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Influence of Strategic Marketing Capabilities on Performance of Manufacturing Firms in Kenya

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Abstract

The objective of the study was to determine the influence of strategic marketing capabilities on performance of manufacturing firms in Kenya. A descriptive survey design was used to analyse the primary data collected through self-administered questionnaires. Data was analysed using descriptive statistics and inferential statistics where data was coded and descriptive statistics generated using SPSS. Results were presented using graphs, tables and chart. Results indicated that strategic marketing capabilities have a positive and significant effect on performance. Firms should constantly carry out market research is carried out to ascertain the needs of customers and adoption of marketing information that enables the firm to maintain relationship with customers and in turn this will enable them to launch new products in the market successfully by use of information coming from the market.

Keywords: *Manufacturing firms, performance, strategic marketing capabilities*

1. Introduction

1.1 Background of the Study

Most firms in the world must manage and survive economic crisis due to economic weak spots integrated into the global economy hence important to understand organizational capabilities that will help solve such issues. Brahmane (2014) indicated that implementation of organization capabilities has aid in solving bottlenecks between business to business (B2B). The model of organizational capability and market share as business performance outcome proposed is one of the useful platform to understand organization capability with strategic implication. In a multivariate analysis of survey responses of 102 firms belonging to supporting industries in Vietnam indicates that the organizational capabilities are related to the performance (Nham & Takahashi, 2010). While in Malaysia, a study conducted by Alimin, Raduan and Abdullah (2012) among manufacturers revealed that organizational capabilities are a vital cog in the relationships among organizational resources and competitive advantage because organizational capabilities enhance the resource elements towards attaining competitive advantage.

According to Dubihlela (2013) strategic organizational capabilities helps to build up capabilities the firm may use to differentiate itself in the market in order to achieve customer satisfaction. They are very important, particularly in the dynamic business environment with volatile markets and the environmental uncertainties. The ability to change, harness and develop new organizational capabilities to counter and control the dynamic business environment form the basis for sustainable competitive advantage for firms (Eisenhardt & Martin, 2010). The capabilities allow the managers to cost effectively exploit the available opportunities in the market and to neutralize the threats in the external environment (Pearce *et al*, 2012). Similarly, the firm capabilities enable the firm to readjust its competencies to adapt to the environmental changes (Teece *et al*, 2007).

Similarly, Muhura (2012) found that strategic capabilities gave Airtel Kenya a competitive advantage over the other mobile companies. The study adopted the following dimensions of strategic capabilities: human resource, physical infrastructure and the distribution network, strong brand, technology, market research, innovation and manpower development and talent nurturing. Organizational capability had a partial mediating effect on the relationship between quality management practices and performance while Muganda and Fadhili, (2013) revealed there is need to build organizational capability and a framework that recognizes the key drivers that underlie the development of off-shoring success in IT industry in Kenya.

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1.2 Problem Statement

Organizational capabilities has been said to affect performance. However Kenya has been experiencing turbulent times with regard to its organizational practices and this has resulted in declining profits in the manufacturing sector of the economy (Mutindi, Namusonge & Obwogi, 2013). Statistics from World Bank show that large scale manufacturers operating in Kenya registered stagnation and declining profits for the last five years due to a turbulent organization capabilities (WB, 2014). It is estimated that large manufacturing firms have lost 70 per cent of their market share in East Africa largely attributed to contingencies (RoK, 2014). Further statistics from Kenya Association of Manufacturers have shown that some firms announced plans to shut down their plants and shift operations to Egypt due to negative influences of management inabilities (KAM, 2014). In 2014, manufacturing sector in Kenya contributed barely 10% to the GDP which represented 3.4 per cent growth to Sh.537.3 Billion indicating a decline from the previous year 2013 where it had reported a 5.6 per cent growth mainly due to a challenging organizational capabilities (KNBS, 2014).

A review of literature on strategic organizational capabilities has focused on non-manufacturing firms; Aduloju (2014) investigated managerial capabilities in insurance companies in Nigeria, Kearney *et al*, (2013) focused on Irish hospitality industry, Karanja et al (2014) on mobile service provider intermediary organizations in Kenya and Chengecha (2016) sought knowledge capability in relation to competitiveness of firms in the banking industry in Kenya. Majority of these studies have focused on service industry. However, there has been attributes to complexities experienced in studying service industry as service outputs are considered unclear in nature making it difficult to identify and measure their improvement or change. Further McDermott (2012) stated that services are more immediately perishable, inseparable (production and consumption occur at the same time) and tend to be more heterogeneous than manufactured products. The study used the Resource Based theory and the dynamic capability theory of the firm theory to link the literature and findings of the study thereby filling this existing knowledge gap. The study therefore sought to determine the influence of strategic marketing capabilities on performance of manufacturing firms in Kenya.

