

Influence of Strategic Market Sensing Capabilities on Performance of Mobile Telecommunication Firms in Kenya

Emily Okwemba*

Post Graduate Student: Jomo Kenyatta University of Agriculture and Technology

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Abstract

Firms have a common goal of maintaining a superior competitive position for relevancy and sustainability a state that can be effective if market sensing capabilities can be developed. The purpose of this paper is to establish the influence of market sensing capabilities on Performance of Telecommunication Companies in Kenya. The study used a sample size of 210 respondents. Stratified random sampling technique was used to select the sample within each of the five sub-groups to ensure objectivity. The study used survey design in the collection of data which were administered through use self-administered questionnaires to collect data and was analyzed using descriptive statistics. The study found that market sensing capabilities have a positive and a significant effect on performance of mobile telecommunication firms. The study concluded that in order to meet telecommunication firms can improve and do better if they developed market sensing capabilities that is realistic and achievable. The study thus recommended that mobile telecommunication firms should engage enough in market research for familiarization with the market.

Keywords: Market Sensing Capabilities, Mobile Telecommunication Firms, Market Orientation, Performance

1. Introduction

1.1 Background

A firm's sustained trend of productivity can only be achieved when the relationship between the firm and its clients or customers is realistic. Market knowledge and understanding play a major role in sustaining the aforementioned relationship amid competition from other firms. Devising an effective market orientation capability is the objective of any firm that searches to enhance the responsiveness for the dynamic business environment, creating superior value for customers and attaining the superior performance. A firm survival depends on maintaining market oriented capabilities (Attia, 2013). Top management should disseminate effectively the market oriented capabilities across the organizational levels and to all members for sustainable competitive advantage and superior performance (Theodosiou et al., 2012). Organization should engage in market orientation to accomplish its strategic objectives (Zhou & Li, 2010; Awwad & Agti, 2011; Raju, Lonial & crun, 2011; Dubihlela, 2013).

A firm cannot develop a market orientation capability without each employee actively understanding and

adopting market orientation capabilities through gathering information and sharing with others (Budapest, 2013). To deal with challenges in the organization, adoption of a suitable strategic business approach such as market orientation capabilities approach is appropriate as it focuses on understanding customers conflicting desires and needs, staying up to date with competitors' activities and revising organizational policies and procedures (Köhler, Sofka, & Grimpe, 2012).

A firm's market orientation capability depends upon expectations and obligations of market oriented behaviors of its management and employees. A firm will not survive unless it maintains a market oriented culture (Attia, 2013). Firms that are market oriented are well informed about the market in which they operate and have the ability to use this information advantage to create value for their target customers. At the firm level, a market oriented firm is presumed to have superior market sensing and customer-linking capabilities that lead to superior firm performance than less market oriented firms (Agrawal, 2012), knowledge management capabilities and inter-functional co-ordination (Foley & Fahy, 2009). These are characteristics of market orientation set by dynamic capabilities that explain why market oriented behaviors lead to competitive advantage. Developing dynamic capabilities helps Bridge the gap between market orientation and resource focused strategies. Firms should ensure cross-functional

*Corresponding author's ORCID ID: 0000-0002-8971-9112

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coordination of their sensing data to be able to strengthen their seizing capability and market sensing activities (Mahmoud & Yusif, 2012). Market orientation has attracted attention in the literature through the ability to construct useful market oriented actions to managers (Zhang & Duan, 2010) and this is related to performance.

For effective realization of productivity in any telecommunication firm in Kenya, marketing sensing capabilities should be properly considered to ensure that a firm taps into the void left by competitive firms for competitive advantage. Through market sensing, a firm can continuously increase their knowledge in what their clients require and capitalizing on it for profitability. Important aspects of market sensing such as customer intelligence is a tool for management in decision making concerning available opportunities in a given customer base (Sichtmann and Selasinsky, 2010). This paper seek to establish the influence of market sensing capabilities on the performance of Telecommunication firms in Kenya hence providing a spectrum of knowledge and recommendations that will eventually enable the firms to tap more into their market base.

