

**EFFECT OF COMPETITOR ORIENTATION STRATEGY ON ORGANIZATIONS PERFORMANCE OF SMALL SCALE ENTERPRISES IN KISUMU CITY**

**FRANKLINE ONYANGO ODAYO & DONALD INDIYA GULALI**  
(Maseno University)

**ABSTRACT**

The purpose of this study was to establish the effect of competitor orientation strategy on organizations performance of small scale enterprises in Kisumu City. The target population for the study was 1321 registered small scale enterprises operating within Kisumu City, Kenya. Stratified random sampling technique was used to stratify the SSEs according to their type's i.e. educational facilities 27, Transport 113, Retail service 1053, Storage facilities 118 and Communication companies 10. Simple random sampling was then used to select a sample size of 30% from each subset giving a sample size of 396 SSEs. Data was collected using questionnaires. Data was analyzed objectively using Regression Analysis. The study findings revealed that competitor orientation accounted for 35.0% change in the performance of the enterprises and contributed uniquely to the organizational performance ( $\beta=.592$ ,  $p=.000$ ). The study concluded that there existed healthy competition among the SSEs, however the majority of the SSE owners didn't value it. Further, the researcher recommended that seminars be conducted to train SSE owners and hence shed light on how to respond to and integrate competition in business. The seminars may also clarify the significance of market orientation strategies as a key element of enhanced financial performance.

**Keywords:** Competitor orientation strategy, small scale enterprise, organization performance

**1.0 INTRODUCTION**

In today's highly competitive global market, top managers strive to improve their organizational effectiveness through execution of organizational strategies or capabilities that are linked to better performance (Okumus, 2003). As a result, marketing orientation strategies become a crucial strategy or capability of an organization to stay competitive in the current modest and uncertain business environment (Goldman & Grinstein, 2010). Marketing orientation strategies is considered as a marketing concept as well as a management strategy (Mokhtar, Yusoff, & Ahmad, 2014; Ramayah, Samat, & Lo, 2011). In fact, numerous scholars, practitioners, and researchers have acknowledged that marketing orientation strategies assist in developing marketing knowledge, superior performance, and competitive advantage (Ellis, 2006; Kirca, Jayachandran, & Bearden, 2005). Various definitions of marketing orientation strategies have been suggested by several scholars in the marketing literature (Day, 1994; Deshpande, Farley, & Webster, 1993; Kohli & Jaworski, 1990; Narver & Slater, 1990; Raaij & Stoelhorst, 2008; Ruekert, 1992; Shapiro, 1988). Remarkably, small

scale entrepreneurs have specific requirements from customers and competitors, and so they need detailed knowledge of their actual context and behaviours to deal efficiently. Thus, to perform well and remain competitive, small scale entrepreneurs need relevant and timely information about the market because opportunities and threats continuously change with the consequences of environmental turbulence, customers' preferences, and technology advancement (Wang, Chen, & Chen, 2012). According to Julian, Mohamad, Ahmed, and Sefnedi (2014), marketing orientation strategies could be considered as a predominant marketing strategy that can improve organizational performance. There is a lot of literature on empirical researches and case studies that have been conducted over the implementation of marketing orientation strategies in different fields, which guided managements to execute the best functional strategy. However, empirical studies that emphasize the implementation of marketing orientation strategies are still very few within the context of the small scale enterprises (SMEs) in Kisumu City, which provides an immense potential for future research. To enrich the existing literature of marketing orientation strategies, use in the small scale enterprises, this study makes an attempt to establish the effect of the customer, competitor and innovation orientation on organizational performance empirical insight of small scale enterprises in Kisumu City.

Competitor orientation emphasizes understanding of the strengths and weaknesses of existing and potential competitors and at the same time monitoring competitor behaviors in order to meet the latent and potential needs of the target customer (Hilman, 2009). Shin (2012) suggests that to understand current and potential competitors, a firm can assess its position, develop appropriate strategies, and respond quickly to competitors' actions with prompt precise actions in the short run and at the same time modify marketing programmes in the long run. Firms should adjust to market dynamics caused by competitors and better understand the changing market needs since the objective of a competitor oriented firm is to keep pace with or remain ahead of competitors (Kai and Fan, 2010) The ability of a firm to offer superior product/service offering, competitive pricing strategy, differentiated channel management, unique marketing communication and continuous marketing research activities can be supported better by high levels of competitor orientation which can lead to superior firm performance.