1.3 Objective of the Study

The objective of the study was to determine the influence of strategic marketing capabilities on performance of manufacturing firms in Kenya.

2. Theoretical Literature

This study was based on the Resource Based theory and the dynamic capability theory of the firm (Wernerfelt, 1984). RBV regards the firm as a bundle of resources and capabilities and assures that these resources and capabilities are heterogeneously distributed across firms that persist over time (Ambrosine & Bowman, 2009). Academicians suggest that when a firm has resources which are valuable, rare, inimitable and non-substitutable, they can use them to implement value creation strategies that provide a sustainable competitive advantage (Peteraf & Barney, 2003). RBV originates in the strategy literature (Wernefelt, 1984) provides a useful framework for examining the development of management. This can be achieved by having critical resources that are firm-specific, valuable to customers, non –substitutable and difficult to imitate (Rugman & Verbeke, 2002). This theory was deemed relevant to this study since it informed the dependent variable which is performance. The theory sought to explain organizational performance from effective employment of resources.

Dynamic capability supersedes the capability to generate and understand the implications of market information. A firm requires dynamic capabilities to coordinate inter-functional strategies responses that reinforce competitive advantage in the market place (Jaworski & Kohli, 2013). When viewed as dynamic capabilities, individual behaviours or routines can set a benchmark for expected behaviours across the firm to enhance understanding of the competitive value management based on dynamic capabilities perspective (Wong & Ahmed, 2007). Dynamic capability has enhanced RBV by addressing the evolutionary nature of a firm's resources and capabilities in relation to environmental changes by identifying a firm or industry specific processes that are critical to the evolution of that firm or industry. Helfat and Peteraf (2009) view dynamic capabilities as the capacity of a firm to purposefully create or modify its resource base and the focus is on the capacity of an organization facing dynamic environment to create new resources.

2.1 Empirical Literature

A study done in the USA and Slovenia by Breznik and Hisrich (2014) found that marketing capabilities affect performance of micro and small family businesses as a result of the dynamism hence adjusting to innovativeness. For instance; premium pricing, warranty and guaranteed, goodwill, new markets discovery, brand positioning, global capacity building, entrepreneurship etc.

More so, Karanja, Muathe and Thuo (2014) sought to determine the effect of marketing capabilities on the performance of mobile service provider intermediary organizations. This study employed a descripto-explanatory cross-sectional survey research design. The study collected primary data from 219 respondents drawn from a target population of 397 selected using stratified and simple random sampling. It established that marketing capabilities contributed significantly to the intermediary organizations' performance. Other studies by Chege, Muathe and Thuo (2014) sought to determine the effect of marketing capabilities and distribution strategy on the performance of intermediary organizations. This study employed a descripto-explanatory cross-sectional survey research design. The study collected primary data from 219 respondents drawn from a target population of 397 selected using stratified and simple random sampling procedures. A semi-structured questionnaire was used to collect data. This study established that marketing capabilities and choice of distribution strategy had a composite effect in contributing significantly to the Intermediary organizations ‘performance.

3. Research Design

A descriptive survey design was used to analyse the primary data. Survey design provided numeric descriptions of a sample of the population that was selected from the 513 manufacturing firms in Kenya. The research study covered the whole nation and therefore survey design was suitable for covering the extensive research. Stratified random sampling technique was used to select a sample size of 225 from the target population. The study used structured questionnaires to collect data. Data was analysed using descriptive and inferential statistics and were coded using Statistical Package for Social Sciences (SPSS).

