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BUSINESS RESPONSE STRATEGIES AND PERFORMANCE DURING COVID-19 PANDEMIC AMONG MANUFACTURING FIRMS IN KENYA: A CASE STUDY OF EAST AFRICAN BREWERIES LIMITED

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ABSTRACT

Modern-day business operations have seen a great deal of interdependence between both profit-oriented and non-profit entities. This fact has been instrumental in how companies and business organizations interact with the environment in which they operate. An organization's capacity to thrive in such an environment will depend on its ability to come up with appropriate strategies. This study sought to assess the effect of business response strategies on performance during the COVID-19 pandemic among manufacturing firms in Kenya using a case study of East African Breweries Limited. More specifically, the study looked at cost rationalization, strategic alliances, diversification strategy, and innovation visa vis the performance of East African Breweries Limited during the COVID-19 pandemic. The main theories guiding the research included the institutional theory, environmental dependency theory, and performance theory. The study adopted a descriptive research design and targeted 1,653 employees working in the East African Breweries Limited to a sample size of 322 respondents. Primary data collection entailed the use of questionnaires. The researcher used Multiple Regression analyses to test the effect of the relationship between the independent variables and the dependent variable. Tables presented the findings. The study established that strategic alliances ($\beta=0.474$) had the highest significant effect on the performance of East African Breweries Limited during the COVID-19 outbreak, followed by cost rationalization ($\beta=0.416$), innovation ($\beta=0.209$), and lastly diversification strategy ($\beta=0.140$). The study concluded that East African Breweries Limited adopted business response strategies during the COVID-19 pandemic, and they significantly influenced its performance. It recommended that to speed up the recovery of the East African Breweries Limited from the COVID-19 epidemic, there is a need for the management to create an environment that supports the formation of more strategic alliances. The finance managers of East African Breweries Limited should explore other possible means of minimizing the costs to enhance performance. The senior management of East African Breweries Limited should create an enabling environment that leverages innovation to improve performance.

Keywords: *Cost Rationalization, Strategic Alliances, Diversification, Innovation, Performance*

INTRODUCTION

A business strategy refers to the process that an organization uses in making decisions regarding the course and direction of the business. A business strategy denotes actions or patterns of behavior intended to accomplish organizational objectives (Ndambuki, Bowen & Karau, 2017). The word strategy encompasses more than just the expected or plan within the work environment. Businesses of all sizes enact some business response strategies. They use them to develop and execute plans so that they can be able to out-compete their rivals (Donà, Bizzaro, Carturan & da Porto, 2019). Most responsible managers will be in a position of formulating the most appropriate strategies for satisfying market dynamics, consumer needs, and organizational capabilities. The environment in which organizations exist is one of the most critical factors that determine how they operate and interact with each other. A firm's capacity to thrive in such an environment will depend on its ability to come up with appropriate strategies (Budiman, Tarigan, Mardhatillah, Sembiring & Teddy, 2018). All organizations exist and operate in an open system and within the settings of the communities and society. They affect external conditions that are largely beyond their immediate control and are equally affected. This, therefore, implies that there should be the development of business response strategies for them to remain competitive in the complex and unpredictable business environment since organizational adaptation hinges on continual interaction with the environment (Saebi & Foss, 2015).

A majority of firms now realize the importance of effective response strategies during crises, especially in the COVID-19 situation, because they have helped most organizations to interface and interact with the external environment continuously. To be able to offer quality service to businesses, they need to streamline their practices and respond to changes in the world in which they work. According to Bui and De Villiers (2017), changes in the external environment require the adoption of effective strategic responses to mitigate the challenges faced by that economic sector. During this COVID-19 pandemic, organizations and businesses must consistently link and align their leadership, managerial and operating activities with the environment in which they operate. This alignment ensures that they can successfully adapt, engage, and administer ideas critically through the process of formulating, implementing, and evaluating cross-functional decisions that enable them to meet their goals.

Most organizations can enhance their performance and attain a strong competitive advantage by successfully coming up with the best business strategies that are in line with the environment under which they execute their daily business activities (Pan, Du, Huang, Liu, Chang & Chiang, 2015). Strategic performance that has the capability of integrating with strategic and operational activities and incorporates employees' behaviors creates more chances of improving the overall performance (Cao, Zhao, Yang & Xiong, 2015).

Strategic responses include improvements to the policies, practices, and structures of the companies aimed at accomplishing some goals. Different organizations develop and implement various strategic measures depending on the environment, capabilities, resources, and competencies of the firm (Doh, Rodrigues, Saka-Helmhout & Makhija, 2017). Strategic responses allow the firm to gain a competitive advantage in the competitive environment over other rivals. Analysis of the level of competition identifies the orientation of the business. The required strategic approaches inevitably curb changes in the external world and eventually impact the performance of the organization (Prajogo, 2016). This research will study how EABL has developed effective strategic responses through implementing cost rationalization, strategic alliances, diversification strategy and innovation in ensuring the organisation's performance in the Kenyan market is not affected by the global Covid-19 pandemic.