## 2.0 LITERATURE REVIEW

Ge and Ding (2005) conducted an empirical study on market orientation, competitive strategy and firm performance of Chinese firms. The study investigated the mediating effects of a firm's competitive strategy in the market orientation-performance relationship. Based on a sample of 371 manufacturing firms in China, evidence was found that the three dimensions of market orientation exert different effects on competitive strategy and performance. Among them, customer orientation had the strongest association with competitive strategy and market performance and therefore was the first priority for most firms. Competitor orientation had a significantly negative effect on market performance, while inter-functional coordination had an insignificant impact. A possible explanation lay in Chinese culture. Traditional Chinese value emphasizing harmonious relationship in conducting business remained as a prominent feature of modern Chinese business culture. Chinese managers tended to avoid face-to-face confrontation or head-on competition if they could. However, the possible effects of Chinese traditional culture on the impacts of competitor orientation need to be further explored.

Njeru and Kibera (2014) empirically assessed the perceived direct effects of the three components of market orientation namely customer orientation, competitor orientation, and the inter-functional coordination on Performance of Tour Firms in Kenya. The relevant primary data were gathered from Chief Executives and Senior Managers of the One hundred and four (104) Tour Firms registered with the Kenya Association of Tour Operators (KATO) using a semi-structured questionnaire. The results of the study revealed that the direct effects of the three components and the composite scores of market orientation were all positive and statistically significant. Among the three dimensions of market orientation and firm performance seems to be most influenced by competitor orientation. This high contribution by competitor orientation can be attributed to the competitive nature of the tourism industry. The relatively low contribution of inter-functional coordination to firm performance can be attributed to the size of the tour firms.

Marjanova Jovanov, T. (2014), study investigated the significance of the implementation of competition orientation as a part of market orientation for the financial performance of the entrepreneurial small and medium-sized companies in a developing economy. The methodology included both quantitative and qualitative methods and, the research was done in entrepreneurial companies from the food production industry. Data were analysed with SPSS. The conclusions were given on the basis of descriptive and deductive statistics. The results showed that companies of different sizes demonstrate a diverse level of implementation of competitor orientation, also a direct influence of the level of competitor orientation implementation on business profitability was found. It proves that to achieve higher financial performance, small and medium-sized companies must adopt and implement a higher level of competitor orientation, as a part of the market orientation process.

Hans Eibe Sorensen, (2009) investigated on decomposing market orientation into customer orientation, competitor orientation and innovation orientation, and the possible implications this decomposition may have for researchers and business practitioners. A cross-sectional questionnaire survey was used supplemented with census data on 308 manufacturing firms – Empirical evidence revealed that, while competitor orientation is positively related to a firm's market share, customer orientation is detrimental to a firm's return on assets for firms in less competitive environments.

Zhou, K.et al. (2009), study investigated the relationship between market orientation, competitive advantage and performance in the global hotel industry. The findings show that if a firm perceives its customers as valuing service, the firm is more likely to adopt both a customer and a competitor orientation; if the firm thinks its customers are price-sensitive, the firm tends to develop a competitor orientation. Moreover, the greater a firm's customer orientation, the more the firm is able to develop a competitive advantage based on innovation and market differentiation. In contrast, a competitor orientation has a negative effect on a firm's market differentiation advantage. Finally, innovation and market differentiation advantages lead to greater market performance (e.g., perceived quality, customer satisfaction) and in turn, higher finance performance (e.g., profit, market share). The results show that customer orientation relates positively to market performance (.21,  $p < .01$ ) whereas competitor orientation has no significant impact on market performance (.06,  $p = .58$ ).

The above studies have investigated the relationship between Competitor orientation strategies and performance at different periods of time and in different geographical contexts as well. These studies found that there existed a positive relationship between competitor orientation and performance for example, Hans Eibe Sorensen, (2009), Ge and Ding (2005), Njeru and Kibera (2014) Marjanova Jovanov, T. (2014), however, Zhou, K. et al. (2009) found negative results on competitor orientation and performance.