4. Findings and discussions

4.1 Descriptive Statistics for Strategic Marketing Capabilities

Table 1: Strategic Marketing Capabilities and Firm Performance

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std Dev
Ability to launch new products in the market successfully	3.55%	4.14%	8.28%	44.97%	39.05%	4.12	0.97
Good at using information coming from the market	6.51%	5.33%	7.69%	52.66%	27.81%	3.9	1.07
Good at creating, maintaining and enhancing relationships with customers	7.10%	3.55%	7.69%	44.38%	37.28%	4.01	1.11
Good at ascertaining customers’ current needs and what products they will need in the future	5.33%	2.37%	11.83%	53.25%	27.22%	3.95	0.98
Good at sharing mutual commitment and goals with our strategic partners in the market	5.92%	3.55%	9.47%	45.56%	35.50%	4.01	1.06
Top management regularly discusses competitors’ strengths and strategies.	8.28%	4.14%	10.65%	44.97%	31.95%	3.88	1.15
The management responds to competitive actions that threaten the firm.	6.51%	8.28%	11.83%	39.05%	34.32%	3.86	1.17
There is adoption of marketing information that enables the firm to maintain relationship with customers.	5.33%	5.92%	11.24%	46.15%	31.36%	3.92	1.07
Market research is carried out to ascertain the needs of customers.	5.33%	3.55%	11.24%	44.97%	34.91%	4.01	1.04
There are flexible structures that make the firm to respond to management better than competitors.	5.92%	5.33%	11.24%	39.05%	38.46%	3.99	1.12
Average						**3.97**	**1.07**

The results in table 1 revealed that majority of the respondents (80.02%) agreed with the statement that their organization had the ability to launch new products in the market successfully. The results agreed with those of Breznik and Hisrich (2014) who found that marketing capabilities affect performance of micro and small family businesses as a result of the dynamism hence adjusting to innovativeness. The results additionally, revealed that majority of the respondents (80.47%) agreed with the statement that their organization was good at using information coming from the market. Furthermore, the results showed that majority of the respondents (81.66%) agreed with the statement that their organization was good at creating, maintaining and enhancing relationships with customers. The findings agreed with that of Karanja, Muathe and Thuo (2014) who equated customer focus with market sensing capabilities which are capabilities manifested via organizational processes and values (customer orientation) and this allows the voice of the customer to be heard through the firm. The results showed that majority of the respondents (80.47%) agreed with the statement that their organization was good at ascertaining customers’ current needs and what products they will need in the future. The results showed that majority of the respondents (81.06%) agreed with the statement that their organization was good at sharing mutual commitment and goals with our strategic partners in the market. The results were also in consistent with that of Darroch and McNaughton (2013) who suggested that knowledge management is a process that creates or locates knowledge and manages the sharing, dissemination and use of knowledge in the organization.

The recognition of knowledge as a key resource for firms in the current business environment confirms the need for processes that facilitates individual and collective knowledge creation, transfer and leverage. In addition, the results showed that majority of the respondents (76.92%) agreed with the statement that their top management regularly discusses competitors' strengths and strategies. The findings agreed with that of Darroch and McNaughton (2013) who suggested that knowledge management is a process that creates or locates knowledge and manages the sharing, dissemination and use of knowledge in the organization. The results further revealed that the recognition of knowledge as a key resource for firms in the current business environment confirms the need for processes that facilitates individual and collective knowledge creation, transfer and leverage. The results also revealed that majority of the respondents (73.37%) agreed with the statement that their management responds to competitive actions that threaten the firm. The results agreed with that of Odhiambo (2014) who established that market sensing capabilities are anticipatory capabilities which enables the firm to track the way that the market is moving in advance of competitors through an open approach to market information, development and interpretation and capture of market insights. The results also showed that majority of the respondents (77.51%) agreed with the statement that there is adoption of marketing information that enables the firm to maintain relationship with customers. The findings were consistent with that of Karanja, Muathe and Thuo (2014) who equated customer focus with market sensing capabilities which are capabilities manifested via organizational processes and values (customer orientation) and this allows the voice of the customer to be heard through the firm. The results also revealed that majority of the respondents (79.88%) agreed with the statement that market research is carried out to ascertain the needs of customers. The findings were in agreement with that of Nalcaci and Yagci (2014) who established that to be effective innovators, organizations should constantly scan the horizon for new opportunities to satisfy their customers. Market oriented organization learn about customers, competitors and channel members in order to sense and act on events and trends in present and prospective markets. In addition, the results revealed that majority of the respondents (77.51%) agreed with the statement that there are flexible structures that make the firm to respond to management better than competitors. The results were consistent with that of Ramaswami et al. (2004) who discovered that market sensing capabilities are anticipatory capabilities which enables the firm to track the way that the market is moving in advance of competitors through an open approach to market information, development and interpretation and capture of market insights.

