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Moderating effect of Innovation on the Relationship between Customer Focus Strategy and Performance of Manufacturing Firms in Kenya

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Abstract

Purpose: The manufacturing sector is experiencing a major problem of stiff competition emanating from illicit and illegal trade. The study aims at providing insights on relationship between customer focus strategy and performance of manufacturing firms in Kenya to achieve competitiveness. The objective was to establish the moderating effect of innovation on the relationship between customer focus strategy and performance of manufacturing.

Methodology: The study was anchored on Porter's competitive strategy typology. The study adopted the explanatory research design. The study targeted population of 766 procurement managers from manufacturing firms in Kenya. The Yamane's formula was used to compute a sample size of 264 procurement managers. Stratified, simple random and purposive sampling was used to select respondents. Questionnaire was used to collect primary data. The data was coded and entered in the computer for analysis using the Statistical Package for Social Sciences. Quantitative data was analyzed using Process Macro.

Results: Results indicated that customer focus strategy (β= -.346, p=.000) had negative and significant relationship with performance of manufacturing firms. Innovation (β=.822, p=.000) were positively significantly related with performance of manufacturing firms. The interaction between customer focus strategy and innovation was significant (β=.373, p=.000), indicating that the effect of customer focus strategy on performance of manufacturing firms depended on innovation strategy. The study concluded that customer focus strategy had a negative significant relationship with performance of manufacturing firms. The study concluded that innovation moderate the relationship between customer focus strategy and performance of manufacturing firms in Kenya.

Unique Contribution to Theory, Policy and Practice: The manufacturing firms pursuing focus competitive strategy should strive to identify customers whose needs and wants are not met by differentiators and cost leaders and offer services and products not offered by their competitors in order to remain competitive in the market place. In order to gain from this strategy, the manufacturing firms should pay attention to the market segment which is sustainable so as to avoid the dangers encountered when pursuing focus competitive strategy such as focusing on a segment that is pursuing innovation.

Keywords: *Customer, Focus, Innovation Strategy, Performance, Manufacturing, Firms*

INTRODUCTION

Most manufacturing firms face several limitations that impede their ability to invent new products and services, negatively impacting the attainment of a higher level of sustainable performance (Nyuur et al., 2018). Moreover, the COVID-19 pandemic has created new problems and opportunities for manufacturing firms. Simultaneously, it has limited their capacity to sustain and maximize their output levels, requiring them to innovate and evolve by using innovation to increase their sustainable business performance and confront future problems (Zulkiffli et al., 2022).

According to Mark and Nwaiwu (2015) business performance consists of all effort by an organization to attain its set goals consisting but not limited to survival, employee, customer and satisfaction, sales growth and profitability. It was further opined that business performance entails the view about the values held by customers. Firms under the same business strive to establish superiority to their customers. Each firm implements new ideas to improve its productivity and services to the customers over the other firm.

Manufacturing firms worldwide are viewed as a catalyst of a healthy and vibrant economy. High performance of the firms is associated with increased information sharing among the manufacturers and suppliers. Manufacturing companies around the world are operating in a very dynamic and unclear circumstances where competitiveness is unavoidable (Knoke, 2018). Thus, firms that wish to still be a head of competitors ought to get proper strategies. It has been noted that firm performance and growth is directly influenced by business strategies.

Customer focus is a strategic objective with a long-term focus that may have subtle results in the short run (Pan *et al.*, 2012). Its implementation requires a considerable amount of financial commitment (Verhoef & Lemon, 2013), yet advocated results have only been prevalent in the longer term. The long-term focus of customer focus strategy creates tension for managers who at the same time need to meet the financial performance requirements, which is generally measured on yearly financial results.

Porck, Knippenberg and Groenen (2020) in their study on strategic management drivers and firm performance; a case of financial institutions in Pakistan established that strategic drivers only contributed to minimal success of a strategy and had insignificant direct relationship with firm competitiveness. Decramer (2015) while looking for the value of strategic drivers in firm performance and competitiveness found that focusing on strategic drivers shifted the competencies and capabilities of the firms to the drivers more than to the strategies themselves thus affecting competitiveness and performance negatively.

On the other hand, Chijioke, Vu and Olatunji (2018) influence of strategic drivers on performance of government organizations in Malawi found that as a result of focusing on human capital and customers as strategic drivers, firm strategies were achieved thus enhancing competitiveness. In their study on effects of strategic management drivers on the performance of hotel industry in Kenyan Coast, Mutindi, Namusonge and Obwogi (2013) found that adopting key strategic drivers such as Information Communication Technology and customer relationship management had a significant influence on firm competitiveness

A number of Kenyan manufacturing companies have recently indicated a decline in performance. For example, for the recent years, East African Breweries Limited (EABL), a large East African brewing company has faced a respective 7% and 15% reduced market share and low profits in 2017 and 2016 as compared to 2015 (Baraza, 2017). According to KNBS (2016), there was a 3.2 % growth in the Kenyan manufacturing industry in 2014 and 3.5% in 2015, this contributed to the GDP. Averagely, the growth rate of manufacturing has been slower than the economy that went up by 5.6% in 2015.