1.2 Problem statement

Effective strategic planning calls for a firm to raise their standards of understanding of their strengths that shape the situation and the mechanism for occurrence of the understanding and subsequently create a marketing strategy. Marketing capabilities such as sensing, partner linking, customer capabilities, functional capabilities among others have directly affect the performance of any firm. Superior market sensing capabilities greatly enhance an firms ability in identification of underserved market segments and the requirements being offered by their potential competitors but with failure in fulfilling specific requirements of the client and that of the channel to render services (Slater and Norvel, 2006).

Effective marketing is one of the important aspects that yield success for any given business. Competitive advantage can be realized when a firm has clear knowledge concerning what, who, where, when and how market operates. The study sought to determine the influence of strategic market sensing capabilities on performance of mobile telecommunication firms in Kenya by looking at their differences in performance yet all mobile telecommunication firms adopts a strategic market orientation capability.

1.3 Research Objective

This study objective was to determine whether market sensing capabilities influences performance of mobile telecommunication firms in Kenya.

2. Literature review

2.1 Market Sensing

Foley and Fahy (2009) 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. It can be expressed in terms of knowledge competences outside an organization culture (Dubihlela, 2013). Success of firms depends on the capabilities that will help identify and exploit opportunities in the environment (Tutueena & Serban, 2013). 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 (Ramaswami et al., 2004) and also by seeking insights beyond the sources (Day & Bulte, 2002). Market sensing is a superior market learning capability (Stoelhorst & Van Raaij, 2004) which plays a potential significant role in integrating a broader model of market orientation while market capabilities is a dynamic capability (Ramaswami et al., 2004; Olavarrieta & Friedman, 2007). Market orientation emerges from full decomposition of market sensing capability (Foley & Fahy, 2004).

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 (Johnson, Dibrell & Hansen, 2009). Successful firms must sense the needs of their target. Conceptualization of market orientation which places an emphasis on generating, disseminating and responding to market information effectively which represents the nature of market sensing capabilities (Day, 2007). Market sensing can be seen from the following perspectives: learning orientation, organization systems, marketing information and organization communication. Learning orientation is the commitment to learning, shared vision and open mindedness while organization systems are the organization structures, decentralization, formalization, reward system and benchmarking while marketing information is the development of marketing information system and organization communication which are the organization norms, values and decision criterion (Mahmoud et al., 2012).

2.2 Firm Performance

Firm performance is when a firm realizes proper coordination through effective communication, scheduling and task management (Protogerou et al., 2011). Theodosiou, Kehagias and Katsikea, (2012) also argues that firm performance can be realized through

proper coordination of tasks that increase the efficiency and effectiveness of firm performance. There are no unanimously agreed measures of organization performance among scholars and practitioners (Ghalomi et al., 2012; Ruekert & Walker, 2007; Hilman, 2014; Lin 2005; Bowen & Ostroff, 2004) measured organization performance in terms of multidimensional construct i.e. financial and non-financial measures. Lopez-Nicolas et al., (2011), emphasized that organization performance must be enhanced for MO programs to be effective.

Vaccaro et al., (2010) worked at organization performance in terms of cost and profitability while Wu and Lin (2009) looked at firm performance in terms of improving coordination efforts. Ruekert and Walker (2007) argued that firm performance is based on three dimensions: effectiveness (success of procedures such as changes of sales growth and market share), efficiency (ratio of input to output such as investment return and pre-tax profit), adaptability (responsiveness to opportunities afforded by changes in the business environment, for example, number of new products that succeed during particular time).

Rust, Amber, Carpenter, Kumar and Srivastava (2004) argued that firm performance outcomes result from market successes or when market positions are achieved and fundamental changes occur over time. Dornien and Selmi, (2012), identified three factors that determine firm performance: environmental-characteristic of industry, average profit and technological change, organizational factors-organization structure, company structure and company size, human factor-which includes firm chairman and management.