Statement of the Problem

The COVID-19 pandemic has affected the operation of most business organizations. Many of them have found it difficult to successfully develop the most effective response strategies that help them adapt to the changes in the environment in which they operate. The dynamism of the business environment implies that for organizations to remain competitive, they should be able to effectively develop appropriate response strategies geared towards improving their performance levels (Ricciardi, Zardini & Rossignoli, 2016). Failure to adapt effectively could cause strategic issues for these organizations. These problems manifest through inconsistencies in what the organization is selling and what is available in the market. It is, therefore, necessary for business organizations to adjust to their environment by responding strategically to current market conditions to achieve their set goals and objectives. There have been several studies on the link between business response strategies and performance among business organizations.

This study sought to assess the effect of business response strategies on performance during the COVID-19 pandemic in the East African Breweries Limited. More specifically, the study sought to establish the effect of staff rationalization strategy, strategic alliances, diversification strategy, and innovation on performance as applied by EABL in Kenya. According to the Organization for Economic Cooperation and Development (OECD) (2020), annual global GDP growth was projected to drop to 2.4% in 2020 due to the Covid-19 pandemic, with the possibility for negative growth in the first quarter. In China, pundits revised the initial 5.7% growth estimate in November 2019 to a much lower 4.9% in March 2020. Covid-19 has shown adverse impact on the financial markets leading to disruption of global supply chains, complete failure of the tourism sector. In Kenya, the country's economy was not spared either. When the first COVID-19 case was reported in the country, the stock markets showed a decline in activity with Safaricom and Kenya Commercial Bank (KCB) stocks declining by 5.4% and 7.0%, respectively, in one day. The Nairobi Securities Exchange (NSE) trading market was halted on 13 March 2020 following the tremendous fall of the NSE all-share index by more than 5% which resulted in Ksh120 billion of investor portfolios being wiped out on that day due to panic selling following a loss of KSh 122 billion on the previous day. In just two days, fears of the Covid-19 pandemic in Kenya had led to wiping out of Ksh242 billion from the financial markets with foreign traders disposing of their equity holdings to purchase gold and other fixed-income securities.

Mohamud (2018) investigated the strategic responses and performance in the postal corporation of Kenya in Mandera County, Kenya. According to the study, the company conducts training geared towards enhancing superior skills, knowledge, and capabilities and Staff training, which helps in achieving high morale with increased confidence and motivation. Yuliansyah, Gurd, and Mohamed (2017) investigated the significance of business strategy in improving the performance of an organization. The study findings indicate that business strategy affects how Reliance on Integrative Strategic Performance Measurement (RISPM) and organizational performance relate to each other. Atikiya (2017) researched how competitive strategies affect the performance of Kenyan manufacturing firms. They also revealed that cost leadership, differentiation, and focus strategies significantly and positively relate to the productivity of manufacturing firms in Kenya. Baraza (2017) investigated the effects of competitive strategies on the performance of manufacturing firms in Kenya using a case study of East Africa Breweries Limited. The study findings revealed that competitive strategies, cost leadership, differentiation, and focus are critical because they influence the process of making decisions and the performance of an organization. Chan, Ngai, and Moon (2017) investigated strategic and manufacturing flexibilities, and supply chain agility affects firm performance in the fashion industry. The results reveal that both strategic flexibility and manufacturing flexibility positively influence supply chain agility. Kipchumba (2018) investigated strategic responses to changes in the external environment and organizational performance of commercial state corporations in Kenya. The results of the study revealed that the external, macro and microenvironments are significant factors that affect commercial state corporations. All the above studies hinged on different contextual, conceptual, and demographic backgrounds with varied objectives and study findings. None of them specifically looked at business response strategies and performance during the COVID-19 pandemic among manufacturing firms in Kenya using a case study of East African Breweries Limited. Therefore there is a need for carrying out the current research.

Objectives of the Study

The general objective was to determine the effects of business response strategies on performance during COVID-19 pandemic among manufacturing firms in Kenya, a case study of East African Breweries Limited.

The specific objectives were:

- To determine the effect of cost rationalization strategy on performance of East African Breweries Limited during COVID-19 pandemic.
- To establish the effect of strategic alliances on the performance of East African Breweries Limited during the COVID-19 pandemic.
- To assess the effect of diversification strategy on performance of East African Breweries Limited during COVID-19 pandemic.
- To establish the effect of innovation on the performance of East African Breweries Limited during the COVID-19 pandemic.

LITERATURE REVIEW

Theoretical Framework

Institutional Theory

This theory was advanced by Meyer and Rowan (1977) who claim that institutional factors more than market forces can affect the evolution of formal structures within an organization to a large extent. Organizations completely embrace and implement innovative systems that maximize technological performance. All organizations, even though the process does not increase performance, follow formal structures (Williams & Shahid, 2016). They also claim that for it to achieve credibility, 'institutional theories' should be symbolic in an organization. Consequently, credibility helps to ensure the organization’s sustainability. The institutional theory stresses that institutional environments shape organizational structure and actions. The theory stipulates that both performance and socio-cultural considerations influence organizational decisions, as well as credibility issues (Zhao, Fisher, Lounsbury & Miller, 2017). Institutions are therefore made up of structures, routines, and cultures which operate at different levels. It is because of the legitimacy pressures that companies appear to be similar. This theory is relevant to the study as it shows how institutional environments play a major role in shaping the structure and actions of an organization. The theory also illustrates how performance and socio-cultural considerations are geared towards influencing the decisions of an organization.

