European Journal of Social Sciences
ISSN 1450-2267 Vol. 61 No 3 March, 2021, pp. 175-181
http://www.europeanjournalofsocialsciences.com/

Differentiation Strategy and Organizational Growth of Manufacturing Firm in Ebonyi State, Nigeria

Anekwe Rita Ifeoma
Nnamdi Azikiwe University, Anambra State
E-mail: anekwerita12@gmail.com

Onudugu Vincent
University of Nigeria, Enugu State

Ndubuisi Okolo Purity
Nnamdi Azikiwe University, Anambra State

Grace Akaegbobi
Nnamdi Azikiwe University, Anambra State

Abstract

This article explores the relationship between the differentiation strategy and organizational growth of manufacturing in Ebonyi state but specifically seeks to ascertain the relationship between product differentiation and market share and to examine the effect of personnel differentiation and competitive advantage. The study was guided by a Strategic Balance Theory by David Deephouse (1999). Correlational research design was employed to examine the relationship between differentiation strategy and organizational growth of manufacturing firms. Data were elicited through questionnaire structured on five-point Likert scale. The target population was 126 staff. The sample of 63 was derived using Taro Yamane formula. Pearson product-moment correlation coefficient and simple regression were used to test the hypotheses. The result revealed that there is a statistically significant relationship between product differentiation and market share also personnel differentiation has a significant positive effect on competitive advantage. It was recommended that organizations should deploy work practices that encourage the development of employee skills and foster social connections across employees to raise productivity and enhance organizational growth.

Keywords: Differentiation strategy, Product differentiation, Personnel differentiation, Competitive advantage.

1. Background of the Study

Differentiation strategy involves the development of strengths that can give a firm a differential performance advantage above other competitors. Differentiation strategy is where an organization attempts to gain a competitive advantage by increasing the perceived value of their products or services relative to the perceived value of other firms' products or services. To implement these strategies successfully, organizations need to have an accurate view of the current competitive situation to persuade customers about the features of sustainable products (Pondeville, Swaen & de Rongé, 2013).

The major step in conceiving a differentiation strategy is to ascertain what makes an organization different from a competitor. Factors such as market sector, quality of work, the size of the firm, the image, graphical reach, involvement in client organizations, product, delivery system, and the marketing approach have been suggested to differentiate a firm (McCracken Wallance, 2000). Organizations use a differentiation strategy to achieve competitive advantage.

A differentiation strategy provides products or services that offer benefits that are different from those of competitors and that are widely valued by buyers. (Johnson, Scholes & Whittington, 2008) There are different differentiation strategies for the company to choose from, it can be, product differentiation, service differentiation, personnel differentiation, channel differentiation, and image differentiation. (Kotler & Keller, 2014). Adoption of new technologies, strategic types, and quality products among other factors has also been considered to have an important influence on the superior performance of firms. Raduan, Jegak, Haslinda, and Alimin (2009) affirm that a business that does something distinctive and difficult to replicate has a competitive advantage and is likely to be more profitable than its rivals. Manufacturing industries operate in a profitable market but they are confronted with the problem of high competition both locally and globally and this creates the necessity of the adoption of appropriate differentiation strategy practices (Bordes, 2009). Most firms have had their market share dwindle or fail to grow because of challenges in differentiation and lack of strategies to enhance differentiation (Baines & Langfield-Smith, 2003). The study, therefore, explores the effect of differentiation strategy on organizational growth.

1.2. Objectives of the Study

1) To ascertain the relationship between product differentiation and market share.
2) To examine the effect of personnel differentiation and competitive advantage.

1.3. Research Questions

1) What is the nature of the relationship between product differentiation and market share.
2) What is the effect of personnel differentiation on competitive advantage.

1.4. Research Hypotheses

1) There is a significant relationship between product differentiation and market share.
2) Personnel differentiation has a significant effect on competitive advantage.

2. Conceptual Clarifications

Differentiation strategy: Baum, Locke, and Smith (2001) also suggest that firms implementing differentiation strategies like innovative and high-quality products achieve the highest growth. Mosey (2009) posits that manufacturing firms that repeatedly introduce innovative new products end up openings up new market niches, which is essential to their survival. Slater and Olson (2001) lament that the effectiveness of a differentiation strategy depends on how well the firm can balance product benefits and product costs for the customer relative to the competitive offering. Differentiation is the act of creating a set of meaningful differences that makes a company's offers distinctive from those of competitors (Kotler and Keller 2012). In this study, differentiation was decomposed into product differentiation and personnel differentiation.