Venkatrman and Ramanajam (1986) classified performance measures according to different firm levels: financial indicators (poverty economic), non-economic (market share) and production efficiency and effectiveness. Matsuno and Mentzer (2000), consider economic and non-economic performance measures to understand the performance consequences of their strategies. Economic performance include: return on investment, return on assets, profit, sales volume, market share, revenue, product quality and financial position while non-economic factors include: customer loyalty, customer satisfaction, employee organization commitment, company image and social acceptance (Narver & Slater 1990; Jaworski & Kohli, 1993). Subjective performance measures include performance of the firm relative to their own expectations of their competitors and top management (Baker & Sinkula, 2005).

Bowen and Ostroff (2004) defined firm performance as use of firm’s strategic objectives which includes organizational resources, capabilities and systems. The study used the indicators identified by Ruekert and Walker (2007) which include effectiveness (success of procedures such as changes of sales growth and market share), efficiency (ratio of input to output such as investment return and pre-tax profit) and adaptability (new products).

3. Methodology

This study was conducted through a survey design. Survey design is used to investigate populations by selecting samples to analyze and discover occurrences (Oso & Onen, 2009). Survey design provided numeric descriptions of a sample of the population that was selected from the four mobile telecommunication firms in Kenya. Survey design is simple and economical to carry out. It is easy to understand a target population from analyzing a sample of it. The research study covered the whole nation and therefore survey design is suitable for covering the extensive research. The survey design helped to determine the influence of market orientation capabilities on mobile telecommunication firms.

The population consisted of all the local mobile telecommunication companies listed and licensed by the Communication Commission of Kenya (2013). The target population consisted of 462 employees in the top, middle and lower level managements. This included 4 Chief Executive Officers (CEOs), 31 Regional managers (RMs), 59 Directors (DIRs), 184 Shop Managers (SHMs) and 184 Customer Service Representatives (CSR_s) in four firms of the mobile telecommunication industry in Kenya which led to a sample population of 210 respondents. For primary data, Krejcie and Morgan formula was used in determining the sample.

Table 1: Sample distribution

Level of Management	Target population Per Stratum	Sample size Per stratum
CEO _s	4	4
RM _s	31	10
DIR _s	59	16
CSR _s	184	90
SHM _s	184	90
TOTAL	462	210

$$S = \frac{\chi^2 NP (1-P)}{d^2 (N-1) + \chi^2 P (1-P)}$$

Where:

S = the desired sample size

χ^2 = the table value of chi-square for one degree of freedom at desired confidence level which is 1.96x 1.96= 3.841

N = the population size

P = the population proportion assumed to be 0.5 since this provided maximum sample size and

d = the degree of accuracy expressed as a proportion 0.05

$$S = \frac{3.8416 \times 462 \times 0.5 (1-0.5)}{0.05^2 (462-1) + 3.8416 \times 0.5(1-0.5)} = 210 \text{ Respondents.}$$

The study used questionnaires and interview to collect data. The questionnaire had both open ended questions and closed questions. Open ended questions for detailed information and closed ended questions on facts on variables. The interviews were guided by an interview

guide which contained open ended questions. The interviews targeted top level management (CEOs). The questionnaire was administered to four respondents from among the CSRS, RMs, DIRs and SHMs exclusive of the CEOs. Expert judgment was used to enhance content validity through identifying weaknesses and trying to correct (Best & Kahn, 2011).

Data analysis helped bring order and meaning to the amount of information collected (Mugenda & Mugenda, 2003).

Descriptive and inferential statistics were the most appropriate in data analysis. Descriptive statistics include measure of central tendencies, standard deviation, range, variance among others while inferential statistics helped in measuring the relationship and difference among variables. Data analyzed using descriptive statistics were coded using Statistical Package for Social Sciences (SPSS).