The COVID-19 pandemic has resulted in thousands of firm's shutdown worldwide and caused the global economy's rearrangement (Wang & Huang, 2022). Thus, all kinds of enterprises, are recommended to adopt new business models with resilient and innovative business strategies through which they can attain sustainability (Zutshi et al., 2021& Nurunnabi et al., 2020). Lee et al., (2016) agrees that innovation strategy entrenched in in the organization and its processes enhance competitive advantage and organizational performance. Most processing firms globally have been able to stand competitive advantage and sustain high levels of organizational performance by adopting innovation targets.

Innovation refers to the product, process, and organizational changes that do not necessarily originate from a new scientific discovery but grow from a combination of existing technologies and applies in a new context (Tuan, Nhan, Giang, & Ngoc, 2016). Innovation diffusion involves the spontaneous and planned spread of new ideas, practices, or objects perceived to be unique (Ibingira, Muturi, & Rurangwa, 2017). The time and speed of adoption determine the extent to which the organization can exploit innovations to achieve competitive advantage (Dearing & Cox, 2018).

Soliman, (2013) examined whether innovation was driver of sustainable competitive advantages in Australia, he was of the conclusion that organizations have embraced innovation as the key to competitive advantage. An examination of product innovation and buyer-supplier relationship in Pakistani firms, established that a company's product innovation performance is positively influenced by strategic buyer-supplier alignment with regard to product innovation, this in turn has a positive impact on market performance (Muhammad, Shaukat, Syed, & Vijay, 2014).

Regionally, Reguia, (2014) did a research in Algeria on product innovation and the competitive advantage, the result of this research showed that a business's endurance is correlated to the ability of the business to develop a competitive advantage in its products through product innovation. According to Kaya (2015), the primary dimensions are product innovation, service innovation, and process innovation. However, there have been minimal focus on investigating the effect of these dimensions of innovation on competitive advantage and performance in the manufacturing sector, especially in manufacturing industry.

For instance, Oira and Kibati (2016) studied the influence of innovation on the performance of commercial banks in Nakuru Central Business District. They found out that innovation has a positive effect on performance. The researchers recommended that other studies focus on other areas not covered by the research, and other industries to provide an excellent comparative. In Kenya, Arunda, (2015) studied the influence of innovation on competitive advantage in Kenya, and focused on product innovation that is the M-pesa innovation by Safaricom company. This

study concluded that M-pesa innovation positively influenced the competitive advantage that Safaricom Company enjoyed.

Manufacturing firms in Kenya engages in production of a variety of products and services. This constitutes 14 key industrial subsectors as indicated in the Kenya Association of Manufacturers (KAM) 2014 directory. The study utilized a sample representative from all the 14 key industrial subsectors despite their varied competitive space between them based on the assumption that they operate under similar environment and are confronted with the same challenges. The study holds to the assumption that sub-sectors are all equally expected to contribute collectively to the Gross Domestic Product (GDP) of the country's economy, thus the need to understand their collective competitiveness. Due to its vital role, Kenya's vision 2030 identified manufacturing sector as key drivers for recognizing a sustained annual nation's growth.

The manufacturing sector in Kenya has a huge untapped potential contribution to GDP and employment if the challenges facing this sector are properly addressed (Wagana & Kabare, 2015). Even though manufacturing firms undertake many initiatives to introduce competitive strategies in order to improve their performance. Kenya has been experiencing turbulent times with regard to its organizational performances and result in declining profits in the manufacturing sector of the economy (Mutindi, Namusonge & Obwogi, 2013). This affects the manufacturing sector supply chain both upstream and downstream. To cope with these changes, most manufacturing firms have come up with competitive strategies of differentiation.

Statement of the Problem

In the same vein, Njeri (2017) investigated the effects of innovation strategy on firm performance in the telecommunications industry in Kenya, and focused on Safaricom Limited as a case study. The findings showed a positive and significant correlation between process innovation and the company's financial performance. Muthoni (2017) studied innovation and competitive advantage in Fast Moving Consumer Goods (FMCGs), focusing on PZ Cussons Ltd. The results showed that product innovation did not significantly impact competitive advantage, while process innovation had.

Previous studies have link customer focus to organization performance presented conceptual, contextual and methodological gaps. For instance, Nyoike and Muturi (2015) assessed the factors affecting deposit mobilization by bank agents in Kenya, a case of National Bank of Kenya. The study employed a case study design thus presenting a methodological gap. Kamaamia (2015) study investigated the effect of marketing strategies on organizational performance at Mediamax Network Limited thus presenting a contextual gap. Mutegi (2018) assessed the role of innovation strategy on insurance penetration in Kenya, thus presenting a conceptual gap.

