



TECHNIUM
SOCIAL SCIENCES JOURNAL



Vol. 56/2024
A New Decade for Social Changes

PLUS
COMMUNICATION P



International
Communication & PR

The influence of strategic competitive response capability on the performance of commercial organizations in Kenya listed in Nairobi securities exchange

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Abstract. Strategic competitive response has been identified as effective factor that harnesses a business ability to utilize all its skills, capabilities and resources in order to gain competitive advantage and thus survive and increase its value over time. It focuses on the organization's assets, resources and market position, projecting how well it will be able to employ strategies in the future. This study sought to explore the influence of strategic competitive response capability deployment on performance of listed organizations in Nairobi securities exchange. There is a dearth of studies empirically investigating the relationship between interaction of strategic competitive response capability deployment and organizational performance. This gap in knowledge is exacerbated by multiple definitions, ambiguity of constructs, contradicting views and little grounding of the theory in empirical observation. The objective was to determine the influence of strategic response capability performance. The study employed two theories to explain the interaction of strategic competitive response action and organizational performance, the theories were resource-based view and dynamic capabilities theory. A cross sectional research design was employed with the focus set on the operations of corporations listed in Nairobi securities exchange. A census survey of 67 firms was conducted. The results show that strategic competitive response has a positive statistically significant relationship with performance ($\beta=0.600$, $p=.000$). The results have also shown that strategic competitive response was positively correlated to organizational performance at 99% confidence level ($r=6.45$, $p=0.000$). This study concludes that strategic competitive response capability significantly influences organizational performance positively. The findings of this study would help firms listed in the Nairobi Securities Exchange identify critical factors and design sustainable strategies to improve their strategic competitive response capability through strategic planning and ensuring that they are up to date with modern trends in technology and other information related to their industry.

Keywords. Strategic Competitive Response, Organizational performance, Dynamic capabilities

Introduction

Organizational Performance can be seen as a measure of how efficiently and effectively managers use available resources to satisfy customers and achieve organizational goals. Two words are important in this matter, Efficiency and Effectiveness; efficiency being a measure of how well or how productively resources are used to achieve a goal, while effectiveness is seen as a measure of the appropriateness of the goals an organization is pursuing

and the degree to which they are achieved. According to Ibraimi (2014), the relationship between strategy and performance can contribute to greater effectiveness for individual firms and entire economies.

Reviewing past studies reveals a multidimensional conceptualization of organizational performance related predominately to stakeholders, heterogeneous product market circumstances, and time. A review of the operationalization of performance highlights the limited effectiveness of commonly accepted measurement practices in tapping this multidimensionality. Addressing these findings requires researchers to possessing a strong theoretical rationale on the nature of performance i.e., theory establishing which measures are appropriate to the research context and relying on strong theory as to the nature of measures of the theory establishing which measures should be combined and the method for doing so (Bryant & Widener 2004).

The primary focus of strategic management as a body of knowledge is how organizations generate and sustain advantage (Abrosini and Bowwan, 2000). Most strategic management studies have measured performance using conventional measures of economic prosperity, based on shareholders approach. The two most popular measure related to economic prosperity of performance are return on assets and growth in sales.

Strategic Competitive Response Capability deployment

Strategic competitive response capability is based on the extended definition of dynamic capabilities proposed by Wang and Ahmed (2007) to include the creation of market change as well as the response to exogenous change (Helfat et al., 2007). This capability can be conceptualized as the ability of the firm to scan the environment, identify new opportunities, assess its competitive position and respond to competitive strategic moves. Even when a well-established firm is aware of a need for change to address shifting environmental requirements, it is often difficult to respond effectively. For example, empirical research provides evidence that changes related to even minor technology shifts are often hard to be addressed effectively. However, the capability to sense and strategically respond to environmental challenges is of utmost importance as it enables the firm to reconfigure certain competences before they become core rigidities (Teece, 2010; Frese, 2008).

