begins with the customer in the market place. Production management refers to activities that relate to the creation of goods and services through the transformation of inputs into outputs, while product quality is the combination of features and characteristics of product that contribute to its ability to meet customer value (Waswa, Mukras & Oima, 2018). Production in an economic sense involves any value creation ranking all the way from

manufacturing, mining, farming, on the one hand, to retailing or the provision of such services as transportation, entertainment or taxi ride and the others.

Production management techniques are tools used in improving an organization's goods or services required by the customer. Production management techniques are the processes of determining what should be produced and how it should be realized. Generally, the main idea behind effective quality is that poor quality is erroneous. The costs of poor quality should include all the costs of not doing the job right at the first time, scrap rework, loss of hours/labour, machine, sales, warranty and hidden customer ill will. Waller (2004) strongly believes that, the cost of poor quality is to understand that unlimited amount can be profitably spent on improving quality.

Deming (1982) believes, as did Taylor (1919), that management must do more to improve the work environment and processes so that quality can be improved. Quality has been an important part of human activities since the emergence of human history. Before now, manufacturing was essentially conducted by the cottage industry and heavily relied on craftsmen. The manufacturers were merely in seller's market; however, the trend has changed from seller's market to the buyer's market. The consumers have become more aware of the variety of products in the market. Thus, customers are the focus of manufacturing such that every organization has to study what customers' needs are and satisfy them in order to remain in business by offering products of desired quality. Although several reasons have been accountable for substandard products in manufacturing sector, Arora (2012) notes that quality of goods is determined by customers. Customers become a key factor that can create competition among organizations and this make firms to focus more on quality. This is due to effective quality which determines the rate of productivity and thus becomes an important factor in organization and also contributes to the growth of the economy. The usage of poor basic materials for production process has given way to the existence of sub-standard products in the Nigeria industry, making the product not to measure up to the standard of specification as expected. This has resulted in productivity of organizations dropping because of customers' inability to buy such substandard products. Where the company fails to measure up and the products identified, such products are usually confiscated or destroyed and such company may be closed-down by the regulatory agencies pending when issues are resolved. So, instead of the companies making profit, huge amount of

loss is incurred as a result, some producers produce sub-standard varieties of products, different from the ones they presented for certification to regulatory agencies.

Demirbag (2010) notes that quality control and improvement is one of the most important factors in every organization. Successful enterprises understand the dominant influence customer-defined quality can have on business. Hence many competitive companies constantly enhance their quality standard by introducing total quality control departments in their organizations whose policies are aimed at satisfying customers by giving them standard quality products, excellent services and timely delivery (Escalera & Herrera, 2016). They go further to explain the need for organizational development by training staff for such responsibilities. Taking a historical perspective, organizations who are highly committed to the implementation of quality control usually maintain quality standard in production which in turn provides a direction to the business (Moraa, Senaji & Mbithi, 2017).

Operations management will continue to progress based on contributions from several other disciplines. The analytical methodologies applied to total quality management (TQM) were initially established by Frederick Taylor to yield what he called scientific management. These have evolved into a field of industrial engineering and management science and these disciplines have contributed substantially to greater productivity (Sadegh, Senin & Tourani, 2015). They bring together diverse disciplines such as mathematics, statistics, management and economics to make possible systematic analysis and improvement of operating systems as well as such tools as linear programming, queuing theory simulation, and statistical analysis.

Keitany (2014) assessed the effects of lean production on organizational performance. The study was designed to determine the elements of lean production, effect of lean production systems on product quality, strategies for waste reduction and the challenges of adopting lean production. The study adopted a descriptive research design. In the data, the study found out that improving management style and involving all employees at all levels, as well as better inventory management leads to a more efficient practice of lean production. Material management and physical distribution are positively related and are therefore critical determinants of successful lean production practice within the organization. With a response rate of 75% the study concluded that firms should adopt the use of lean production system as a means to improved performance. However, the study was limited in terms of the dependent variable it didn't look at competitiveness as the outcome of production strategy in the sugar industry.