Kalay and Lynn (2015) found that innovation and technology as well as adequate resource allocation contributed to success of international manufacturing firms. The main argument goes that strategic drivers enable a firm to create innovations, take advantage of new opportunities as well as improve its business model for better performance (Ribau, Moreira & Raposo, 2018). Product/service innovation can be an important source of competitive advantage that leads to improved performance. The current study, therefore sought to address the existing research gaps

by establishing the moderating effect on innovation on the relationship between customer focus strategies and manufacturing firm's performance in Kenya.

LITERATURE REVIEW

Theoretical Review

Porter's Competitive Porter's Theory

This study used Porter's Competitive Strategy typology. Porter's competitive strategy typology was founded by Michael Porter in 1980. Porter states that strategy target either differentiation, differentiation or focus and that a firm must only choose one of the three strategies or risk waste of precious resources. According to Lu, Shem and Yam (2008), Porter's theory is useful in understanding the competitiveness of organization suggesting that competitive advantage stems from the competitive strategies adopted to deal with strength, weaknesses, opportunities and threats facing an organization.

Anupkuma (2005) states that Porter's (1980) strategic theory postulates that to succeed in business a firm need to adopt generic competitive strategies comprising of differentiation, differentiation and focus. The essential premise of above normal gainfulness over the long haul is feasible competitive advantage. The focus strategy has two variations, focus and differentiation focus Porter (1980, 1985).

Similarly, Porter (1985) avers that the generic strategy of focus rests on the choice of a narrow competitive scope within an industry. The focuser selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others. This strategy has two variants, namely; cost focus and differentiation focus. In cost focus, a firm seeks a cost advantage in its target segment, while in differentiation focus a firm looks for differentiation in its target segment.

Both variations of the attention procedure lay on contrasts between a focuser's objective portion and different fragments in the industry. The target segments should either have purchasers with bizarre needs or else the generation and conveyance framework that best serves the objective section must vary from that of other industry fragments. Cost focus exploits differences in cost conduct in a few sections, while differentiation focus exploits endeavor the unique needs of buyers in certain segments.

Grimm (2005) states that one problem with Porter's framework is that it tends to view industries as in equilibrium and competitive advantage as sustainable. However, today's environment is fast changing and dynamic. Companies need constantly to re-assess their strategic position and adapt their strategies. Thus, some scholars have argued that using Porter's framework with the purpose of committing in the longer term may lead firms to a poor position with lower than average performance.

In relation to this study, the manufacturing firms in Kenya have to some extent adopted Porter's element of competitive strategies. However, the findings revealed that majority of the manufacturing firms in Kenya have adopted these strategies simultaneously unlike Porter's assumption of exclusive application of these strategies. Similarly, it was notable that most of the

manufacturing firms preferred to use differentiation strategy compared to that of differentiation and focus respectively.

Conceptual Framework

The study sought to establish the relationship between independent variable (customer focus strategy) and performance of manufacturing firms. The moderating variable was the innovations of the manufacturing firms. This was summarized in Figure 1.

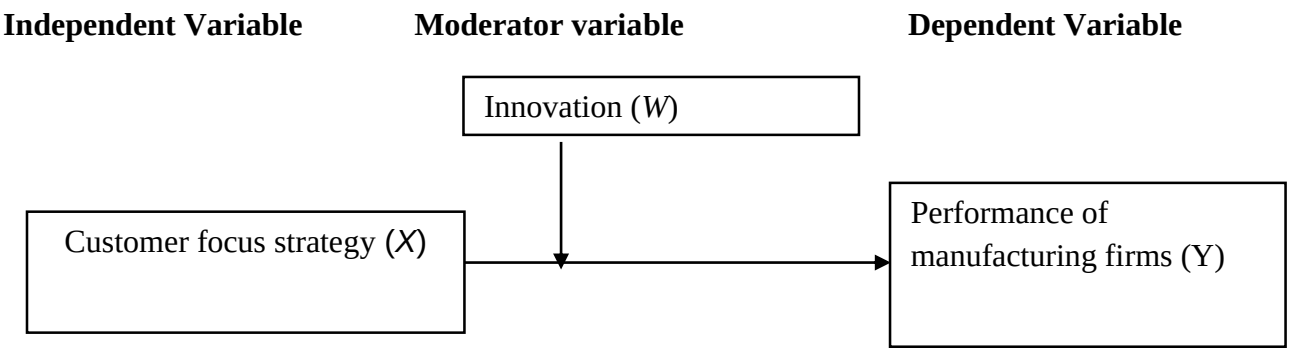

Figure 1: Conceptual Framework

Empirical Review

Performance of manufacturing firms refers to an expectation that an organization is able to react rapidly and efficiently when faced with emerging customer-related issues, including a desire for changes within the operations being performed (Ahire *et al.*, 1996). This is an important factor, given the dynamic nature of customer expectations (Mukerjee, 2013). Thus, in order to implement the practice of customer focus successfully, the organization must draw extensively on customer data which typically provides information that enable employees to engage more fully to address customer-related issues.