Environment Dependency Theory

Environment Dependency Theory was first proposed in the late 1950s by the Argentine economist and statesman Raúl Prebisch. Each organization is built with clear objectives and priorities in mind (Yeager, hang & Diana, 2015). For the business enterprise, their strategic focus is driven by three economic goals, whether or not they are set out clearly in their mission statement. They include; survival, growth, and productivity. These organizations, however, operate in a dynamic environment and they need to adapt and respond accordingly hence the requirement of effective strategic management. Organizations are considered to represent the environment since they cannot control their actions entirely and therefore affect them through external powers (Schneider, Wickert & Marti, 2017). This implies that organizations operate within an uncertain system, which impacts how organizations function in the environment.

The principle of environmental dependence suggests organizations are open systems where the internal structure of an entity is strongly affected by changes happening in the external environment. According to Prajogo (2016), when the business environment changes, organizations need to adjust to survive and those who are successful in adjusting can use any strategies that can bear a lot of benefits. This, therefore, calls on all companies to formulate competitive strategies in response to this volatile climate irrespective of the field in which they belong. This will help them to compete. Continuous review of both the internal and external environment is necessary for successful strategic responses to monitor the organization's activities. This theory is relevant to the study as it suggests that organizations are open systems where the internal structure is strongly affected by changes happening in the external environment implying that companies will track any external changes in the market and build strategies to help maintain a competitive advantage.

Performance Theory

This theory was developed by Schechner (2003). He presupposed an organization to be an agency formed to accomplish particular objectives and goals. It consists of resources that include human, physical, financial, and information. They contribute to other targets when certain tools are combined. Business entities are founded primarily for profit by performing activities that are legally approved. Organizations are purpose-driven, with maintained boundaries and socio-cultural systems of human activities. Organizations are attempting to enhance the efficiency of their companies by increasing the profitability of the employees and services employed.

Strategy and performance evaluation assists the organization in determining whether it is consistent with its goals and objectives over a given period, whereby variations from the standards are standardized to reflect and maintain set expectations (Le Roy & Czakon, 2016). Researchers have been investigating and coming up with determinants over some time to assess the success of a company. Today, international performance can be defined in a variety of ways, including competitiveness, market share, creativity, customer and employee satisfaction, reliability, and flexibility in the use of a company's properties, human resources, and employee morale, product quality, and services delivered. These aspects can be used in evaluating the performance of any organization. This theory is relevant to the study as it shows how the evaluation of strategy and performance plays a major role in helping an organization detect whether it is consistent with its goals and objectives in a given period.

Empirical Literature Review

Kliuchnikova and Pobegaylov (2016) investigated on rationalization of strategic management principles as a tool to improve construction company services. Rationalization is aimed at helping business organizations increase their revenues, decrease costs, and at the same time improve their bottom lines. Rationalization is viewed as the guiding principle behind the development of organizational bureaucracy and the increasing division of labor. The investigation's results/ outcomes strongly supported the increased levels of production and effective distribution. Research further shows that the rationalization strategy controls the growth of unhealthy competition among different producers in the industry and cuts the competition throat.

Christensen, Gornitzka, and Ramirez (2019) investigated on reputation management, social embeddedness, and rationalization of universities. According to the study, rationalization results in long-term labor-force stability within industrial organizations. Nevertheless, this might not be done in the short term. The study also ascertains that rationalization continues to play a key role in building cooperation and understanding between employers and staff. Rationalization, therefore, calls for a correct process to be followed when hiring, choosing, positioning, and educating personnel.

Bhatia and Sharma (2021) study looked at resource rationalization as an expense-based performance analysis in the case of the Indian Railways. The researcher collected secondary data from the annual statements of statistics for the ministry of railways, revealing that there were inefficiencies of different zones and recommended the use of operating and working expenses as input parameters in benchmarking analysis and measuring of the output in terms of passenger-kilometer and ton-kilometers. The study results showed that cost management can be done through technological innovation and using experienced and competent staff to improve the efficiency of the performance and output. The study created methodological gaps as it was a case study of the Indian railways and findings may not apply to other companies.

Yang, Lai, Wang, Rauniar, and Xie (2015) conducted a study on the formation of strategic alliances and how they affect the performance of manufacturing enterprises from the perspective of the supply chain. The study findings revealed that relational stability and effective communication significantly affects the formation of strategic alliances among Chinese manufacturing enterprises. Firms in strategic alliances aim at pooling properties, resources, competencies, and expertise to help in the realization of mutual objectives. Firms are provided with the opportunities to benefit from new information, expertise, and develop new competencies through the help of strategic alliances. Firms enter into alliances based on their needs at that time or future considerations. The motives for joining an alliance determine the choice of partners hence the type of alliance to enter.