4. Results and discussion

4.1 Market sensing capability and firm performance

Table 2: Market sensing capability and firm performance

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std.D ev.
Employee learning helps acquire new skills.	9.44%	11.11%	11.11%	38.33%	30.00%	3.68	1.27
The firm management ensures frequent upgrade of the system.	8.33%	11.11%	6.11%	43.89%	30.56%	3.77	1.23
The communication channel from the CEO to the CSR has been adopted.	9.44%	8.89%	11.11%	38.89%	31.67%	3.74	1.26
There is adoption of marketing information that enables the firm to maintain relationship with customers.	12.22%	8.33%	12.22%	34.44%	32.78%	3.67	1.34
Market research is carried out to ascertain the needs of customers.	8.89%	7.78%	13.33%	42.78%	27.22%	3.72	1.2
There are flexible structures that make the firm to respond to market orientation better than competitors.	7.22%	9.44%	11.67%	41.11%	30.56%	3.78	1.19
The firm is sensitive to competitors through adopting fair competition	7.78%	9.44%	12.78%	41.11%	28.89%	3.74	1.2
Employees are trained frequently.	7.22%	7.22%	11.11%	43.33%	31.11%	3.84	1.16
Average						3.74	1.23

The results in table 4.4 revealed that majority of the respondents (68.33%) agreed with the statement that employee learning helps them to acquire new skills. The results, further, reveal that majority of the respondents (74.45%) agreed with the statement that the firm management ensures frequent upgrade of the system. The results, also revealed that majority of the respondents (70.56%) agreed with the statement that the communication channel from the CEO to the CSR has been adopted. The results, also showed that majority of the respondents (67.22%) agreed with the statement that there is adoption of marketing information that enables the firm to maintain relationship with customers. The results also revealed that majority of the respondents (70.00%) agreed with the statement that market research is carried out to ascertain the needs of customers. The results also revealed that majority of the respondents (71.67%) agreed with the statement that there are flexible structures that make their firm to respond to market orientation better than competitors. The results revealed that majority of the respondents (70.00%) agreed with the statement that the firm is sensitive to competitors through adopting fair competition. In addition, majority of the respondents (74.44%) agreed with the statement that employees are trained frequently in their organization.

On a five point scale, the average mean of the responses was 3.74 which mean that majority of the respondents were agreeing with most of the statements; however the answers were varied as shown by a standard deviation of 1.23.

The respondents were also asked to state whether their firms have been able to assimilate and exploit market sensing capability. Majority of the respondents indicated that their firms have been able to assimilate and exploit market sensing capability. Some of their responses were as follows;

- Respondent 13 “yes”
- Respondent 25 “yes”
- Respondent 38 “yes”

The respondents were also asked to state whether their firms carry out market research. Majority of the respondents indicated that their firms carry out market research. Some of their responses are as follows;

- Respondent 1 “yes”
- Respondent 3 “yes”
- Respondent 6 “yes”

4.2 Firm Performance

Table 3: Firm performance

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std Dev
The firm has developed ways of grasping opportunities.	5.56%	15.56%	15.00%	44.44%	19.44%	3.57	1.13
The firm has increased on product differentiation.	9.44%	12.78%	9.44%	51.67%	16.67%	3.53	1.19
The firm sales ratio has increased.	7.22%	12.22%	13.33%	40.00%	27.22%	3.68	1.20
Information generation and dissemination has been effective.	7.22%	11.11%	13.89%	40.00%	27.78%	3.70	1.20
The firm growth has been accelerated by partnership with the government.	7.78%	13.33%	9.44%	40.56%	28.89%	3.69	1.24
The firm has expanded across the country.	9.44%	13.33%	14.44%	33.33%	29.44%	3.60	1.29
The firm pre-tax profit has gone up	10.56%	12.22%	13.33%	36.67%	27.22%	3.58	1.29
The firm ratio of input to output has increased.	8.33%	16.67%	17.22%	35.56%	22.22%	3.47	1.24
The firm's departmental coordination has reduced the operational cost.	10.56%	11.11%	11.11%	41.11%	26.11%	3.61	1.27
Average						3.60	1.23