Customer focus is a strategic objective with a long term focus that may have subtle results in the short run (Pan *et al.*, 2012). Its implementation requires a considerable amount of financial commitment (Verhoef & Lemon, 2013); yet advocated results have only been prevalent in the longer term. However, the long term focus of customer focus strategy creates tension for managers who at the same time need to meet the financial performance requirements, which is generally measured on yearly financial results.

Customer focus has been identified as a successful stand-alone strategy which therefore, purportedly requires a particular degree of focus and examination from researchers—a practice that is so highly relevant cannot be perceived as merely another sub-component of TQM. Within the literature, the practice of customer focus has been identified as pivotal for any organization seeking to reach a level of performance of manufacturing firms (Mokhtar, 2013).

Customer Relationship Management (CRM) enables the firm to obtain in-depth information about its customers and then use this knowledge to adapt its offerings to meet the needs of its customers in a better way than does its competitors thereby enhancing their business viability. Frow,

Nenonen, Payne and Storbacka (2015), emphasize that one major element in any Customer Relationship Management system is the measurement process.

CRM depends on an expansive scope of strategic approaches, every one of which can be viewed as a lower-level ability in itself. Payne and Frow (2015) list the accompanying works on supporting CRM: (1) the astute utilization of innovation, information and expository techniques to procure client learning; (2) the transmission of this learning to those chiefs and representatives settling on choices about clients; (3) the utilization of this information by supervisors and workers to choose and target clients for advertising purposes; and (4) making associations crosswise over offices to help coordinated effort and produce new client esteem. In any case, despite the fact that the market for CRM programming and bolster stays solid (Maoz et al., 2009), there is impressive suspicion with respect to business analysts and scholastics as to its definitive incentive to the organization and clients.

In Australia, Coltman, Devinney and Midgley (2011) studied customer relationship management and firm performance what's more, found that client relationship the board (CRM) speaks to a uniquely genuine case of a firm-level capacity that is supported by explicit mechanical, Lado, Paulraj and Chen (2011) investigate the extent to which a firm's customer focus drives several interlinked facets of supply chain management and their relationships to customer service and financial performance. This study's empirical validity is enhanced by collecting data from over 200 US manufacturing firms and testing the model using SEM. This empirical investigation documents significant positive relationships between customer focus and supply-chain relational capabilities; customer focus and customer service; supply-chain relational capabilities and customer service, and (d) customer service and financial performance.

Subramanian, Gunasekaran, Cheng and Ning (2014) studied the impact of customer satisfaction and the Chinese electronic retailers (E-retailers) competitiveness using quality factors. Two conceptual models based on asset-process-performance (APP) competitive theoretical framework have been proposed. This study uses both exploratory and confirmatory factor analysis and suggests that to be competitive Chinese E-retailers have to focus more on the delivery of products (logistics) compared to other intangible service quality factors. The study validated the APP framework for E-retailers' competitiveness. On the practical front, the outcome of the study would be highly beneficial to the Chinese E-retailers to fine tune their strategy to satisfy the growing demand.

Yaacob (2014) discussed the effect that customer focus has on organizational performance, operating upon the premise that customer satisfaction is an end result of other relevant performance measures such as employee satisfaction, innovation, and cost benefits. Data were collected from 205 managers within the public service sector, all of whom were directly involved with the process of customer focus. The results of this study revealed that customer focus is a significant predictor of employee satisfaction, innovation, and customer satisfaction. The structural model developed also indicated that there is an indirect relationship between customer focus and customer satisfaction, as determined by employee satisfaction.

In addition, the effect of customer focus on innovation is mediated by employee satisfaction. Therefore, this model implies that the practice of customer focus may enable public firms to

increase their levels of performance. According to Kavulya *et al.,* (2018), on the effect of customer focus strategy on the performance of SACCOS in Kenya found that a highly satisfied customer continues seeking the services or products of the particular company for a long time, buys more as long as the firm produces new products and the existing products are improved, speaks of the firm and its products with praise, keeps indifferent to the trademarks that are in competition with the products of the firm and does not place the emphasis on the price, and offers the firm suggestions and ideas about products and services.

To secure the result of customer focus, employee participation in the planning and implementation stages would be required as an acknowledgment for the knowledge and skills they have in issues related to the customer. Firms with good performance in innovation consistently seek for new ways to improve processes and products, which is in line with the ongoing increasing expectation of customers. When customers become the main source of input for innovation (Alam, 2013), an innovative firm would have ample resources to fulfill the customer demands and achieve customer satisfaction.