Muteshi and Awino (2018) conducted a research study on strategic alliances and its influence on the performance of food and beverage manufacturing companies in Kenya. The researchers collected and analyzed data from 125 Large-Scale Food and Beverage Manufacturing Companies (FBMC) in Kenya. The data covered three operating years and from the analysis, it was revealed that the connection between strategic collaborations and performance was found to be insignificant. These findings suggest that firm's success through strategic relationships is not pronounced as in a purely competitive market where there is a monopolistic or duopolistic rivalry. The study created knowledge gaps by focusing on food and beverage manufacturing companies in Kenya as such the findings may not apply to other sectors.

Cacciolatti, Rosli, Ruiz-Alba and Chang (2020) conducted a study on strategic alliances and firm performance in startups with a social mission. The study focused on 3913 UK high-tech startups that engage in operations under social missions and social innovations. The study was able to test the hypothesis and understand mechanisms behind strategic alliances effect on startups performance, startups scalability and the balance needed between performance and the pursuit of a social mission. The study creates gap in context as it was done among 3913 UK high-tech startups and again the data collection methods, instruments and analysis formats are not discussed thus creating methodological gaps.

Mehmood, Hunjra, and Chani (2019) researched on how corporate diversification and financial structure affects the performance of a firm using a case study of South Asian countries. The target population included 520 manufacturing firms from Pakistan, India, Sri Lanka, and Bangladesh. The study used panel data of 14 years from 2004–2017 for purposes of analyzing the data. The study findings revealed that product diversification and geographic diversification positively affected the financial performance of a firm. The success of a business has been elusive to business owners and managers who do not implement strategies that are aimed at increasing business values and profits. Diversification is one of the approaches that companies follow to maximize their returns or cut costs. Where opportunities for success in a company's product and market offerings are limited, diversification into an area with opportunities is inevitable. Thus, companies generally diversify to minimize risks and attain organizational goals by increasing investment returns.

Lin and Chang (2015) researched on how technological diversification affects the performance of a firm using a case study of S&P 500 manufacturing firms. The study used a sample of 165 S&P manufacturing firms and the results revealed that firms have the chance of benefiting from a diversified technological portfolio with both financial and innovation performances. Diversification is aimed at increasing profitability, market share, debt capacity, growth opportunity, risk reduction, and the need to use human and financial resources efficiently..

Kanini, Patrick and Muhanji (2019) study was on product diversification and financial performance for the Kenyan manufacturing companies. The researchers used ten-year panel data from 2007-2016 and sampled 49 companies such that the findings revealed that product diversification does not have a significant influence on the financial performance of manufacturing entities in Kenya when measured against both earnings before interest and tax (EBIT) and return on assets (ROA). The study creates contextual gaps by looking at product diversification alone without examining the other types of diversification strategies and how they affect performance.

Karakaş, Öz, and Yıldız (2017) researched how the activities of innovation affect the performance of an organization using a case study of hotel businesses. The study used questionnaires in the process of collecting data. The analyzed data revealed that innovation activities positively and significantly affect performance. Since markets are global, competing companies need not only to be regionally confined but to be competitive all over the world. Businesses put enough emphasis on innovation activities in these harsh conditions of rivalry with the main aim of getting the advantage.

Fadaei, Alizad Abkenari, and Sofalchian Farhang (2018) researched on how organizational innovation through innovation capabilities in process and product affects manufacturing firms' performance. The study adopted the use of a descriptive and correlation study. The target population included all the companies in the industrial city of Rasht. The analyzed data revealed that organizational innovation and process innovation capabilities positively relate to each other. Innovation in today's dynamic and growing world is seen as a vital element for companies to build value and sustainable competitive advantage.

Conceptual Framework

It is a diagram demonstrating the relationship between independent and dependent variables of the study (Bonett & Wright, 2015). In this case, the independent variables are cost rationalization, strategic alliances, diversification strategy and continuous innovation while the dependent variable is performance of East African Breweries Limited during the COVID-19 pandemic.

