Full Length Research Paper

How does strategic orientation affect organisational competitiveness? Evidence from a large cement manufacturing firm in Kenya

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Abstract

The cement industry in Kenya has experienced intense organizational competitiveness as many firms enter the industry to get a stake of the market. The objective of this study is to examine the effect of strategic orientation on organizational competitiveness among cement manufacturing firms. Specifically, the study sought to determine the effect of product orientation, customer orientation, competitor orientation, technology orientation, and technology orientation on the competitiveness of a large cement manufacturing company in Kenya. Primary data was collected using questionnaires which were administered to 33 respondents in the management positions of the organisation using drop-and-pick-later method. The collected data was analysed using descriptive analysis and regression analysis with the help of SPSS version 22. The study found that only product and technology orientations significant effects on firm competitiveness. The study found no evidence of a significant effect of customer and competitor orientations on competitiveness. The study concludes that the competitiveness of cement processing firms is influenced by the level of product orientation and the level of technology orientation. It is recommended cement manufacturing firms can improve their competitiveness by focusing on the technology orientation as a trade orientation.

Keywords: strategic orientation, product orientation, technology orientation, customer orientation, competitor orientation, cement industry, Kenya

INTRODUCTION

Background

Firm managers place different emphases on strategic behaviours and select strategic orientations dependent upon what they wish to accomplish (Olson et al., 2005). For example, firms with a strong customer orientation emphasize the creation and maintenance of customer value. More competitor-oriented firms encourage in-depth assessment of targeted competitors and cost-oriented firms pursue efficiency throughout their value chain (Porter, 1985). The different types of strategic orientations are not mutually exclusive; firms commonly engage in multiple sets of behaviours at the same time (Gatignon and Xuereb, 2007). Strategic orientations are
aspects of corporate culture (Hurley and Hult, 2008). Corporate or organizational culture represents intangible resources for firms (Barney, 2011). The deployment of those resources, i.e. orientations, will have different relative impacts (Day, 2004). Strategic orientation focuses resources to achieve desired outcomes. In the current context, the relationship between strategic orientation and organizational competitiveness is examined for a firm in the cement manufacturing industry. Kenya’s building and construction sector is amongst the most rapidly growing, experiencing an average growth rate of 14.2% for the period 2006 – 2011. Over the same period, Kenya’s economic growth, as measured by the real Gross Domestic Product rate (GDP) averaged only 4.3% declining to 4.38% in 2011 from 6.33% in 2006. Difficult global macro conditions (effects of high oil prices and the August 2007 commencement of the financial crisis) and Kenya’s 2008 post-election violence in the midst of a high inflation environment (inflation averaged 9.0%) resulted in the country’s subdued economic performance during the period. The local cement industry has experienced phenomenal growth in the last few years, headlined by the entrance of new players, making it one of the most dynamic and competitive market ecosystems in the region. An industry survey by the East African Cement Producers Association shows that installed cement production capacity has grown from three to 6.5 MT (million tonnes) between 2007 and 2014. Domestic demand has also increased, albeit more slowly, to 3.8 MT, up from 2.1 MT (Ochieng’, 2014).

While the cement industry, cement consumption in particular is highly correlated to a country’s economic performance, cement consumption experienced superior growth that was more than twice the rate of GDP growth during the period. Growing in tandem with the construction sector, cement consumption increased at an average rate of 14.1% for the period 2006 – 2011, with consumption reaching 3.43 million tonnes (mT) in 2011, up from 1.57mT in 2006. The key drivers of this growth in consumption included rising demand for housing (which triggered an upsurge in private sector funded housing developments), the commercial construction boom fuelled by increased foreign investment, and extensive government and donor-funded spending on the country’s mega infrastructure projects. As a result, per capita consumption (PCC) of cement increased at an average rate of 10.7% for the period to 83.9 kilograms (Kg) in 2011 from 50.0Kg in 2006 despite relative stagnation in annual population growth (Dyer and Blair, 2012).