Moderating Effect of Innovation

Innovation as a strategy consists of the implementation of a new product or improvement of existing business practices such as the marketing method, organizational culture, workplace organization practices, or external relations with customers. One major concern of innovation is to explore new technological capabilities. Fundamentally, innovation differs from incremental innovation whose main concern is exploring existing technological capabilities (Nowacki & Bachnik, 2016). According to Zakir (2017), there are several forms of innovation strategies but the main ones included market innovations, process innovations, organizational innovations, and service or product innovations.

Product innovation is the launching of critically updated or current services and goods. Such products are updated in terms of user-friendliness, parts, specifications, design, the usage among other aspects (Xie et al., 2019). Marketing innovation is the use of improved methods of marketing for example changes in promotion, pricing, packaging, design, and placement of products. Marketing innovation is geared towards meeting the expectations and needs of clients and establishment of new markets among others for competitive advantages (Ungerman et al., 2018). Process innovation involves the use of updated methods of producing and delivering products to the market. Process innovation can be made deliberately for increased quality, decreased delivery prices, strengthening of quality, or production of products that are generally upgraded (Najafi-Tavani et al., 2018).

Customer focus is a factor that is associated with improved financial performance (Lado *et al.*, 2011) and innovation is arguably more prevalent within firms that emphasize customer-oriented strategies (Kim *et al.*, 2012; Mukerjee, 2013). The practice of customer focus requires firms to have adequate attention across the entire supply chain operations, such as looking for qualified suppliers, designing products in accordance with customer expectation, timely delivery to the customer, reasonably priced products, and effective after-sales service. In other words, becoming a customer focused firm requires the organization to continuously improve all the processes involved (Tajeddini *et al.*, 2013).

As a consequence, the benefits of this practice to a firm had been reported to have direct or indirect impacts on various performance measures such as employee satisfaction, innovation, and cost benefits (Alam, 2013; Anaza and Rutheford, 2012; Krivokapic *et al.,* 2013). Since customer expectation is continuously changing due to the dynamic environment, firms have no other way but to continuously improve the processes and products delivered to customers. An effective interaction with customers had been reported as a key for a firm to be an innovative firm (Alam, 2013). The product cycle life today is comparatively shorter than before.

New competitors are coming into market almost daily with more innovative products, more innovative marketing strategy, and more innovative approaches of managing their customers. It requires the firms to continually seek new ways of doing and managing all matters, thus resulting in the innovation of products, processes, and ultimately the organization (Krivokapic *et al.,* 2013). The wide use of information technology in handling customer complaints and feedback is an example of innovation that is related to the practice of customer focus. In other words, the spirit of innovation in firms that implement customer focus is apparent. Fathali (2016) examined the effect of competitive strategies on corporate innovation in the automobile industry using questionnaires and correlation and regression analysis. The results revealed that competitive strategies of Porter had a positive and significant influence on corporate innovation.

Studying a sample of firms in four European countries, Akcigit et al. (2018) argue that firms are more likely to engage in formal innovative activities, and that product innovation are demand-driven, while process is supply-driven. These authors also posit that process innovation only helps increase productivity in France, while product innovation is more effective and raises productivity in France, Spain, and the UK. Aliasghar et al. (2019) found strong evidence that product innovation, not process innovation, affects productivity. In summary, the prior literature in this firms have realized the current intense competition in the entire tea industry and this has forced them to come up with innovative strategies to remain competitive in the business environment.

Aziz & Samad (2016) carried out a study to establish the impact of Innovation strategies on the performance of Small and Medium food processing firms in Malaysia. The study concluded that the manager's literacy has a positive impact on organizational decision making. A study by Indahsariet al. (2017) to establish the effects of innovation strategies on small Scale tea holders in Sri Lanka, issues, Challenges and profitability in Remote Areas. The study established that innovation strategy unaided has a weak effect on performance of tea processing firms.

In Nigeria, a study by Ibidunni et al. (2021) found that technology innovation and performance of employees of the tea firms were positively and significantly related. This further enhanced customer retention and satisfaction and therefore firm's performance. Reguia, (2014) showed that a business's endurance is correlated to the ability of the business to develop a competitive advantage in its products through product innovation in Algeria. While Zakir (2017) looking at the Ethiopian tea sector notes that innovation has had a positive impact on the returns in investment the tea sector makes.

Ndemezo & Kayitana (2017) on the effect of Innovation and organizational Performance in the Rwandese processing firms. This study resulted in three main outcomes: product innovation is associated directly to the process innovation, meaning that firms which involve themselves in

process innovation introduced new or improved products on the market; innovation output, is linked to the use of technology licensed from foreign firms; the 'international quality-recognition' is the main determinant of firm's financial performance. A study by Macharia (2014) to examine the effects of innovation strategy on performance of KTDA managed factories in Meru County Kenya. The study used person's product correlation to determine the strength of the relationship while the multiple leaner regression analysis was used to test the significance of the variables. Their study revealed that innovation strategy had a positive effect on the performance of KTDA managed factories. The study created some gaps; it did not consider the element of leadership styles strategy, which is very key in processing firms, there was a lack of consideration of all types of innovation, like product innovation, and organizational innovation.