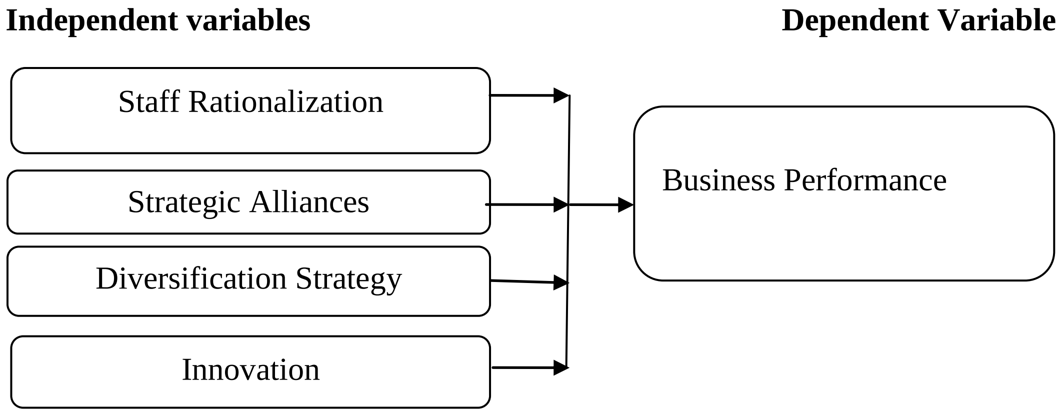

Figure 1: Conceptual Framework

METHODOLOGY

This study used a descriptive study approach. The design was selected because of the ease in which the researcher could obtain the respondents' opinions. The target population of the study included 1,653 employees of EABL as they have an in-depth understanding of EABL's business operations. In this study, the sample size was scientifically established using the formulae given by Yamane (1967): $n = N / (1 + Ne^2)$

Therefore, the sample size of the study was 322 respondents. The study collected primary data through the use of a questionnaire. The study used descriptive statistics including means and standard deviation to analyze the findings. The presentation of the findings was done using frequency distribution tables. Multiple Regression analysis was conducted to test the effect of the relationship between the independent variables and the dependent variable.

FINDINGS

The chapter is set out to detail the results of the analysis as guided by the specific objectives of the study. The analysis of the findings was done from the data that was collected in the field through the questionnaire as supported by the SPSS tool. The descriptive statistics covering frequencies and percentages means, and standard deviations were used to summarize and describe the data. Inferential statistics covering regression analysis were utilized to make relevant deductions on business response strategies and performance. The researcher administered 322 questionnaires to EABL employees out of which 131 respondents returned completed questionnaires, a response rate of 64.9%.

Descriptive Analysis

Cost Rationalization Strategy and Performance

Cost rationalization strategy was one of the business response strategies that were covered by the study. The findings of the descriptive statistics covering means and standard deviations are as indicated in Table 1.

Table 1: Cost Rationalization Strategy and Performance

	Mean	Std. Dev
Effective rationalization reduces competition in our economic industry	3.79	.724
Use of cost rationalization within EABL strategies increases our distribution lines	3.66	.747
Our operating efficiency has increased since we adopted rationalization	3.62	.759
Through rationalization, employee productivity has improved at EABL	3.68	.464
Cost rationalization has shifted the EABL operating structure which increases performance	3.70	.902
EABL has created cooperation/harmony between the managers and staff	3.66	.747
Rationalization strategy has improved the working environment	3.52	.500
Overall Score	**3.66**	**0.692**

The results in Table 1 indicate an overall score (M=3.66, SD=0.692), the value of mean is interpreted to imply that cost rationalization strategy had been adopted at East African Breweries Limited during the COVID-19 pandemic. This finding is consistent with Kliuchnikova and Pobegaylov (2016) who shared that rationalization strategy controls the growth of unhealthy competition among different producers in the industry and cuts the competition throat, it significantly reduces wasteful spending on advertising, transport, distribution, and product marketing and it contributes to large-scale manufacturing and distribution systems. Mponda and Biwot (2015) noted that rationalization is aimed at reorganizing a company so that its operating efficiency can be increased and this plays a major role in expanding or reducing the size of a company, changing the operation policies, or altering the strategy regarding certain products that are offered by the company. Christensen *et al.* (2019) argue that rationalization results in long-term labor-force stability within industrial organizations. Ditkaew (2018) added that cost management helped to effectively control internal elements of an organization and affected the decision making process which led to better performance in the manufacturing firms.

Respondents were requested to indicate the extent to which cost rationalization affected the business performance of East African Breweries Limited. The results are as presented in Table 2.

Table 2: Effect of Cost Rationalization on Performance

	Frequency	Percent
Little extent	34	16.3
Moderate extent	34	16.3
Great extent	141	67.5
Total	**209**	**100.0**

The results in Table 2 indicate that 67.5% of the respondents were of the view that cost rationalization affected the performance of their organization to a great extent. This means that cost rationalization cushioned East African Breweries Limited against the challenges posed by the COVID-19 pandemic and thus enhancing its performance. This finding is consistent with Kliuchnikova and Pobegaylov (2016) who noted that cost rationalization significantly reduces wasteful spending on advertising, transport, distribution, and product marketing while contributing to large-scale manufacturing and distribution systems. Mponda and Biwot (2015) said that cost rationalization is aimed at reorganizing a company so that its operating efficiency can be increased. Bhatia and Sharma (2021) shared that having technological innovation and competent staff under resource rationalization helps in improving efficiency and firm performance and outputs.

Strategic Alliances and Performance

Strategic alliances were the second specific objective variable of the study and the findings of the means and standard deviations were established and summarized as indicated in Table 3.