Jamhur (2017) conducted a study on effect of manufacturing strategy on competitive advantage. The investigated the mediating effect of organizational culture on the correlation between manufacturing strategy and competitive advantage in small industry Batik Trusmi. 200 batik makers located in Trusmi, Cirebon, Indonesia were selected as respondents of the study. They consisted of 131 males and 69 females dominantly age 41 to 60. Correlation and regression analysis were employed as methods of the study. The study concluded, based on the regression test on manufacturing strategy and competitive advantage variables and on the presence of organizational culture as mediator variable, that there is a significant correlation between manufacturing strategy and mediator variables (organizational culture) and competitive advantage variable altogether. It shows that there is no direct effect of manufacturing strategy variable toward competitive advantage variable. However, the study was conducted in the Indonesian context limiting its generalization. The study conducted by Keitany (2014) was on lean production and organization performance while that done by Jamhur (2017) is on manufacturing strategy and competitive advantage in Batik Indonesia. This indicates that a few, if not no studies, have been conducted to determine the effects of production strategy on competitive advantage. Therefore, the current study will fill in the gap.

2.3. Conceptual Framework

A conceptual framework is a theoretical structure of assumptions, principles, and rules that holds together the ideas comprising a broad concept (Goertz, 2006). The study conceptualizes a relationship between functional strategy, government intervention and competitiveness. The study focused on marketing strategy, financial strategy, human resource strategies and production strategy and the dimensions of corporate governance affecting competitiveness. Consequently, the conceptual framework includes two sets of hypothesized relationships. The hypotheses posit a direct relationship where the greater use of functional strategy (independent variable) lead to organizational competitiveness (dependent variable).

Financial strategies are goals, patterns or alternatives designed to improve and optimize financial management in order to achieve corporate results (López Moreno, 2015). Financial strategy consists of three interrelated kinds of decisions: investment, funding and working capital decisions (White, 2010). According to Díaz-chao, Sainz-González and Torrent- Sellens (2015) production strategies are concerned

with the management of all activities involved in the provision of goods and services, and it is central part to the manufacturing process. The production strategies are in terms of quality, costs and loss of Hours.

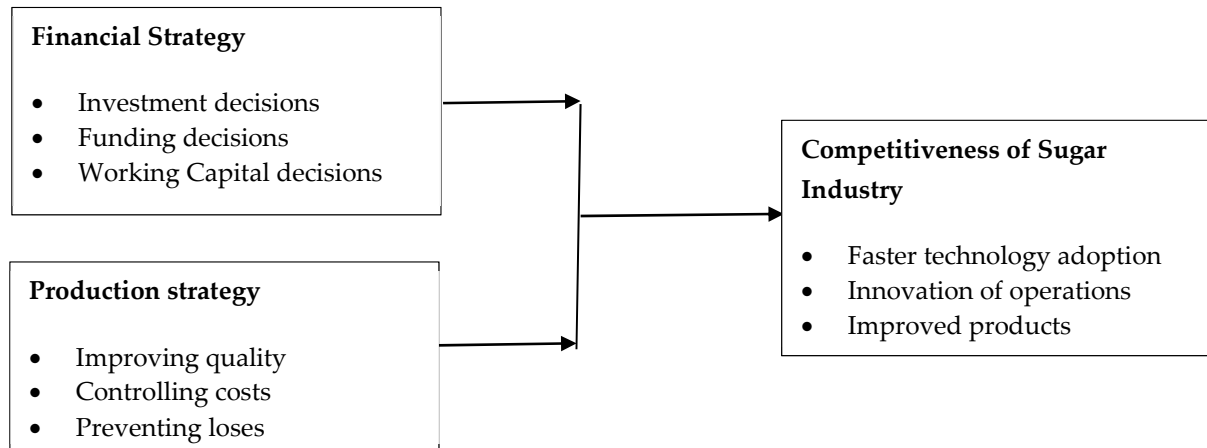


Figure 1. Conceptual framework

3. Research Methodology

Research design: This research employed a cross-sectional survey design. Cross-sectional survey is defined as a research method that collects data to make inferences about a population of interest (universe) at one point in time (Turner, Balmer & Coverdale, 2013). This research design was appropriate for this study as it offered opportunity to collect data across different sugar companies and test this relationship at one point in time.