Product differentiation: is the process by which a product is distinguished from others (competitors‟ products, or the firm's products), by making it more attractive to a particular target market (Anderson, De Palma & Thisse, 1992). An organization can differentiate its product by functional aspects, quality of the product, and price. Product differentiation strategy can be a tool of a competitive advantage that is adopted by organizations to provide products that satisfy individual customer's needs (Dirisu, Oluwole, & Ibidunni 2013). Product differentiation can be achieved through image building, distinctive products, high quality, superior product availability, product reliability, and convenience in payment.

Personnel differentiation: Employee differentiation is a unique way of overcoming competitive pressure and increasing performance (Rasouli & Sepideh, 2018). Rifat and Sarah (2004) provide variables that can be used in employee differentiation; knowledge for handling tasks requested by the members, unique skills, positive and friendly behavior towards the members, time management, attitude, consistency and accuracy, honesty, communication skills and care when handling customers (as cited in Mbugua 2019). Personnel differentiation is important when customers deal directly with employees and these employees act as a front-line defense against waning customer satisfaction (Kotler et al., 2010). Companies can gain a competitive advantage by having better-trained personnel. Better trained personnel exhibit distinct characteristics such as; competence, courtesy, reliability, credibility, responsiveness, and communication (Kotler & Keller, 2009; Gajic, 2012; Kis, 2005).

Organizational growth: has the potential to provide small businesses with a myriad of benefits, including things like greater efficiencies from economies of scale, increased power, a greater ability to withstand market fluctuations, and increased survival rate, greater profits, and increased prestige for organizational members Boggs, (2004). Organizational growth, however, means different things to different organizations. There are many parameters a company may use to measure its growth. Since the ultimate goal of most companies is profitability, most companies will measure their growth in terms of net profit, revenue, and other financial data. Other business owners may use one of the following criteria for assessing their growth: sales, number of employees, physical expansion, the success of a product line, or increased market share. Organizational growth was proxy with market share and competitive advantage.

Market share: is a measure of the consumers' preference for a product over other similar products. A higher market share usually means greater sales, lesser effort to sell more, and a strong barrier to entry for other competitors. A higher market share also means that if the market expands, the leader gains more than the others. Oxenfeldt has argued that a stable market share gives an adequate estimation of the potential sales of a product.

Competitive advantage: To achieve a competitive advantage, firms seek the best match between organizational abilities and market opportunities. Barney (2002) says that "a firm experiences competitive advantages when its actions in an industry or market create economic value and when few competing firms are engaging in similar actions. Competitive advantage will always result in superior performance by the organization which translates to higher profits. Competitive advantage is the result of an enduring value differential between the products or services of one organization and those of its competitors in the minds of customers. Competitive advantage is ultimately built and maintained by adding value to customers (Prahalad and Hamel, 1990).

2.1. Theoretical Framework

Strategic Balance Theory as propounded by David Deephouse (1999) was adopted. Deephouse recognized a trade-off between differentiation and conformity: strategic differentiation reduces competition which increases performance, but strategic conformity increases legitimacy which increases performance as well. The theory predicts that the intensity of competition among organizations is directly related to the distribution and availability of the resources. The theory suggests that intermediate levels of differentiation where organizations balance the benefits of reduced competition against the costs of reduced legitimacy will improve an organization's performance. Deephouse (1999) proposes a strategic balance theory in which the gains and losses from differentiation are well balanced at intermediate levels of differentiation; that is, an intermediate level of strategic similarity ensures optimal performance.

2.2. Differentiation Strategy and Organizational Growth

Past researches have shown that several manufacturing organizations view the differentiation strategy as a more important and distinct means to achieve competitive advantage in constrict to a low-cost strategy (Kotha and Orne, 1989; Baines and Langfield-Smith, 2003). Porter (1985) cited in, Dirisu, Oluwole & Ibidunni (2013) ‘competitive advantage is at the heart of a firm’s performance in competitive markets’ This implies that competitive advantage means having low costs, differentiation advantage, or a successful focus strategy. Allen & Helms (2006) aver that differentiation helps firms build customer loyalty by offering unique products or services thus helping them to perform better than competitors. Acquaah & Ardekani (2008) concurs that differentiation firms can achieve a competitive advantage over their rivals because of the perceived uniqueness of their products and services.

Lamb et al (2004) assert that firms use product differentiation as a positioning strategy to distinguish their products from their competitors’ products. Odhiambo (2018) advocated that product differentiation increases customer loyalty and in turn increases a company’s market share. Kamau (2013) found that product and physical differentiation play a major role in activating annual sales performance. Nolega, Oloko, and Oteki (2015) demonstrated how product differentiation influences market dominance using descriptive analysis. Dirisu, Oluwule, and Ibidunni (2013) found the existence of a positive significant relationship between product differentiation and the sales growth of an organization.