Table 3: Strategic Alliances and Performance

	Mean	Std. Dev
EABL joint works with other industry players in research and development of the sector	3.61	.944
Outsourcing allows EABL to cut operational costs thus increasing production	3.70	.700
Our collaboration incorporate activities that protect us from our vulnerabilities	3.71	.760
Joint ventures allow us to pool resources that improve our performance	3.67	.759
Our joint marketing opportunities improve our market penetration/presence	3.78	.740
Overall Score	**3.69**	**0.781**

The results in Table 3 indicate an overall score (M=3.69, SD=0.781), where the value of mean was interpreted to imply that in response to the Covid-19 pandemic, EABL has adopted strategic alliance probably to enhance its performance. A description of this strategic alliance is offered by Muthoka (2015) as broad-based collaborations including; franchises, joint research and development, long-term supply agreements, outsourcing, joint ventures, and joint marketing. Mong' are (2016) provide the different types of strategic alliances covering joint marketing/promotion; joint selling/distribution; production; design collaboration; technology licensing; research and development contracts and that some of the reasons for forming alliances include cost savings, market penetration, and retention, financial injection, infrastructure constraints, circumventing institutional constraints and market stability. Muteshi and Awino (2018) revealed that strategic relationships are not very effective in purely competitive markets.

The study sought further to establish the extent to which strategic alliances influenced the business performance of East African Breweries Limited. The results were established and summarized as indicated in Table 4.

Table 4: Extent of Influence of Strategic Alliances on Performance

	Frequency	Percent
Little extent	34	16.3
Moderate extent	65	31.1
Great extent	110	52.6
Total	**209**	**100.0**

The results in Table 4 indicate that 52.6% of the respondents believed that strategic alliances in place at East African Breweries Limited influenced its performance to a great extent during the Covid-19 pandemic. Consistent with this finding, Muthoka (2015) noted that alliances that are considered to be of success are the catalyst of businesses that play a major role in expanding and prospering internationally and/or in the local market. Mong'are (2016) revealed that strategic alliances are a major contributor to organizational performance. Muchangi (2019) shared that strategic alliances helped in improving the performance at KWFT with indicators such as loan portfolio growth, profitability, market share and clientele growth.

Diversification Strategy and Performance

The results of diversification as another business response strategy in the studied organization within the Covid-19 pandemic are as shown in Table 5.

Table 5: Diversification Strategy and Performance

	Mean	**Std. Dev**
We adopt geographical diversification of products to offer our customers' more value	3.76	.893
Diversification efforts have increased our market share/customer base	3.59	.925
We have diversified our operations to meet the current COVID-19 economic challenges	3.47	.759
Our diversified options have enabled us to continue to survive in difficult times	3.61	.751
We diversify our processes for risk reduction purposes	3.59	.925
Our diversification strategies allow us to take available opportunities in the marketplace	3.87	.983
Overall Score	**3.65**	**0.873**

The results in Table 5 indicate an overall score of (M=3.65, SD=0.873), the interpretation of the overall value of mean was that the East African Breweries Limited adopted diversification as its business response strategy during the Covid-19 pandemic. This finding is in line with Mehmood, *et al.* (2019) who noted that where opportunities for success in a company's product and market offerings are limited, diversification into an area with opportunities is inevitable and that companies generally diversify to minimize risks and attain organizational goals by increasing investment returns. Borda, *et al.* (2017) noted that when the diversifying firm can be in a position of providing any benefit over its rivals, then it means that the firm can give its consumers more value, thus the diversification is likely to succeed. Lin and Chang (2015) believed that companies make decisions to diversify and meet challenges and survive in the markets. Oladimeji and Udosen (2019) argue that the use of a diversification strategy leads to growth and profitability and a strong capital structure to cover liabilities. While Ndungu and Muturi (2019) posited that commercial banks diversified their services by introducing of mobile banking, internet banking, agency banking, bank assurance, and faceless banking and it has improved the financial performance. Kanini, *et al*. (2019) noted that product diversification helped to reduce operational risks and high volatility thus resulting in high financial performance measured using earnings before interest and tax (EBIT) and return on assets (ROA).

The study sought further to understand the extent to which diversification strategy affected the business performance of East African Breweries Limited. The results were established and summarized as indicated in Table 6.

Table 6: Extent of Influence of Diversification Strategy on Performance

	Frequency	**Percent**
Little extent	12	5.7
Moderate extent	64	30.6
Great extent	133	63.6
Total	**209**	**100.0**

From the results in Table 6, it can be shown that 63.6% of the respondents believed that diversification as a business response strategy affected the performance of their organization to a great extent. This finding is empirically supported by Mehmood *et al.* (2019) who revealed that product diversification and geographic diversification positively affected the financial performance of a firm. Lin and Chang (2015) revealed that diversification also helps companies explore different marketplaces and that companies make decisions to diversify and meet challenges and survive in the markets.

Innovation and Performance

The descriptive statistics on innovation as a business response strategy in the studied organization had embraced innovation as a business response strategy. The results were established and summarized as indicated in Table 7.