On a five point scale, the average mean of the responses was 3.97 which mean that majority of the respondents indicated that majority of the respondents agreed with the statement; however the answers were varied as shown by a standard deviation of 1.07.

4.2 Correlation Analysis between Marketing Capabilities and Performance

Table 2: Marketing Capabilities and Performance

		performance	Strategic marketing capabilities
performance	Pearson Correlation	1	
	Sig. (2-tailed)		
Average marketing capabilities	Pearson Correlation	.496**	1
	Sig. (2-tailed)	**0.000**	

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

The results in table 2 revealed that there was a positive and significant association between strategic marketing capabilities and performance ($r = 0.496$, $p = 0.000$). This is an implication that an increase in marketing capabilities resulted in an improvement in firm's performance. The findings agreed with that of Udoyi (2014) who found out that there was a significant positive relationship between bank performance and marketing capabilities.

4.3 Regression Analysis for Strategic Marketing Capabilities

Table 3: Model of Fitness for Strategic Marketing Capabilities

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.496a	0.246	0.241	0.2937

The results in table 3 presented the fitness of model of regression model used in explaining the study phenomena. Strategic marketing capabilities was found to be satisfactory in firm performance. This was supported by coefficient of determination i.e. the R square of 24.6%. This shows that strategic marketing capabilities explain 24.6% of the firm performance. The results meant that the model applied to link the relationship.

Table 4: ANOVA for Strategic Marketing Capabilities

	Sum of Squares	df	Mean Square	F	Sig.
Regression	4.697	1	4.697	54.469	**0.000**
Residual	14.401	168	0.086		
Total	19.098	169			

Table 4 provided the results on the analysis of the variance (ANOVA). The results indicated that the model was statistically significant. Further, the results implied that strategic marketing capabilities are a good predictor of firm's performance. This was supported by an F statistic of 54.469 and the reported p value (0.000) which was less than the conventional probability of 0.05 significance level.

Table 5: Regression of coefficients for Strategic Marketing Capabilities

	B	Std. Error	t	Sig.
(Constant)	2.101	0.242	8.684	0.000
Marketing capabilities	0.463	0.063	7.38	**0.000**

Regression of coefficients results in table 5 revealed that managerial capabilities and organization performance are positively and significantly related (B=0.463, p=0.000). These findings were also consistent with that of Yin (2012) whose findings revealed that there was statistically insignificant relationship between managerial capability and financial performance. These findings agreed with that of Udoyi (2014) who found out that there was a significant positive relationship between bank performance and marketing capabilities.

4.4 Hypothesis Testing for Strategic Marketing Capabilities

The hypothesis was tested by using multiple linear regression (table 4.34, above). The acceptance/rejection criteria was that, if the p value is greater than 0.05, the Ho_1 is not rejected but if it's less than 0.05, the Ho_1 fails to be accepted.

The null hypothesis was that strategic marketing capabilities exert no significant influence on the performance of manufacturing firms in Kenya. Results in Table 4.34 above show that the p-value was 0.000<0.05. This indicated that the null hypothesis was rejected hence there is a significant relationship between strategic marketing capabilities and performance of manufacturing firms in Kenya. These findings agreed with that of Udoyi (2014) who found out that there was a significant positive relationship between bank performance and inter-functional coordination.

5. Summary, Conclusions and Recommendations

5.1 Summary

The results from strategic marketing capabilities indicated an increase in knowledge capabilities resulted to an improvement in firm's performance. Correlation results indicated that marketing capabilities and firm's performance were positively and significantly related. Regression further showed that marketing capabilities have a positive and significant relationship with firm's performance. The findings agreed with that of Udoyi (2014) who found out that there was a significant positive relationship between bank performance and inter-functional coordination.

5.2 Conclusions

The study concluded that organization has the ability to launch new products in the market successfully by use of information coming from the market. This helps the organization to ascertaining customers' current needs and what products they will need in the future. The study also concluded that management regularly discusses competitors' strengths and strategies by carrying out market research is carried out to ascertain the needs of customers and adoption of marketing information that enables the firm to maintain relationship with customers.

5.3 Recommendations

The study recommends the organization to constantly carry out market research is carried out to ascertain the needs of customers and adoption of marketing information that enables the firm to maintain relationship with customers and in turn this will enable them to launch new products in the market successfully by use of information coming from the market. Market research helps the organization to ascertaining customers' current needs and what products they will need in the future.

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