In choosing what moves their firms, executives have to decide whether to respond to moves made by rivals. Figuring out how to react, if at all, to a competitor's move ranks among the most challenging decisions that executives must make. Research indicates that three factors determine the likelihood that a firm will respond to a competitive move: awareness, motivation, and capability. These three factors together determine the level of competition tension that exists between rivals

Awareness is a statement that must be found primarily for competitive actions and responses taken by the company or competitors, and includes the extent to which competitors are aware of the degree of interdependence as a result of resource similarity and market partnerships (Hitt et al., 2005). Awareness also refers to the awareness of the company, its competitors, the competitive elements in the industry, and the competitive environment. The level of awareness is very important because it affects the level and conception of conclusions about the results of the company's actions in a competitive environment (Smith et al., 2001). Motivation comes from the Latin word *movere* which means drive or driving force. In management it is only aimed at human resources in general and in particular subordinates (Purba and Sudibjo, 2020). Motivation involves the incentives offered by the company to move or respond to rush opponents in relation to perceived advantages and disadvantages (Ireland, et

al, 2011). The company may be aware of its competitors, but if you see that the movement of competitors will not have a negative impact on the company, the motivation to enter competition with competitors will be low (Hitt et al, 2005). In his research on competitive dynamics, he noted that organizational characteristics such as past performance and market dependence (Heuermann, 2005), reflect motivation to move (Smith et al., 2001). A company with high market dependence will be more aggressive in maintaining its market position (Heuermann, 2005).

Capability is about the resources of each company and the flexibility required they give. Without the right resources (such as capital and people), the company will not have the capability to make moves or respond to its actions (Hitt et al, 2005). However, similar resources will bring about similar capabilities for movement and response (Chen, 1996).

Study methodology

The study was done through a census survey of commercial organizations listed at the Nairobi securities Exchange. The target population was 67 the whole population of listed companies. Four questionnaires were administered in each of the firms, making the sample population to be 268. The questionnaires were dropped to four heads of strategic business units that included finance, operations, corporate communication and human resources. The questionnaires were administered using drop-and-pick later method that facilitated ample time to respond. The questionnaire was divided into 3 categories general information and the following variables, competitive strategic response, performance measurement. Primary data was collected through semi structured questionnaire with 5- point Likert-style scale strongly agree disagree questionnaire. The unit of analysis was commercial organizations listed in Nairobi Securities Exchange because the study was to identify the influence of strategic competitive response capabilities deployment, and performance for commercial organizations listed in Nairobi Securities Exchange. The research was cross sectional as the data was gathered just once over a period of months. Analysis was done using descriptive and inferential statistics that entailed linear regression and correlation analysis that yielded coefficients for interpretation and making conclusions. The following regression model was used in data analysis.

$$\text{Models 1: } Y = \beta_0 + \beta_1 X + \varepsilon$$

Where;

Y: Is the Organizational Performance β_0 : is Constant terms for corresponding variables

X1: Strategic competitive response capability deployment ε : is the error term

Strategic Competitive Response capability

The respondents were asked to indicate their level of agreement or disagreement with statements regarding strategic competitive response and they used a likert scale of 1-5 where 1 was strongly disagree, 2 disagree, 3 neutral, 4 agree and 5 strongly agree. The results show that respondents were neutral on the statement that their organization embraces strategic planning in its every day operations (58.1%). The results also show that majority of the respondents agreed with the statements that their organization engages in active intelligence gathering to retain competitive position (62.1%) and that their organization reviews and upgrades its products regularly (50.2%). Majority of the respondents agreed with the statements that strategy is clearly translated into organizational, departmental, unit and individual goals and objectives (55.7%), that their organization is flexible to adaptation of new industry and market trends

(59.1%) and that their organization supports R&D to maintain competitiveness and work on progress regularly (60.1%).

The results in table 4.5 shows that overall, respondents agreed with the statements that the management of the organization believes in continuous planning, fast collection and analysis of market information to always accomplish more for the team success (M=4.32, SD=.710). The findings also show that overall respondents agreed also with the statements that their organization reviews and upgrades its products regularly (M=4.12, SD=.696), strategy is clearly translated into organizational, departmental, unit and individual goals and objectives (M=4.24, SD=.713) and that their organization is flexible to adaptation of new industry and market trends (M=4.17, SD=.654).