Table 7: Innovation

	Mean	Std. Dev
At EABL we adopt innovation to gain a competitive advantage over our rivals	3.91	.751
Our innovative activities lead to value creation in our products	3.68	.722
Adopting innovation allows EABL to develop capacity building for higher results	3.85	.758
Technological innovation at EABL leads to better operations resulting in high performance	4.05	.758
Having creative/imaginative leaders at EABL championing for creativity increases our success rates	3.98	.897
EABL adopts innovation in all its process geared towards the high overall performance	3.79	.928
Overall Score	**3.88**	**0.802**

Table 7 indicates the overall score (M=3.88, SD=0.802), this overall mean is interpreted to imply that innovation was one of the business response strategies that were highly adopted at the East African Breweries Limited in response to the Covid-19 pandemic. The finding is in line with Karakaşb, *et al.* (2017) who indicated that since markets are global, competing companies need not only to be regionally confined but to be competitive all over the world and thus businesses put enough emphasis on innovation activities in these harsh conditions of rivalry with the main aim of getting the advantage. Fadaei, *et al.* (2018) thought that organizations with more innovation will be more effective in adapting to evolving market conditions and developing a new capacity building that will enable them to achieve better results. Camisón and Villar-López (2014) indicated that innovation helps in the continuous generation of business ideas that are geared towards increasing the overall performance of an organization. Kiende, *et al.* (2019) revealed that organizational innovations had a positive and significant influence on the performance of women-owned enterprises in Kenya. Gachigo, *et al.* (2019) mentioned that innovation strategies led to an increase in organization performance. The exploratory innovative strategy, disruptive innovative strategy and outcome-driven innovative strategy also increased the organizational performance.

Respondents were requested to indicate the extent to which innovation influenced the business performance of East African Breweries Limited with the results as indicated in Table 8.

Table 8: Extent of Influence of Innovation on Performance

	Frequency	Percent
Little extent	30	14.4
Moderate extent	46	22.0
Great extent	133	63.6
Total	**209**	**100.0**

Table 8 shows that 63.6% of the respondents shared that innovation influenced the performance of their organization to a great extent during the Covid-19 pandemic. This finding is in line with Karakaş, *et al.* (2017) revealed that innovation activities positively and significantly affect performance. Fadaei, *et al.* (2018) revealed that organizational innovation and process innovation capabilities positively relate to each other. Camisón and Villar-López (2014) revealed that organizational innovation favors the growth of technological innovation capabilities for products and processes and it largely contributes to the performance of the firm. Kim-Soon, *et al.* (2017) noted that firm innovation has a significant and positive relationship with the financial, operation and innovative performances. Edeh, *et al.* (2020) shared that the joint effect of product innovation, process innovation and marketing innovation significantly impacted the export performance in the SMEs in Nigeria.

Inferential Statistics

The general objective of the study was to establish the effect of business response strategies on the performance of East African Breweries Limited during the COVID-19 pandemic. To achieve this broad objective, multiple regression analysis was used with the results as presented in subsequent sections.

Model Summary

The findings of the regression model summary are as indicated below in Table 9.

Table 9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.845[a]	.714	.708	.70047

From Table 9, the value of R was 0.845, which was interpreted to mean that business response strategies had a strong and positive relationship with the performance of East African Breweries Limited during the COVID-19 pandemic. This finding is supported by Yuliansyah *et al.* (2017) who indicate that business strategy fully affects how Reliance on Integrative Strategic Performance Measurement (RISPM) and organizational performance relate to each other. Atikiya (2017) revealed that cost leadership, differentiation, and focus strategies significantly and positively relate to the performance of manufacturing firms in Kenya. Kim-Soon, *et al.* (2017) noted that firm innovation has a significant and positive relationship with the financial, operation and innovative performances.

The value of R square was 0.714, and thus it can be inferred that a 71.4% change in performance of East African Breweries Limited during the COVID-19 pandemic was jointly explained by the business response strategies that had been adopted covering innovation, cost rationalization, diversification, and strategic alliances. This finding is consistent with Baraza (2017) who revealed that competitive strategies; cost leadership, differentiation, and focus are critical because they influence the process of making decisions and the performance of an organization. Chan, *et al.* (2017) reveal that both strategic flexibility and manufacturing flexibility positively influence supply chain agility. Kipchumba (2018) revealed that the external macro and microenvironments are significant factors that affect commercial state corporations.

Analysis of Variance

The results of ANOVA were established and presented as shown in Table 10.

Table 10: Analysis of Variance

	Sum of Squares	df	Mean Square	F	Sig.
Regression	249.782	4	62.446	127.270	.000[b]
Residual	100.093	204	.491		
Total	**349.876**	**208**			

From Table 10, the value of F calculated was 1237.270 with a p-value of p=0.000 which was lower than 0.05. This means that the overall regression model of the study was significant. The p-value was less than 0.05, which means that business response strategies had a significant effect on the performance of East African Breweries Limited during the COVID-19 pandemic. This finding is consistent with Baraza (2017) who revealed that competitive strategies; cost leadership, differentiation, and focus are critical because they influence the process of making decisions and the performance of an organization. Chan, *et al.* (2017) reveal that both strategic flexibility and manufacturing flexibility positively influence supply chain agility. Kipchumba (2018) revealed that external macro and micro-environments are significant factors that affect commercial state corporations.