Scholars, including Egbetokun, Mendi, & Mudida (2016), suggested that for firm to be competitive, it must undertake innovation, introduction and improvement of its products and procedures. Strategic management decisions such as technological innovation, intellectual capital product broadening and cost leadership have been successfully used by poorly performing processing organizations so as to position themselves for future challenges and hence improve long-term performance (Elbanna, Kapoutsis, & Mellahi, 2017).

Muangkhot, & Ussahawanitchakit, (2015) carried out an empirical investigation on strategic marketing innovation and marketing performance in the furniture exporting businesses in Thailand. They investigated the correlation between three dimensions of marketing innovation strategy that included: learning orientation, firm entrepreneurship and research and development innovation strategy, on marketing performance through mediating influences of new product development, customer responsiveness, marketing effectiveness and marketing advantage. Further, Muangkhot, & Ussahawanitchakit, (2015) investigated the moderating role of market culture as well as long term vision, marketing resources and technology growth were examined as antecedents of marketing innovation strategy. Findings showed that all dimensions of marketing innovation strategy have an effect on consequence in different ways, include that learning orientation, firm entrepreneurship, and R&D innovation strategy has a positive effect on New product development, customer responsiveness, marketing effectiveness, and marketing performance, whereas, long term vision has full positive influence on three dimension of marketing innovation strategy. On moderating effect of marketing innovation strategy has positive only influence on the relationship between long tern vision and market culture on learning orientation.

Furthermore, organizational innovation has also been attributed to influence the success of customer focus (Kim *et al*., 2012; Krivokapic *et al.*, 2013). To enhance the overall value accrued by customers in terms of both products provided and services rendered, firms must explore novel ways of operating by redesigning and redeveloping those processes which may further stimulate innovative thinking amongst employees. Information in the form of customer feedback may offer valuable insights for employees, potentially facilitating further innovation—whether incrementally or radically—during the process of product and service exchange.

A firm that is committed to the tenets of customer focus is thus more likely to increase customer satisfaction, both with reference to more concrete elements such as technology, and also less tangible elements such as employee mindset. Increased levels of customer satisfaction can be attained by firms which have thoroughly internalized the principles of customer focus (Tari *et al.*,

2013), where internalization refers to the internal motivations amongst employees that results in fuller efforts being made and more allocation of resources for the customer focus agenda.

METHODOLOGY

An explanatory research design was used to help explain the relationship between focus competitive strategy and firm performance. This is consistent with the findings by Cooper & Schindler (2008) that, when the universe of study is an unknown, explanatory design forms the first step of research. The use of terms such as influence, impact and effect contribute to common in qualitative research and such terms imply causal relationship. The explanatory research design was suitable because the study was mainly concern with quantifying a relationship or comparing groups purposely to identify a cause-effect relationship.

According to Kenya association of manufacturers (K.A.M), there are approximately 766 registered manufacturing firms in Kenya. The population for this study comprised of corporate organizations in Kenya's manufacturing sector which is classified into 14 key industrial sub sectors and by the type of raw materials companies import or the products they manufacture, in addition to service sector and affiliate associations (KAM, 2014).

The target population was all procurement managers from 766 registered manufacturing firms drawn from the 14 key subsectors all over the major towns and cities in Kenya. The sampling frame for this study will be all of the 766 manufacturing firms from 14 key industrial sub-sectors obtained from the directory of Kenya Association of Manufacturers (2014).

A sample is a portion or part of the population of interest. Using Yamane's (1972) sample size formula at 95% confidence level, P = 0.5, the sample size is computed hereunder:

$$\mathbf{n} = \frac{N}{1 + N(e)^2}$$

Where;

n = the sample size,

N = the population size,

e = the acceptance sampling error

$= 766/1+766(.05)^2$

= 264 respondents

From the target population of 766 firms a sample of 264 procurement managers selected. Proportional sampling was used to select a sample from each of the 14 sub-sectors.

The study used stratified sampling technique to categorize the manufacturing firms into 14 strata's according to sub-sectors, with each sub-sector forming a stratum. Stratified random sampling was appropriate as it enables the researcher to represent not only the overall population but also key sub-groups of the population. Procurement managers were purposively selected from the manufacturing firms in Kenya. The study used simple random sampling technique to determine the sample size.

The research instrument that was used in this study is questionnaire and interview schedule. In the questionnaire, firm performance will be measured using the seven (7) likert scale of strongly agree,

agree, slightly agree, neutral, slightly disagree, disagree and strongly disagree. The Likert type of questions enabled the respondents to answer the questions easily.