Target population: The target population was 4 sugar factories in western Kenya region the former western province which include Mumias, Nzoia, West Kenya, Busia and Butali sugar factories. The study relied on all heads of departments and supervisors of all the four sugar firms and where possible, chief executive officers for data because they would have in-depth knowledge of managerial decision making and strategy issues in these companies which hinges on functional strategies. For purposes of this study the accessible population was 98 respondents who were drawn from the state-owned sugar companies in western Kenya region.

Table 1. Target population

Sugar Factory	Functional Areas	Target Population
Mumias	HODs	6
	Supervisors	9
Nzoia,	HODs	11
	Supervisors	14
West Kenya	HODs	10
	Supervisors	12
Butali	HODs	8
	Supervisors	9
Busia	HODs	7
	Supervisors	12
Total		98

Source: (Strategic plan 2020-2021)

Census Inquiry: In this study, census technique was adopted. Mugenda and Mugenda (2012) explain a census as an enumeration of all items in a population which must be consistently defined for the purpose of study. In this case census was applied by this study for the enumeration of management of the 4 Sugar factories to fulfill the requirements of the element representation. The management will consist of all CEOs, heads of departments and supervisors of sugar factories in western Kenya region the former western province. A total of 98 which was include heads of departments and chief executive officers who have in-depth knowledge of managerial decision making and strategy issues in these companies.

Data collection: In data collection the selection of appropriate data collection instruments and clearly delineated instructions for their correct use reduce the likelihood of errors occurring during data collection essential for the integrity of the study. The questionnaire was the main instrument for collecting data in survey research.

Data processing and analysis: Data was examined, checked and cleaned for completeness and comprehensibility by eliminating unusable data, interpreting ambiguous answers and eliminating

contradictory data from related questions. The data was coded and entered into statistical package for social sciences (SPSS) version 25 program data cleaned and analyzed using descriptive and inferential statistics.

4. Findings

The study used five questionnaire items to establish financial strategy in the sugar manufacturing companies.

Table 2. Descriptive results on finance strategy

n=87	Minimum	Maximum	Mean	Std. Deviation
Our budget report makes it easy to see the financial contribution of each programme	1	5	3.93	1.310
The organization forecasts on revenue and expenditure	1	5	3.72	1.096
There is an adequate cashflow within the Organization	2	5	3.97	.958
The company has affordable sources of funding	1	5	3.18	1.018
Working capital is strategically managed	1	5	4.40	.690
Finance Strategy	2	5	3.82	0.843

Source: Research Data (2022)

Table 2 shows that their budget report makes it easy to see the financial contribution of each programme (mean= 3.93, sd = 1.310). This is underpinned by the fact that budget report guarantees that the company will always have enough money for the things it requires and that are important for effective operations and competitiveness. Evidently, the organizations within the sugar industry forecast on revenue and expenditure (mean= 3.72, sd = 1.096). Accurate forecasting of revenue as a financial strategy remains key for preventing underfunding and overfunding, as well as the repercussions of accompanying surpluses or deficits. Moreover, there is an adequate cash flow within the organization (mean= 3.97, sd = .958). According to a number of studies Lazaridis (2012) and Rasheed (2012) the main causes of business failure are the lack of financial planning, limited access to funding, lack of capital, unplanned growth, low strategic and financial projection excessive fixed-asset investment and capital mismanagement. Besides, the companies have affordable sources of funding (mean= 3.18, sd = 1.018). In addition, working capital is

strategically managed (mean= 4.40, sd = .690). This ensures the adequacy of resources for company operations. The overall finance strategy had a mean=3.82, sd=0.843. This underpins the importance of financial decisions in business is evident, since many of the factors that contribute to failure can be managed properly with strategies and financial decisions that drive growth and the organization’s objectives.

Production in a market-oriented company starts with the client in the marketplace. Thus, the companies within the sugar industry should have market-oriented production operations. The findings are displayed in table 3 below.