Empirical literature evidence suggests that there are no conclusive results amongst the existing literature. Furthermore, there is no universal method to find optimal literature on market orientation and performance on competitor orientation. Data collection modalities also varied. The current study empirically studied the effect of market orientation on performance of small scale enterprises in Kisumu city, Kenya registered under the county government of Kisumu.

### 3.0 DATA AND METHODOLOGY

This study adopted a correlational research design. This design was expected to test the hypotheses and meet the objectives of the study. Cross-sectional surveys have been used in previous studies dealing with performance appraisal and performance Serut (2013). According to Good(1963), the purpose of survey research design is to secure information and evidence on existing situations and to identify ways to compare present conditions in order to plan how to take the next step. The target population of the study was 2442, from which a sample of 96 was obtained by the help Nasiurma (2000). Data collected was analyzed quantitatively using descriptive statistics such as means, frequency counts and percentages to compare variables numerically and ascertain a pattern in the data set.

The study adopted a multiple regression model to determine the relationship between the variables of the study (adopted from Aiken and West, 1991); such that:

$$Y_i = 5.114 + \beta_1 X_{1-i} + \beta_2 X_{2-i} + \epsilon_i$$

Where:

$Y_i$  is the dependent variable

$X_{1-i}$  is the Organization Profits

$X_{2-i}$  is the Organization Sales

$\beta_0$  is the constant or intercept

$\beta_i$  ( $i=1,2,3$ ) is the regression coefficients or change induced in  $Y$  by each  $X$

$\epsilon_i$  is the Error assumed to have a normal distribution and constant

### 4.0 RESULTS AND DISCUSSION

The study administered a total of 396 questionnaires to a similar number of sample size selected from a target population of 1321 small scale entrepreneurs who own small scale enterprises. Out of this sample, a total of 379 questionnaires were duly filled and returned. This transformed to a response return rate of 95.70% which is satisfactory for the study.

The study sought to measure the effect of competitor orientation on organizational performance. The first step in the achievement of this objective was to measure the

respondent’s view on the extent of competitor orientation among the small scale entrepreneurship. The constructs used were; response to competitive actions that threatened them, the target of customers and customer groups where they have, regular discussion of competitor strength and strategies by top management, and communication of information about successful and unsuccessful customer experience across all business functions. Each statement gives the range of 1 = strongly disagree, 2 = disagree, 3 = neither, 4 = agree, and 5 = strongly agree.

**Table1 Effect of competitor orientation on organizations performance of small scale enterprises in Kisumu City**

Competitor Orientation Metrics	1	2	3	4	5	Mean	STD
We respond to competitive actions that threaten us	45(11.9)	18(4.7)	105(27.7)	183(48.3)	28(7.4)	3.34	1.09
We target customers and customer groups where we have, or can develop a competitive advantage	55(14.5)	29(7.7)	114(30.1)	124(32.7)	57(15.0)	3.26	1.23
The top management regularly discusses competitors’ strengths and strategies	28(7.4)	27(7.1)	145(38.3)	114(30.1)	65(17.2)	3.42	1.08
We communicate information about our successful and unsuccessful customer experiences across all business functions	27(7.1)	0(0.0)	124(32.7)	175(46.2)	53(14.0)	3.59	0.97

The findings in Table 1 indicate that majority, 183(48.3%) of the respondents agreed that the respondent to competitive actions that threatened them. Furthermore, majority, 114(30.1%) of the respondents agreed that they targeted customer groups where they have or can develop a competitive strategy, as indicated by a high mean and standard deviation (M=3.26, SD=1.23). It is also clear from the findings that there is a neutral response on top management regular discussion of competitors’ strengths and strategies as indicated by 145(38.3%) of the respondents with a mean of 3.42 and standard deviation of 1.08. Finally, majority, 175(46.2%) of the respondents agreed that they communicate information about their successful and unsuccessful customer experiences across all business functions, which was also supported by a mean and standard deviation (M=3.59, SD=0.97).