Bokhari and Chowdhury (2014) and Chiguvi et al. (2017) noted that personnel differentiation can satisfy customers and satisfied customers get more service from the organization, which in turn helps to achieve competitive advantage. Kariuki, Kóbonyo, and Ogutu (2018) argue that human resource practices that are geared towards differentiation improved competitive advantage leading to improved performance. Rasouli and Sepideh (2018) found a strong relationship between employee differentiation and performance.

3. Methodology

This study employed a correlational research design to examine the relationship between differentiation strategy and organizational growth of selected manufacturing firms. Data were collected through a questionnaire structured on a five-point Likert scale. The main sources of data were primary sources and the target population is 126, consisted of senior, junior staff, and head of various departments were used. The sample of 63 was derived using Taro Yamane formula. Pearson product-moment correlation coefficient and simple regression were employed in analyzing the data.

4. Results and Discussion

There is a significant relationship between product differentiation and market share

Correlations			
		PRODUCT DIFFERENTIATION	**MARKET SHARE**
PRODUCT DIFFERENTIATION	Pearson Correlation	1	.976**
	Sig. (2-tailed)		.000
	N	63	63
MARKET SHARE	Pearson Correlation	.976**	1
	Sig. (2-tailed)	.000	
	N	63	63

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

The table shows the correlation analysis for product differentiation and market share, from the table; shows that the correlation coefficient is .976 while the p-value is .000. The level of significant used is (0.005). The result revealed that the relationship observed from the analysis is statistically significant because the p-value is lower than the level of significant used. This connotes that an increase in product differentiation will result in to increase in market share. Therefore, we reject the null hypothesis and concluded that there is a significant relationship between product differentiation and market share (r = .976, P<.05).

Hypothesis 2

Personnel differentiation has significant effect on competitive advantage

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.905[a]	.818	.815	3.27657
a. Predictors: (Constant), PERSONNEL DIFFERENTIATION				

ANOVA[a]						
Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	2898.185	1	2898.185	269.953	.000[b]
	Residual	644.154	60	10.736		
	Total	**3542.339**	**61**			
a. Dependent Variable: COMPETITIVE ADVANTAGE b. Predictors: (Constant), PERSONNEL DIFFERENTIATION						

Coefficients[a]						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**T**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	3.764	1.088		3.461	.001
	PERSONNEL DIFFERENITATION	.871	.053	.905	16.430	.000
a. Dependent Variable: COMPETITIVE ADVANTAGE						

This table provides the *R* and R^2 values. The *R*-value represents the simple correlation and is 0.905 (the "**R**" Column), which indicates a high degree of correlation. The R^2 value (the "**R Square**" column) indicates how much of the total variation in the dependent variable, competitive advantage can be explained by the independent variable, Personnel differentiation. In this case, 81.8% can be explained, which is very large.

The personnel differentiation coefficient of 0.905 indicates a positive significance between competitive advantages, which is statistically significant with (t = 16.430). Therefore, the null hypothesis is rejected and the alternate hypothesis is firmly accepted, thus personnel differentiation has a positive effect on competitive advantage.

5. Discussion of the Findings

The study reveals that there is a significant relationship between product differentiation and market share which signify that an increase in product differentiation through specific product features relevant to the rivals and variety of product that is unique and appealing to value customer would lead to increase market share. The result finding agrees with the work done by Adimo (2018) assert that product differentiation had a positive relationship with organizational performance, Kamau (2013) found that product and physical differentiation play a major role in activating annual sales performance. Haarla (2003) affirms that product differentiation provides a strong competitive advantage for a printing paper company in Finland. Dirisu, Oluwule, and Ibidunni (2013) reveal that there is a positive significant relationship between product differentiation and sales growth.

The study also found that personnel differentiation has a positive effect on competitive advantage. This indicates that an increase in personnel differentiation strategies through employee training and development relevant to improve employees' skills and knowledge would result in to increase in competitive advantage. Trained and knowledgeable personnel exhibit distinct characteristics such as competency, credibility, and courtesy which are instrumental to the achievement of competitive advantage of any organization. The result is in tandem with the work of Bokhari and Chowdhury (2014) and Chiguvi et al. (2017) assert that personnel differentiation can satisfy customers and satisfied customers get more service from the organization, which in turn helps to achieve competitive advantage. Douglas, Ruramayi, et al (2020) reveal that personnel differentiation can be achieved through hiring qualify and competent staff, who demonstrate courtesy and trustworthiness in service delivery. Mbugua, & Kinyua, (2019), Found that there was a strong and positive relationship between personnel differentiation and organizational performance.

6. Conclusion and Recommendations

A differentiation strategy enables firm to create a product/service, which is considered unique in some aspect that the customer values because the customer's needs are satisfied. Effective differentiation strategy allows a business to influence the environment in its favour and even defend itself against competition so to succeed in the long-term, organizations must compete effectively and out-perform their rivals in a dynamic environment. Organizations should deploy work practices that encourage the development of employee skills and foster social connections across employees to raise productivity and enhance organizational growth. Organizations should adopt a product and personnel differentiation strategy to stay ahead of their rivals and also achieve organizational growth.