Research problem

The cement industry in Kenya has seen intense organizational competitiveness as many firms enter the industry to get a stake of the market. The market is widespread as the firms not only serve local demand but also that of neighbouring countries such as Uganda, Tanzania, Rwanda, Burundi, Democratic Republic of Congo, and most recently South Sudan. The industry has both local and international players. With heightened organizational competitiveness, it is important to answer the following research question: How does strategic orientation of a cement manufacturing firm influence its competitiveness?


Purpose of the study

The study sought to examine the effect of strategic orientation on organizational competitiveness of a large cement manufacturing firm in Kenya. Specifically, the study seeks to:

i. Determine the effect of product orientation on organizational competitiveness.
ii. Examine the effect of customer orientation on organizational competitiveness.
iii. Determine the influence of competitor orientation on organizational.
iv. Assess the effect of technology orientation on organizational competitiveness.

Literature review

Effects of strategic orientation on competitiveness

The significance and importance of the relationship between market orientation and strategy is clearly
embedded in the existent literature. Market oriented activities and behaviours must somehow be articulated by the firm through strategic means that can lever business performance (Morgan and Strong, 1998). Since business strategy can explain the varying strength of the relationship between business performance and its market orientation (Matsuno and Mentzer, 2000), these strategic activities of market oriented businesses, underpinned by the different dimensions of strategic orientation, should be carefully studied to enhance the understanding of how such businesses turn their culture into competitive weapons (Slater and Narver, 1994).

Strategic product orientation is when management is more concerned with product quality. Managers are often obsessed with their products when a product orientation exists. Managers typically believe their products are unique and offer distinct benefits. They focus on consistent improvement of the product with the belief that an ideal product will effectively sell itself (Kess and Isoherranen, 2014). Galbraith (2005) defines the characteristics of product-centric company from 13 different viewpoints. Here the most important views from strategy point of view are considered to be the goal, main offering, value creation route, customer definition, organizational setup, reward priorities, the priority setting basis and the pricing. Several strategic orientation studies also have included measures related to specific product characteristics, including relative product quality (Jaworski and Kohli, 1993), and a variety of measures of new product distinctiveness and fit (Gatignon and Xuereb, 1997). In most cases, these measures have been modelled either as independent variables that exert a direct effect on performance or as variables that mediate the positive effect of market orientation on performance. Although results are equivocal, there is support for a positive, direct effect on performance by product quality (Jaworski and Kohli, 1993) and product advantage (Gatignon and Xuereb, 1997).

Customer orientation emphasizes the importance for a firm of gaining sufficient understanding of its customers and continuously finding ways to deliver superior customer value (Narver and Slater, 1990). Some researchers even consider customer orientation the fundamental aspect of a market orientation as it represents the belief of putting the customer's interest first (Deshpandé et al., 1993). Because customer orientation places the highest priority on meeting customers' needs, a customer-oriented firm is willing and able to identify and analyse customer needs and preferences and, consequently, can serve customers better. According to Narver and Slater (1990), customer orientation is the sufficient understanding of one's target buyers to be able to create superior value for them continuously. Deshpande et al. (1993) define customer orientation as "the set of beliefs that puts the customer interest first.” Therefore, in terms of a firm's innovative behaviour, a consumer-oriented firm can be defined as a firm with the ability and the will to identify, to analyse, to understand, and to answer user needs. A consumer orientation also emphasizes the identification of possible markets in the case of a technological breakthrough looking for commercial applications. Finally, a consumer orientation helps the firm to learn a large part of the market's technical issues and provides an evaluation of possible segments, of the importance of the market, and of its growth rate.