**Table 2: Correlation between competitor orientation and organizational performance of small scale enterprises in Kisumu city**

		mean competitor orientation	mean performance
mean competitor orientation	Pearson Correlation	1	.592**
	Sig. (2-tailed)		.000
	N	379	379

	Pearson Correlation	.592**	1
mean performance	Sig. (2-tailed)	.000	
	N	379	379

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

The findings on the correlation between the effect of competitor orientation and organizational performance of the small scale enterprises in Kisumu city are also presented as shown in Table 4.6 using Pearson Product Moment Correlation. From the correlation table above it can be noted that there exists a strong positive significant linear relationship between the competitor orientation and the organizational performance of the small scale enterprises with a correlation coefficient of 0.592. This implies that the performance of the small scale enterprises is positively associated with competitor orientation such that healthy competition among the entrepreneurs could positively lead to an improvement in the performance of their enterprises.

**Table 3: Model summary results on the effects of competitor orientation on the organizational performance of small scale enterprises in Kisumu city Model Summary**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of Estimate	Change in the R Square	Change in F	df1	df2	Sig. Change	F
1	.592 <sup>a</sup>	.350	.349	.76778	.350	203.413	1	377	.000	

a. Predictors: (Constant), mean competitor orientation

There is a relationship between competitor orientation and organizational performance, It was, therefore, necessary to establish the percentage change in the organizational performance of the small scale enterprises accounted for by competitor orientation. The findings are presented as shown in Table 3 which shows the model summary results on the percentage change. The model summary shows that from the fitted model about 35.0% of the change in the performance of the enterprises is accounted for by competitor orientation (R square change=.350, p=.000). An adjustment of the R square value after shrinkage which is also a control of underestimation or overestimation of the R square value revealed a value of 0.349. This implied that there was a difference of 0.001, which is 0.1%, thus a small adjustment to show the true population estimate. The findings are significant F(1, 377)=203.413, at p=.000, which is less than 0.05 thus implying that the overall model was well fit and the results are not by chance. Thus from the model, 34.9% is a significant value, meaning that competitor orientation accounts for organizational performance.

**Table 4: Unique contribution of competitor orientation on the organizational performance of small scale enterprises in Kisumu city**

Model		Unstandardized Coefficients	Std. Error	Standardized Coefficients	T	Sig.
	B			Beta		
1	(Constant)	1.125	.163		6.898	.000

mean orientation	competitor	.663	.046	.592	14.262	.000
---------------------	------------	------	------	------	--------	------

a. Dependent Variable: mean performance

Table 4 above shows the standardized and unstandardized coefficients of the competitor orientation. There would still be some significant organizational performance even if competitor orientation was not factored in the model as indicated by the unstandardized coefficient value of 1.125. However, competitor orientation being factored in as shown on the standardized coefficients indicated that competitor orientation uniquely contributes to the organizational performance ( $\beta=.592$ ,  $p=.000$ ), which is a strong and significant contribution. Therefore, the existence of healthy and meaningful competition among entrepreneurs is key for good and improved performance of their small scale enterprises in Kisumu city because competition has a unique contribution which is also strong and significant.

These findings are in line with those of HaimHilma and Narentheren Kaliappen (2014). They examined the respective links between the dimensions of competitor orientation and customer orientation and performance in the context of hotels in Malaysia. The findings indicated that hotels in Malaysia practised competitor orientation and customer orientation as their core marketing strategy. Specifically, both competitor orientation and customer orientation positively linked to organizational performance. The findings showed that both competitor orientation and customer orientation have a positive link with performance, with  $\beta = 0.645$ ,  $p < .01$  and  $\beta = 0.665$ ,  $p < .01$ , respectively.

These findings are as well similar to those by Zhou, K.et al. (2009) who investigated the relationship between market orientation, competitive advantage and performance in the global hotel industry. The findings showed that if a firm perceives its customers as valuing service, the firm is more likely to adopt both a customer and a competitor orientation; if the firm thinks its customers are price sensitive, the firm tends to develop a competitor orientation. Moreover, the greater a firm's customer orientation, the more the firm is able to develop a competitive advantage based on innovation and market differentiation. But in contrast, according to their study findings, competitor orientation has a negative effect on a firm's market differentiation advantage.