References

[1] Anderson S., Simon P. P., De Palma A., & Thisse J-F. (1992). Discrete choice theory of product differentiation. US: MIT Press Massachusetts.

[2] Adimo A.A (2018). Relationship Between Product Differentiation Strategies and Organizational Performance In Sameer Africa Kenya Limited. British Journal of Marketing Studies.6, (3)60-72

[3] Allen, R., & Helms, M. (2006). Linking Strategic Practices and Organizational Performance to Porter's Generic Strategies. Business Process Management, 12(4), 433-454

[4] Acquaah M, Yasai-Ardekani M (2008). Does the implementation of a combination competitive strategy yield incremental performance benefits? A new perspective from a transition economy in Sub-Saharan Africa. Journal of Business Research, 61: 346-354.

[5] Baum, J. R., Locke, E. A., & Smith, K. G. (2001). A multidimensional model of venture growth. Academy of Management Journal, 44(2), 292-303.

[6] Baines, A. & Langfield-Smith, K. (2003). "Antecedents to management accounting change: a structural equation approach", Accounting, Organizations and Society, 28: 675-98.

[7] Bordes, J. (2009). Building and Sustaining Competitive Advantage. Honolulu, Hawaii: Atlantic International University.

[8] Bokhari, R. P., & Chowdhury, S. (2014). Determinants of Personnel Differentiation for Competitive Advantage: From the Perspective of Customer Satisfaction. IOSR Journal of Business and Management, 16(8), 22–29. https://doi.org/10.9790/487X-16822229

[9] Boggs, Robert L. (2004) *Honored Feathers of Wisdom: Attributes for Personal and Organizational Growth. iUniverse,.*

[10] Chiguvi, D., Nyoni, S., & Guruwo, P. T. (2017). The Impact of Employee Satisfaction on Service Technical Quality at Chicken Express Outlets in Gaborone, Botswana. International Journal of Innovative Research and Development, 6(4), 212–224. https://doi.org/10.24940/ijird/2017/v6/i4/FEB17011

[11] Deephouse, D. L. (1999). To be different or to be the same? It's a question (and theory) of strategic balance. Strategic Management Journal, 20, 147-146

[12] Dirisu, I J., Oluwole I, & Ibidunni O.S (2013) Product Differentiation: A Tool Of Competitive Advantage And Optimal Organizational Performance (A Study Of Unilever Nigeria Plc. European Scientific Journal .9.34

[13] Douglas C, Ruramayi T, Sinesisa K & Collen M (2020). Personnel Differentiation for Competitive Advantage in the Private Tertiary Education Institutions in Botswana. International Journal of Marketing Studies; 12, 1

[14] Haarla, A. (2003). Product differentiation: Does it provide competitive advantage for a printing company. Oxford: Oxford University Press.

[15] Johnson, G., Scholes, K. & Whittongon M. (2008). Exploring corporate strategy.(5th ed.), USA. New Jersey: Financial times Prentice Hall.

[16] Kamau, J. (2013). Effects of differentiation strategy on sales performance in Nakuru town central Business District (Thesis). Kabarak University.

[17] Kotler P. & Keller K. (2014). Marketing Management. (14thedition). India: Prentice Education.

[18] Kotha, S. & Orne, D. (1989). Generic manufacturing strategies: A conceptual synthesis Strategic. Management Journal (1986-1989). 10.3: 211.

[19] Mbugua, J. W. & Kinyua, G. M. (2019). Personnel differentiation and organization performance: An empirical analysis of deposit taking micro-finance institutions in Nairobi City County, Kenya. International Academic Journal of Human Resource and Business Administration, 3(7), 485-495

[20] Nolega, S., Oloko, M., & Oteki, B. (2015). Effects of Product Differentiation Strategies on Firm Product Performance: A Case of Kenya Seed Company (KSC), Kitale. International Journal of Novel Research in Marketing Management and Economics, 2(3), 100-110

[21] Prahalad, C.K. and Hamel, G. (1990). The core competence of the corporation. Harvard Business Review, 68, 3. 82

[22] Porter, M. E. (1985). Competitive Advantage: Creating and Sustaining Superior Performance Free Press, New York.

[23] Rasouli, G., M. & Sepideh, S. (2018). The impact of differentiation strategy on the women clothing performance. Journal of Economics and Business, 1,(4), 381-400. Doi:10.31014/aior.1992.01.04.33

[24] Slater, S., & Olson, E., (2001). Marketing's Contribution to implementing of business strategy: an empirical analysis. Strategic Management Journal 22 (1), 1055-1068