Competitor oriented firms compare their business with that of their competitors in terms of resources, cost positions, and financial performance (Day and Nedungadi, 1994). Such comparisons yield helpful insights for firms to understand their relative standing in the market, which enables them to anticipate and respond quickly to competitors' actions (Han et al., 1998). Hence, competitor-oriented firms can quickly match the marketing initiatives of competitors and, consequently, achieve superior performance. In a longitudinal study of the retail industry, Noble et al. (2002) find that competitor orientation strongly improves business performance. The competitive environment may affect the relative focus on customers versus competitors and the required level of competitor orientation. Greater benefits might be obtained from acting on a customer- rather than a competitor oriented perspective or vice versa (Day and Wensley, 1988). As Armstrong and Collopy (1996) indicate, at low levels of competitive intensity, the best strategy is to "do the best for your firm" rather than "beat your competitors," which implies a moderating role of competitive intensity on the effect of competitor orientation. Competitive intensity refers to the degree of Organizational competitiveness that a firm faces in the industry in which it operates. Specifically, the level of competitive intensity is indicated by the number of competitors and the frequency and intensity of use of certain marketing techniques (e.g., advertising, pricing, and promotion activities) to gain high market shares (Jaworski and Kohli, 1993). When market Organizational competitiveness is mild, competitor-oriented behaviours may create unnecessary Organizational competitiveness and lead to decreased performance. Moreover, information about competitors' actions may stimulate managers to adopt economically irrational behaviours.

Technology orientation suggests that consumers prefer products and services of technological superiority. Firms devote their resources to R&D, actively acquire new technologies, and use sophisticated production technologies (Voss and Voss, 2000). A technology-oriented firm is one with the ability and will to acquire a substantial technological background and use it in the development of new products (Gatignon and Xuereb, 1997). Because of their strong commitment to R&D application of latest technologies, technology-oriented firms can build new technical solutions and offer new and
advanced products to meet customer needs. Consequently, technology-oriented firms have a competitive advantage in terms of technology leadership and offering differentiated products, which can lead to superior performance (Hamel and Prahalad, 1994). Empirical evidence also suggests that a technology orientation has a positive relationship with new product (Gatignon and Xuereb, 1997) and firm (Voss and Voss, 2000) performance. The value of a technology orientation, however, likely depends on technological turbulence, which refers to the rate of technological changes within an industry. When the market environment is marked by rapid technological advances, the value and impact of prior technology deteriorates very quickly (Srinivasan et al., 2002), firms must allocate more resources to technology development, experiment with new technologies, and manage uncertainty through innovations; otherwise, they will be driven out of the market due to increasingly obsolete technology. Hence, a higher level of technology orientation is needed to cope with high levels of technological turbulence.

**Prior empirical literature**

Jaworski and Kohli (1993) find that the effect of market orientation on performance is not significantly moderated by market turbulence, technological turbulence, or competitive intensity. Slater and Narver (1994) find only three of 12 conditions in which environmental factors significantly moderate the relative emphasis on the customer (vs competitor) orientation–performance relationship. On the basis of these findings, Slater and Narver (1994) conclude that, through its commitment to deliver superior customer value, a market-oriented business should be able to achieve and sustain competitive advantage in any environmental situation and, accordingly, managers should not attempt to match their market orientation to current market dynamics.

Yang et al. (2012) examined the impact of strategic orientation on product innovation performance. This study was done among Chinese enterprises. The study found that customer orientation, technology orientation, and inter-functional orientation significantly influenced new product success. On the other hand, Slater et al. (2006) examined the moderating role of strategic orientation on strategy formation capability – performance relationship. The results showed that strategic orientation moderates the relationship between different elements of the strategy formation capability and performance.

Zhou et al. (2005) examined the effects of strategic orientations on technology and market based breakthrough innovations. The results showed that a market orientation facilitates innovations that use advanced technology and offer greater benefits to mainstream customers but inhibits innovations that target emerging market segments. A technology orientation is beneficial to technology-based innovations but has no impact on market-based innovations, and an entrepreneurial orientation facilitates both types of breakthroughs. Different market forces exert significant influence on technology- and market-based innovations, and these two types of innovations affect competitiveness differently.

Otieno et al. (2012) studied the influence of strategic orientation on performance of firms. This study focused on Kenya’s manufacturing companies. The findings revealed that performance of Kenya’s firms are significantly influenced by strategic orientation. The study concluded that Kenya’s manufacturing firms intent on enhancing their performance urgently need to adopt strategic orientation.

**RESEARCH METHODOLOGY**

Descriptive research design was adopted for this study. Descriptive design method provides quantitative data from cross section of the chosen population. The descriptive research collects data in order to answer questions concerning the current status of the subject under study (Mugenda and Mugenda, 2008). The target population for this study was employees in a large cement company (herein referred to as XYZ Company to safeguard their identity). Since this study was on strategic level management, the target respondents were the managers. For the XYZ Company, the 33 managers formed the population of the study. All the managers were sampled for the study using purposive sampling method as they were expected to have a deep knowledge about the strategic orientations of their firms.