## 5.0 SUMMARY

The study sought to assess the effect of competitor orientation on organizations performance of small scale enterprises in Kisumu City. The findings revealed that there existed a relationship between organizational performance and competitor orientation. The study also found out that competitor orientation had some effects and contributed to the growth and performance of the SSEs. Competitor orientation accounted for 35% change in SSEs' performance. The study hence concluded that their existed healthy competition among the SSEs, however, the majority of the SSE owners didn't value it.

From the study objective, the researcher recommended that seminars be conducted to train SSE owners and hence shade light on how to respond to and integrate competition in

business. The seminars may also clarify the significance of market orientation strategies as a key element of enhanced financial performance.

## REFERENCES

- Cadogan, J. W. (2009). Export market-oriented behavior and export performance differing degrees of market dynamism and internationalization. *Journal of International Marketing*, 45(1), 150-180.
- Eisenhardt, K. &. (2000). Dynamic capabilities: What are they? *Strategic Management Journal*, 21(10/11), 1105-112.
- Ellis, P. D. (2006). Market orientation and performance: A meta-analysis and cross national comparisons. *Journal of Management Studies*, 43(2), 1089-1097.
- [Haim, Hilman & Narentheren Kaliappen](#) (2014) Market Orientation Practices and Effects on Organizational Performance Empirical Insight From Malaysian Hotel Industry. *Journal of Business Research*.
- Han, J. K., Kim, N., & Srivastava, R. K. (1998). Market orientation and organizational performance: Is innovation the missing link? . *Journal of Marketing*, 62(4), 30-45.
- Ge, G. L. & Ding, D. Z. (2005). Market orientation, competitive strategy and firm performance: an empirical study of Chinese firms. *Journal of Global Marketing*, 18(3/4), 115-142.
- Hilma (2014). "Innovation strategies and performance: are they truly linked?". *World Journal of Entrepreneurship, Management and Sustainable Development*, Vol. 11 Issue: 1, 48-63.
- Javalgi, R. G. (2005). Market orientation, strategic flexibility, and performance: implications for services providers. *Journal of Services Marketing*. 19(4) 212-222.
- Kirca, A. H., Jayachandran, S., Bearden, W. (2005). A meta-analytic review and assessment of its antecedents and impact on performance. *Journal of Marketing*, 69(1), 24-41.
- Kirlinger (2009). Fundamentals of Management of Research Methods. Macmillan Kenya Publishers Ltd.
- Kohli, A. H., Jaworski, B. J. (1990). Market orientation: The constructs, research propositions and managerial implications. *Journal of Marketing*, 54(2), 1-18.
- Marjonova Jovanov T. (2014) significance of the implementation of competition orientation as a part of market orientation for the financial performance. *Journal of Economics, University of Banja*, 477-490.
- McEachern, M. W. (2005). Improving customer orientation within the fresh meat supply chain: A focus on assurance schemes. *Journal of Marketing Management*, 21 (1), 89-115.
- Nguyen, H. (2014). *The impact of service scripts on customer citizenship behavior and the moderating role of employee customer orientation*. *Psychology & Marketing*, 31(12), 1096-1109.
- Njeru, W. G. (2014). *The perceived effects of the three components of market orientation on the performance of tour firms. Kenya: European Scientific Journal*, 10(25), 266-285.
- Okumu, F. (2003). *A framework to implement strategies in organizations*. Management Decisions vol.41.9. MCBUP .
- Raaij, E. M. (2008). The implementation of a market orientation: A review and integration of the contributions to date. *European Journal of Marketing*, 42, 1265-1293.
- Ruekert, R. W. (1992). Developing a market orientation: An organizational strategic perspective. *International Journal of Research in Marketing*, 9, 225-245.



- Shin, N. (2012). *Strategies for competitive advantage in electronic commerce*. :Unpublished MBA Project University of Nairobi.
- Van der Aa, W and Elfring, T. (2002). Realizing Innovation in Services. *Scandinavian Journal of Management Vol 18 No 2* 155-171.
- Wang, C. H., Chen, K. Y., Chen, S. C. , (2012). Total quality management, market orientation and hotel performance: The moderating effects of external environmental factors. *International Journal of Hospitality Management, 31*, 119-129.
- Zhou, K. Z., Brown, J. R., Dev, C. S. (2009). Market orientation, competitive advantage and performance: A demand perspective. *Journal of Business Research, 45(1)*, 180-250.