

Abstract

Firms that adapt Differentiation strategy develop competitive advantage by creating a product or service that is unique or creates the perception in the minds of customers that the firm or its products and services are superior to those of its competitors and also possess characteristics that are distinctive from those of its competitor's. TQM elements; continuous improvement; leadership and Customer-orientation encourages innovation within the organization leading to development of unique products and quality customer service; leadership encourages generation of ideas from employees for solving problems or developing new products while Customer-orientation encourages organizations to search consistently for new customer needs and expectations, so companies can survive in this globally competitive environment. There is strong link between differentiation strategy and TQM. The study aimed to establish the mediation effects of TQM on the relationship between differentiation strategy and financial performance of manufacturing firms in Kenya. The target population for the study was be 39 ISO certified, manufacturing firms. The target respondents were the CEO, Strategic managers and Quality Assurance Managers from the 39 ISO certified manufacturing firms a total of 117 respondent. Structural equation modelling (SEM) and multiple Regression analysis were used to analyse the relationships between differentiation strategy, TQM and organization performance. The study finding indicated that TQM partially mediates the relationship between generic strategy and financial performance of manufacturing firms in Kenya.