The study collected primary data between November and December 2014. This was collected using questionnaires designed based on the objective of the study. The questionnaires were administered using drop and pick later method to the premises of the firm. This method has been used before by Voss and Voss (2000). A period of three weeks was given for the data collection process. Reliability of the instrument was measured using Cronbach’s alpha and it was found to have a reliability of 0.82 and thus was deemed reliable.

The questionnaire responses were first cleaned, categorized and entered in the SPSS software to facilitate analysis. Descriptive analysis was used to describe the variables under study. This was presented in terms of percentages, mean scores, median and standard deviations. To determine the effect of strategic orientation on Organizational competitiveness, the study used regression analysis method where the dependent variable was Organizational competitiveness and the independent variables were each of the types of strategic orientations. The following analytical model was adopted:
FINDINGS AND DISCUSSION

FINDINGS

Table 1 shows the descriptive results for strategic orientation. The results show that the most significant strategic orientation was customer orientation (M = 4.76, SD = .26) followed by competitor orientation (M = 4.13, SD = .68) and technology orientation (M = 3.67, SD = .72). These three strategic orientations explained how the cement manufacturing firms were oriented in the market. The firms were not product oriented (M = 2.18, SD = .57).

Table 2 shows the descriptive results for competitiveness. As the results show, firms competed on research and development (M = 3.71, SD = .90), changing of target markets (M = 3.41, SD = .92), adaptation to changes (M = 3.27, SD = 1.30), rate of marketing budget (M = 1.44, SD = .74), participation in strategic alliances (M = 0.55, SD = .15), and workforce fluctuation (M = 0.42, SD = .42).

The correlation analysis was conducted to assess the interrelationship between variables in order to understand how whether serial correlation existed between the predictor variables. As shown in Table 3, there was a high correlation of .889 between competitor orientation and technology orientation. However, a decision was made to retain all the variables given that these were important for the model under study and had been used in prior studies.

Table 4 shows the regression model summary. As the results show, there was a high correlation between the predictor variables and competitiveness ($R = .933$). The $R^2$ value shows that the model accounted for 87.1% of the variance in competitiveness. The adjusted $R^2$ shows...
Table 5. ANOVA

<table>
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<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
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<tbody>
<tr>
<td>Regression</td>
<td>13.932</td>
<td>6</td>
<td>2.322</td>
<td>38.400</td>
<td>.000</td>
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<tr>
<td>Residual</td>
<td>2.056</td>
<td>34</td>
<td>.060</td>
<td></td>
<td></td>
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<tr>
<td>Total</td>
<td>15.988</td>
<td>40</td>
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</table>

Table 6. Coefficients

<table>
<thead>
<tr>
<th></th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
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</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>1.829</td>
<td>1.441</td>
<td>1.270</td>
<td>.213</td>
</tr>
<tr>
<td>Product orientation</td>
<td>-.741</td>
<td>-.666</td>
<td>-7.103</td>
<td>.000</td>
</tr>
<tr>
<td>Customer orientation</td>
<td>.125</td>
<td>.050</td>
<td>.341</td>
<td>.735</td>
</tr>
<tr>
<td>Competitor orientation</td>
<td>-.400</td>
<td>-.430</td>
<td>-1.169</td>
<td>.251</td>
</tr>
<tr>
<td>Technology orientation</td>
<td>1.037</td>
<td>1.180</td>
<td>3.945</td>
<td>.000</td>
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</tbody>
</table>

that the model accounted for 84.9% of the variance in competitiveness.

Table 5 shows the ANOVA results from the regression analysis. As the results show, the F-statistic was 38.400 and was significant, p < .001. Thus, at 5% level, the model was fit to explain the relationship between strategic orientation and competitiveness.

Table 6 shows the regression coefficients. As shown, product orientation had a negative and significant effect on competitiveness (B = -0.761, p = 0.000). The results further show that technology orientation had a positive and significant effect on competitiveness (B = 1.057, p = 0.000).