Table 3. Descriptive results on production strategy

n=87	Minimum	Maximum	Mean	Std. Deviation
The company tests their products to confirm their suitability to the market.	1	5	3.34	1.301
Products have a broad market appeal	1	5	3.69	1.213
Our company reduces on wastage through lean production.	2	5	3.59	1.225
The cost of production is reduced by adoption of new technology,	1	5	3.24	1.320
The product quality helps in securing a wider market share.	1	5	3.57	1.444
Production Strategy	2	5	3.49	.919

Source: Research Data (2022)

The respondents were in agreement that the companies test their products to confirm their suitability to the market (mean= 3.34, sd = 1.301). This is encouraged by the fact that suitability of the product plays a critical role in on its demand the growth of the business. In addition, the respondents are in agreement that their products have a broad market appeal (mean= 3.69, sd = 1.1213). Product appeal is critical in invoking demand of a product and increasing its market performance. Besides the companies reduces their wastage through lean production (mean= 3.59, sd = 1.225). Overproduction, inventory, motion, faults, over-processing, waiting, and transport are all highlighted as wastes in the lean manufacturing system (Furman & Malysa, 2021). Therefore, lean manufacturing is critical as a production strategy. In addition, the cost of production is reduced by the companies through the adoption of new technology (mean= 3.24, sd= 1.320). As a result, advancements in manufacturing technology result in lower production costs. The product

quality helps in securing a wider market share (mean= 3.57, sd = 1.444). The overall production strategy had a mean of 3.49 and sd of .919.

The dependent variable of the study was competitiveness of sugar industry in Western Kenya. To this end, five questionnaire items were used to assess competitiveness of sugar industry in Western Kenya. Results displayed in Table 4.

Table 4. Descriptive results on competitiveness of sugar industry in Western Kenya

n=87	Minimum	Maximum	Mean	Std. Deviation
The products of the company have won the market share	1	5	3.48	.819
There has been an increased customer base	1	5	3.52	.819
The cashflows have been accelerated for the company	2	5	3.94	.867
The quality of the products has constantly improved	1	5	3.63	.864
There is an adoption of better technology of operation than competitors.	2	5	4.20	.900
Competitiveness	2	5	3.75	.491

Source: Research Data (2022)

The products of the company have won the market share (mean= 3.48, sd = .819). As a company's market share grows, it can expect larger profit margins, a lower purchase-to-sales ratio, lower marketing costs as a percentage of sales, and higher-quality, higher-priced items (Hinterhuber & Liozu, Routledge). A rise in market share also aids in the expansion of a company's consumer base. In this regard majority of the customer base is devoted to a company's product. From the findings there has been an increased customer base (mean= 3.52, sd = .819). In consequence the company would generate heightened cash flows. The findings also underscore this argumentation where the cash flows have been accelerated for the company (mean= 3.94, sd = .867). The quality of the products has constantly improved (mean= 3.63, sd = .684). There is an adoption of better technology of operation than competitors (mean= 4.20, sd = .900). The overall competitiveness of sugar industry in Western Kenya had a mean of 3.39 and sd of .593.

The study used multiple regression analysis so as to establish the relationship of independent variables and dependent variable that is to analyze the effect of functional strategies on competitiveness of sugar

industry in Western Kenya: a focus on government interventions. The study established the effect of functional strategy on competitiveness of sugar industry in Western Kenya as presented in table 5.

Table 5. Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig	Durbin-Watson
1	.739 ^a	.546	.535	.334	.000	1.861

a. Predictors: (Constant), Financial and Production strategy

b. Dependent Variable: Competitiveness

From the model summary of multiple regression model, the results showed that all the two predictors (financial strategy and production strategy) jointly explained 54.6 per cent variation on competitiveness of Sugar Industry in Western Kenya. This showed that considering the two study independent variables, there is a probability of 54.6% ($R^2=0.546$) in predicting competitiveness of Sugar Industry in Western Kenya. This implies that when Sugar Industry in Western Kenya embrace functional strategies then competitiveness of Sugar Industry in Western Kenya is likely to improve.