The results in table 3 revealed that majority of the respondents (63.88%) agreed with the statement that their firm has developed ways of grasping opportunities. The results in the table also revealed that majority of the respondents (68.34%) agreed with the statement that their firm has increased on product differentiation. The results also revealed that majority of the respondents (67.22%) agreed with the statement that their firm sales ratio has increased. The results further, revealed that majority of the respondents (67.78%) agreed with the statement that information generation and dissemination has been effective. The results revealed that majority of the respondents (69.45%) agreed with the statement that the firm growth has been accelerated by partnership with the government. The results also showed that majority of the respondents (62.77%) agreed with the statement that their firm has expanded across the country. The results also indicated that majority of the respondents (63.89%) agreed with the statement that the firm pre-tax profit has gone up. Furthermore, the results showed that majority of the respondents (57.78%) agreed with the statement that their firm ratio of input to output has increased. In addition, the results revealed that majority of the respondents (67.22%) agreed with the statement that their firm's departmental coordination has reduced the operational cost. On a five point scale, the average mean of the responses was 3.60 which mean that majority of the respondents were agreeing with most of the statements; however the answers were varied as shown by a standard deviation of 1.23

Table 4: Correlational Analysis

		Average performance	Average market sensing
Average performance	Pearson Correlation	1	
Average market sensing capabilities	Pearson Correlation	.659**	1
	Sig. (2-tailed)	0.003	
** Correlation is significant at the 0.01 level (2-tailed).			
* Correlation is significant at the 0.05 level (2-tailed).			

In statistics significance testing the p-value indicates the level of relation of the independent variable to the dependent variable. If the significance number found is less than the critical value also known as the probability value (p) which is statistically set at 0.05, then the conclusion would be that the model is significant in explaining the relationship; else the model would be regarded as non-significant. The table further indicated that average market sensing capabilities and average performance are positively and significantly related (r=0.659, p=0.000).

Table5: Regression of coefficients

	B	Std. Error	t	Sig.
(Constant)	0.307	0.075	3.116	0.026
market sensing	0.102	0.049	2.086	0.038

Table 5 indicates that market sensing and organization performance are positively and significant related (r=0.102, p=0.038).

4.3 Hypothesis Testing

This study sought to determine the influence of market sensing capabilities on performance of mobile telecommunication firms in Kenya. The null hypothesis was; market sensing capabilities do not have a significant effect on the performance of mobile telecommunication firms in Kenya. Results are shown in Table 4.10 shows that, the calculated p value of 0.038 was less than the critical p value (0.05). This indicated that the null hypothesis was rejected hence market sensing capabilities have a significant effect on the performance of mobile telecommunication firms in Kenya.

4.4 Summary

This study sought to determine whether market sensing capabilities influences on performance of mobile telecommunication firms in Kenya. The findings revealed

that there was a significant association between market sensing capabilities and performance of mobile telecommunication firms. The findings were further supported by the statements in the questionnaire which majority of the respondents agreed. This was also supported by the regression results which revealed that market sensing capabilities had a positive and significant effect on performance of mobile telecommunication firms. These findings also agreed with that of Ramaswami et al., (2004) who stated 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.

5. Conclusion and recommendation

Based on the findings above the study concluded that market sensing capabilities have a positive and a significant effect on performance of mobile telecommunication firms. This study also concludes that effective market sensing capabilities of the firm are very essential reviewing the strengths and weaknesses of the firm. This study further concludes that mobile telecommunication firms in Kenya can be totally messed up if market sensing capabilities are not well developed and implemented. This study thus recommends that mobile telecommunication firms in Kenya should channel enough resource towards market related research in order for them to be up to date with the relevant customer needs and the gaps that they can capitalize on for competitive advantage.

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