DISCUSSION OF FINDINGS

The study found that product orientation had a negative effect on the competitiveness of cement manufacturing firms. This relationship was significant at 5% level. This means that the competitiveness of cement manufacturing firms was influenced by the level of product orientation. Thus, a unit increase in product orientation leads to a 0.761 decline in competitiveness. The study found that customer orientation had a positive effect on the competitiveness of cement manufacturing plants. This relationship was however insignificant. Therefore, the competitiveness of cement manufacturing plants in Nairobi and Mombasa was not influenced by the level of customer orientation. The study also found that competitor orientation had a negative effect on the competitiveness of cement manufacturing firms in Nairobi and Mombasa. This relationship was not significant. This shows that the competitiveness of cement manufacturing firms in Nairobi and Mombasa was not influenced by the level of competitor orientation of firms. The study also found that technology orientation had a positive effect on the competitiveness of cement manufacturing firms in Nairobi and Mombasa. This relationship was significant at 5% level. This means that the competitiveness of cement manufacturing plants in Nairobi and Mombasa is influenced by the level of technology orientation. Thus, a unit increase in technology orientation leads to a 1.057 increase in competitiveness.

CONCLUSION AND RECOMMENDATIONS

The study sought to examine the relationship between strategic orientation and competitiveness of cement manufacturing firms in Nairobi and Mombasa. The results showed that the most significant strategic orientation was customer orientation followed by competitor orientation and technology orientation. The results revealed that product orientation had a negative and significant effect on competitiveness. The study also found that customer orientation had a positive but non-significant effect on competitiveness. The study further revealed that competitor orientation had a negative but insignificant effect on competitiveness. The also showed that technology orientation had a positive and significant effect on competitiveness.

The study concludes that the competitiveness of cement manufacturing firms is influenced by the level of product orientation. This means that the level of product orientation that the cement manufacturing plants engage in will influence their overall competitiveness. Specifically, a more product oriented strategy will hurt the competitiveness of a firm. It is also concluded that the competitiveness of cement manufacturing plants in Nairobi and Mombasa is not influenced by the level of customer orientation. Firms are therefore unlikely to report better competitiveness by being customer-centric in their strategic orientation. The study also concludes
that the competitiveness of cement manufacturing firms in Nairobi and Mombasa was not influenced by the level of competitor orientation of firms. This means that a firm that focuses on competitors as a strategic orientation may not record better competitiveness than others. The further concludes that the competitiveness of cement manufacturing plants in Nairobi and Mombasa is influenced by the level of technology orientation. Thus, firms are more likely to report better competitiveness than their peers if they are focused on being well coordinated internally through their functions. This can be attributed to efficiency that comes in when functions are well coordinated.

The study recommends that cement manufacturing firms should not focus on product orientation as a strategic orientation as a focus on the same will hurt the competitiveness of the firms. Thus, it may be important that cement manufacturing firms’ strategic orientation is not based on the product but on inter-functional relationship. The management of cement manufacturing firms should therefore take this into cognizance. The study further recommends that the Government of Kenya should place an enabling environment to encourage more cement manufacturing firms to export their products more as this is likely to boost their competitiveness and also become a source of foreign exchange earner for the government. Policies should therefore be instituted to enable this to happen. The study also recommends that other cement processing firms can improve their competitiveness by focusing on the technology orientation as a strategic orientation. This will improve efficiency and lead to more production and therefore more earnings.

A number of limitations were noted. First, the study focused on one cement manufacturing firm. This therefore limits the applicability of the results to other cement manufacturing firms in Kenya or to other non-cement manufacturing firms. The study was also based on primary data collected from the respondents. Primary data may be non-reliable at times and the respondents can be biased in their responses. The study therefore suffers from the limitations inherent in all primary data. The study suggests that this study should be replicated in other sectors of the economy to study non-cement manufacturing firms. Such a study will provide results that can be compared to the present one or generalised to other industries. The study also suggests that more studies should examine the determinants of strategic orientation. This is important in order to inform firms on what they need to focus on more for them to be better oriented to trade in the market with others.

REFERENCES


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