Table 6. ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	11.299	2	5.650	50.504	.000 ^b
	Residual	9.397	84	.112		
	Total	20.696	86			

a. Dependent Variable: Competitiveness

b. Predictors: (Constant), Financial and Production strategy

Table 6 reveals that the F-value of 36.167 and a p-value of 0.00 significant at 5% level of confidence indicate that the overall regression model is significant; hence, the joint contribution of the independent variables was significant in predicting competitiveness of Sugar industry is likely to improve. In this regard, we reject the null hypothesis stating that there is no significant effect of functional strategies on competitiveness of sugar industry. Instead, the alternative hypothesis holds true; stating that there is a significant effect of functional strategy on competitiveness of sugar industry.

Table 7. Regression coefficients of competitiveness of sugar industry as predicted by functional strategies

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	1.811	.210		8.616	.000		
Finance	.255	.055	.369	4.653	.000	.861	1.161
Product	.276	.042	.518	6.534	.000	.861	1.161

a. Dependent Variable: Competitiveness

Results of the regression coefficients presented in Table 7 show the estimates of Beta values and give an individual contribution of each predictor to the model. The Beta value tells us about the relationship between with each predictor. The positive Beta values indicate the positive relationship between the predictors and the outcome. The Beta value for financial strategy (.255), and production strategy (.276) were all positive. The positive B values indicate the direction of relationship between predictors and outcome. From the results the model can then be specified as: -

$$Y = 1.811 + .255X_1 + .276X_2 + \epsilon, \dots\dots\dots \text{Equation 4.5}$$

Where:

X₁= Financial Strategy X₂= Production Strategy

T-test was then used to identify whether the predictors were making a significant contribution to the model. When the t-test associated with Beta value is significant then the predictor is making a significant contribution to the model. The results show that production strategy (t =4.653, P<.05) and financial strategies (t =6.534, P<.05). These findings indicate that all the functional strategies jointly significantly affect competitiveness of sugar industry in Western Kenya.

5. Discussion

Thus, functional strategies are also important owing to their synergistic role in enhancing the competitiveness of the sugar industry. This is ascribed to the fact that Functional strategies are usually a part of overall corporate strategies known as key success factors. Functional strategy remains important in

the creation of competitive advantage and synergy (Altuntas, Semercioz, Mert & Pehlivan, 2014). This could be ascribed to the fact that through functional strategies the functional level management is able to make key decisions to make sure that the resources available are competitive. These argument and findings are hinged on Resource based view owing to the fact that a strategic leader will be in position to easily link resources to the functional levels of an organization thus can forecast on the long-term benefits accrued by these resources. Besides the findings are supported by the Porter's generic theory which avers that The strategy used by the industry should ensure that their product remains unique in the market by focusing on the outside world and has a creative approach. Lastly the sugar industry should ensure that the strategies adopted guarantees costs remaining as low as possible; or ensure that they have a larger market share with average prices to remain competitive.

Financial strategy significantly affects competitiveness of sugar industry. Financial strategy adopted by the sugar industry will allow them to examine their financial needs and the resources needed to support and achieve its goals, as well as prepare for future growth to ensure business success and sustainability. The findings are in line with both porters' generic theory and resource based view. This implies that the management of sugar industry or companies should continuously implement and improve on their financial strategies to potentiate availability of sources, usages, and management of funds Production strategies significantly affect competitiveness of sugar industry in western region, Kenya. Thus, organization may acquire competitiveness by embracing production strategies. This conclusion calls for the sugar industry to strategically reorganize their work process and activities such as operations & production, quality and distribution which affects the entire chain of value for competitiveness. These findings are in line with Porter theory and resource-based view. This implies that production strategy can create advantages in particular markets when used strategically. Therefore, the sugar companies are under obligation to strengthen their financial and production strategies besides other functional strategies Regulation and policy formulation enhancing functional strategies within the confines of government intervention give impetus to the sectors growth and functioning. Development of new policies and reviewing of existing policies to achieve synergy in enhancing competitiveness of the sugar industry is necessary from time to time. There is need to strategically keep pace with the changes in the business environment through constant transformation of the functional strategies for competitiveness. Thus the sugar industry should maximize on their net benefits by ensuring that their institutional structure operate

strategically to reduce on their transactional costs and cope with pluralistic environments they operate in. In fine functional level management should embrace the resource- based view, institutional theory and porters generic view while making key decisions to make sure that the resources available are competitive.

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