After data collection, the researcher conducted data cleaning, which involved identification of incomplete or inaccurate responses then correcting them to improve the quality of the responses. The data was categorized, coded and entered in the computer for analysis using the Statistical Package for Social Sciences (SPSS) V26. Inferential statistics consisted of multiple regression analysis and Process macro. The process macro was developed by Andrew Hayes (Hayes, 2018) and is very convenient for conducting a number of different types of regression analyses that involve moderation and mediation. A macro is a syntax file that contains an elaborate set of syntax commands and are stored on a computer.

PROCESS Macro tool is an inbuilt measurement tool with a bootstrapped confidence interval request procedure prescribed by Preacher and Hayes (2008). In order to confirm a third variable making a moderation effect on the relationship between the two variables customer focus strategy and performance of manufacturing firms, the study showed that the nature of this relationship changes as the values of the moderating variable innovation change.

PROCESS also offers an output option which aided in the construction of a visual representation of the interaction. Data for visualizing the conditional effect of *X* on *Y* are based on the mean centered metric because the mean centering option was used in the command line. These values can then be plugged into the graphing program to generate a visual depiction of the interaction. To test hypothesis H_o Process macro was used using models 1, 2 and 3 as summarized below;

$Y = \beta_0 + \beta_1 X_1 + e$ ……Model 1

$Y = \beta_0 + \beta_1 X_1 + \beta_2 W_1 + e$……Model 2

$Y = \beta_0 + \beta_1 X_1 + \beta_2 W_1 + \beta_3 X_1 * W_1 + e$……Model 3

Where:

Y: Performance

X_1: Customer focus strategy

W_1: Innovation

β_0: Constant

$\beta_1 - \beta_3$: Regression coefficients

e: Error term

FINDINGS

In order to determine whether a third variable or collection of factors influences the outcome variable of interest, moderation analysis was performed. The link between customer focus strategy and performance of manufacturing firms of manufacturing enterprises, as moderated by innovation, was examined using a multiple regression model. The two predictors and the interaction were then included in a simultaneous regression model after centering customer focus strategy and innovation and computing their interaction term (Aiken & West, 1991).

PROCESS also displays the proportion of the total variance in the outcome uniquely attributable to the interaction, as well as a test of significance and R-square increase due to interaction. This was equivalent to the change in R^2 when the product is added to the model, $R^2 = .588$, $F(3, 242) = 243.77$, $p < .001$ as summarized in table 1. Together, the variables accounted for approximately 55.8% of the variance in performance of manufacturing firms.

Table 1: Interaction of Customer Focus Strategy* Innovation on Performance of Manufacturing Firms

Model Summary

R	R-sq	MSE	F	df1	df2	p
.767	.588	.169	243.772	3.000	242.000	.000

Model

	coeff	se	t	p	LLCI	ULCI
constant	3.868	.040	96.540	.000	3.789	3.947
Inno	.822	.052	15.824	.000	.720	.924
Focus	-.346	.085	-4.055	.000	-.514	-.178
int_1	.373	.074	5.021	.000	.227	.519

Product terms key:

Int_1 : Focus x Inno

Results indicated that customer focus strategy (β= -.346, SE =.085, p=.000) had negative and significant relationship with performance of manufacturing firms. However, innovation (β=.822, SE=.052, p=.000) were positively significantly related with performance of manufacturing firms. The interaction between customer focus strategy and innovation was significant (β=.373, p=.000), indicating that the effect of customer focus strategy on performance of manufacturing firms depended on innovation strategy.

Of primary focus in a moderation model is the coefficient for the product of the independent variable and the moderator and its test of significance. When the interaction between customer focus strategy and innovation was added to the regression model, it accounted for a significant proportion of variance in performance of manufacturing firms with R^2 Change = .040, change in $F(1, 242) = 23.43$, $p = .000$, as summarized in Table 2. The coefficient for the product was 0.373 and statistically significant ($p = .000$).

Table 2: Test(S) of Highest Order Unconditional Interaction(S):

	R2-chng	F	df1	df2	p
X*W	**.040**	**23.432**	**1.000**	**242.000**	**.000**

Focal predict: Focus (X), Mod var: Inno (W)

Simple slopes for the association between customer focus strategy and performance of manufacturing firms was tested for low (-1 SD below the mean), moderate (mean), and high (+1 SD above the mean) levels of performance of manufacturing firms. Each of the simple slope tests revealed a significant negative association between customer focus strategy and performance of manufacturing firms with innovation. The performance of manufacturing firms was more weakly

related to performance of manufacturing firms for high levels of innovation (β = -.102, SE = .052, p =.050) than for moderator (β =-.346, SE = .0085, p =.000) or lower levels (β =-.590, SE = .129, p = .000) of performance of manufacturing firms as summarized in Table 3.