The study determined the values of beta coefficients and significance as indicated in Table 11.

Table 1: Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	4.030	1.776		2.269	.000
Cost Rationalization	.416	.024	.745	17.333	.000
Strategic Alliances	.474	.111	.595	4.270	.000
Diversification Strategy	.140	.047	.310	2.979	.003
Innovation	.209	.065	.155	3.215	.016

The findings in Table 13 results in the following predicted model:

$$\mathbf{Y = 4.030 + .416X_1 + .474X_2 + .140X_3 + .209X_4}$$

The result in Table 11 implies that when business response strategies are held constant, the performance of East African Breweries Limited during the COVID-19 pandemic would be at 4.030. The study established that when all the variables are held constant, a unit change in cost rationalization would lead to a 0.416 unit increase in performance of East African Breweries Limited during the COVID-19 pandemic. The p-value of cost rationalization was less than 0.05, which means that it had a significant influence on the performance of East African Breweries Limited during the COVID-19 pandemic. The finding is supported by Kliuchnikova and Pobegaylov (2016) showed that rationalization strategy significantly reduces wasteful spending on advertising, transport, distribution, and product marketing.

It was shown that when all the variables of the study are held constant, a unit change in the strategic alliance would lead to a 0.474 unit increase in the performance of East African Breweries Limited during the COVID-19 pandemic. It was noted that strategic alliances had a p-value of less than 0.05, which means that it had a significant effect on the performance of East African Breweries Limited during the COVID-19 pandemic. The result is echoed by Yang *et al.*

(2015 revealed that relational stability and effective communication significantly affects the formation of strategic alliances among Chinese manufacturing enterprises.

The findings of the study indicated that when all the variables of the study are held constant, a unit change in diversification strategy would lead to a 0.140 unit increase in the performance of East African Breweries Limited during the COVID-19 pandemic. The p-value of the diversification strategy was less than 0.05, which infers that it had a significant effect on the performance of East African Breweries Limited during the COVID-19 pandemic. The finding is consistent with Mehmood *et al.* (2019) who revealed that product diversification and geographic diversification positively affected the financial performance of a firm.

It was shown that holding other variables constant, a unit change in innovation would lead to a 0.209 unit increase in performance of East African Breweries Limited during the COVID-19 pandemic. The p-value of innovation was less than 0.05, which means that it was significant in affecting the performance of East African Breweries Limited during the COVID-19 pandemic. The result agrees with Karakaş, *et al.*(2017) who revealed that innovation activities positively and significantly affect performance. Fadaei, *et al.* (2018) revealed that organizational innovation and process innovation capabilities positively relate to each other.

Conclusion

The study concludes that during the Covid-19 pandemic, cost rationalization was adopted at East African Breweries Limited as one of the business response strategies. From regression results, cost rationalization had the second-largest beta coefficient that was significant. Thus, the study concludes that the adoption of a cost rationalization strategy significantly contributed to the performance of East African Breweries Limited during the COVID-19 pandemic.

Strategic alliances were adopted as business response strategies at East African Breweries Limited during the COVID-19 pandemic. The results of the regression analysis showed that strategic alliances had the largest beta coefficient that was significant. Thus, the study concludes that the adoption of strategic alliances during the Covid-19 pandemic had the greatest significant influence on the performance of East African Breweries Limited.

The study concludes that the diversification strategy was practiced at East African Breweries Limited in response to the COVID-19 pandemic. However, from regression analysis, it was noted that diversification had the least beta coefficient that was positive. This means that of all the business response strategies that East African Breweries Limited had adopted during the COVID-19 pandemic, diversification had the least but significant contribution towards its performance.

Innovation was practiced as one of the business response strategies of East African Breweries Limited during the COVID-19 pandemic. The study concludes that the adoption of innovation had a significant contribution to the performance of East African Breweries Limited during the COVID-19 pandemic.

Recommendations

Thus, the study recommends that to speed up the recovery of the East African Breweries Limited from the COVID-19 pandemic, there is a need for the management to create an environment that supports the formation of more strategic alliances.

The study recommends that the finance managers of East African Breweries Limited should explore other possible means of minimizing the costs to enhance performance. All departmental heads working across different functions at East African Breweries Limited should continuously explore new ways of minimizing costs in their departments to improve on performance.

Production managers of East African Breweries Limited should invest more in innovation to improve performance. The senior management of East African Breweries Limited should create an enabling environment that thrives on innovation to enhance performance.

The study recommends that the mechanisms and models of diversification adopted by East African Breweries Limited should be critically examined by the senior management to ensure it largely contributes towards performance.

Areas for Further Research

The present study adopted a case study, where the point of reference was the East African Breweries Limited. Thus, future studies should be cross-sectional with a focus on all the alcoholic beverage manufacturing firms operating in Kenya covering Keroche Breweries as well. Future studies should also focus on both beverage and non-beverage manufacturing firms operating in Kenya. The study recommends further studies to be conducted linking business response strategies with other constructs like competitive advantage and growth aside from performance that is too general.

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