Table 3: Conditional Effect of X on Y at Values of the Moderator(S):

Inno	Effect	se	t	p	LLCI	ULCI
-.654	-.590	.129	-4.577	.000	-.843	-.336
.000	-.346	.085	-4.055	.000	-.514	-.178
.654	-.102	.052	-1.973	.050	-.204	.000

PROCESS also offered an output option which aided in the construction of a visual representation of the interaction between customer focus strategy and innovation. Figure 1 plots the simple slopes for the interaction between customer focus strategy and performance of manufacturing firms in presence of innovation.

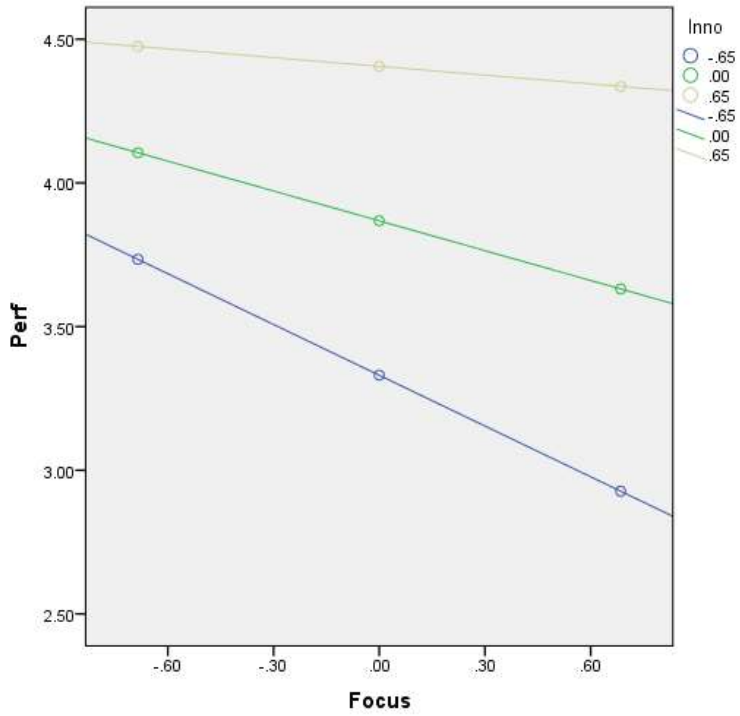

Figure 1: Interaction between Customer Focus Strategy and Performance of Manufacturing Firms in Presence of Innovation

The regression coefficients of interaction between customer focus strategy and innovation on performance of manufacturing firms was significant. Hypothesis H_{01} stated that innovation does not moderate the relationship between customer focus strategy and performance of manufacturing firms. The results led to rejection of the hypothesis H_0. This confirmed that innovation moderate the relationship between customer focus strategy and performance of manufacturing firms.

Results indicated that customer focus strategy had negative and significant relationship with performance of manufacturing firms. This implies that for each decline in the customer focus decrease in performance of manufacturing firms. The innovation was positively significantly related with performance of manufacturing firms. This agrees with AlQershi et al. (2018) who recommend that strategic innovation influence the performance in Arab manufacturing firms. Firms with good performance in innovation consistently seek for new ways to improve processes and products, which is in line with the ongoing increasing expectation of customers. The finding is consistent with Chotekorakul and Nelson, (2013) that the effect of customer focus on financial performance is subtle according to particular characteristics of firms. When customers become the main source of input for innovation Alam (2013), an innovative firm would have ample resources to fulfill the customer demands and achieve customer satisfaction.

The interaction between customer focus strategy and innovation was significant indicating that the effect of customer focus strategy on performance of manufacturing firms depended on innovation strategy. This agrees with Kim et al., (2012) and Krivokapic et al., 2013) that organizational innovation has also been attributed to influence the success of customer focus. To enhance the overall value accrued by customers in terms of both products provided and services rendered, firms must explore novel ways of operating by redesigning and redeveloping those processes which may further stimulate innovative thinking amongst employees. Information in the form of customer feedback may offer valuable insights for employees, potentially facilitating further innovation—whether incrementally or radically—during the process of product and service exchange.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

The study therefore concluded that customer focus was recognized as a critical strategy towards influencing the competitiveness and performance of manufacturing firms. The customer focus strategy had negative and significant relationship with performance of manufacturing firms. The innovation was positively significantly related with performance of manufacturing firms. The innovation does not moderate the relationship between customer focus strategy and performance of manufacturing firms.

Recommendations

The manufacturing firm's management ought to consider customer focus as a driver towards their continued competitiveness. The firms should embrace after-sale services and place the interests of the employees at the helm of the organization since these are the key reasons as to why the companies exist. Understanding the needs of the customers especially among the manufacturing industry would be a major attribute towards gaining the access to better and wider markets hence the management of these companies should frequently emphasize on the need for customer focus.

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