Table 4. 1: Descriptive Statistics for Strategic Competitive Response Capability Factors

	Minimu	Maximu	Mean	Std. Deviation	Skewness	Kurtosis	Statistic	Std. Error	Statistic	Std. Error
Our organization embraces strategic technological trends in the industry										
planning in its every day operations	1	5	3.43	.710	.171	.171	1.281	.340		
My organization engages in active intelligence gathering to retain competitive position	3	5	3.90	.609	.054	.171	-.325	.340		
The management of the organization believes in continuous planning, fast collection and analysis of market information to always accomplish more for the team success	2	5	4.32	.710	-.792	.171	.301	.340		
My organization reviews and upgrades its products regularly	3	5	4.12	.696	-.171	.171	-.924	.340		
Strategy is clearly translated into organizational, departmental, unit and individual goals and objectives.	1	5	4.24	.713	-1.373	.171	4.638	.340		
The organization deeply is up to date with the	2	5	3.99	.738	-.134	.171	-.748	.340		
This organization is flexible to adaptation of										
.340 new industry and market trends	2	5	4.17	.654	-.507	.171	.651			

My organization supports R&D to maintain

1 5 3.96 .720 -.900 .171 2.810
.340 competitiveness and work on progress regularly

Factor Analysis Results

Factor analysis was done for the variables of the study. The factor analysis results of the variables are presented. These variables include strategic competitive response, and organizational performance.

Strategic Competitive Response Capability deployment

The results show that two factors underlie strategic competitive response capability deployment. These two factors were extracted as they have an eigenvalue of 1.0 or higher. The results in table 4.12 show that the first factor explains 32.8% while the second factor explains 20.7% of strategic competitive response. The two factors cumulatively explains 53.5% of variation in strategic competitive response.

Table 4. 2: Total Variance Explained for Strategic Competitive Response Capability deployment Factors

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.622	32.779	32.779	2.622	32.779	32.779	2.148	26.854	26.854
2	1.655	20.688	53.467	1.655	20.688	53.467	2.129	26.613	53.467
3	.929	11.607	65.074						
4	.802	10.029	75.103						
5	.677	8.456	83.559						
6	.507	6.343	89.903						
7	.434	5.419	95.322						
8	.374	4.678	100.000						

Table 4.13 shows that four items loaded high on the first factor. They included strategy is clearly translated into organizational, departmental, unit and individual goals and objectives (.780), my organization supports R&D to maintain competitiveness and work on progress regularly (.738), this organization is flexible to adaptation of new industry and market trends (.647) and our organization embraces strategic planning in its every day operations (.642). The items that loaded high on the second factor included the statements that the organization deeply is up to date with the technological trends in the industry (.809), my organization reviews and upgrades its products regularly (.710), the management of the organization believes in continuous planning, fast collection and analysis of market information to always accomplish more for the team success (.692) and that my organization engages in active intelligence gathering to retain

competitive position (.426). Based on the items that loaded high on the two factors, the first factor is strategic planning while the second factor is state-of-the-art trends in technology and information in the industry.

Table 4. 3: Rotated Component Matrix for Strategic Competitive Response Factors

	Component	
	1	2
Strategy is clearly translated into organizational, departmental, unit and individual goals and objectives.	.780	
My organization supports R&D to maintain competitiveness and work on progress regularly	.738	
This organization is flexible to adaptation of new industry and market trends	.647	
Our organization embraces strategic planning in its every day operations	.642	
The organization deeply is up to date with the technological trends in the industry		.809
My organization reviews and upgrades its products regularly		.710
The management of the organization believes in continuous planning, fast collection and analysis of market information to always accomplish more for the team success		.692
<u>My organization engages in active intelligence gathering to retain competitive position</u>		

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.^a

a. Rotation converged in 3 iterations.

The Kaiser-Meyer-Olkin Measure of Sampling Adequacy is 0.694 which is average and shows that patterns of correlations are relatively compact and so factor analysis should yield distinct and reliable factors. Factor analysis was therefore appropriate for these data. The Bartlett's Test of Sphericity is highly significant ($p < 0.000$), and therefore factor analysis is appropriate.

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.694
Approx. Chi-Square	340.277
Bartlett's Test of Sphericity df	28
Sig.	.000

Organizational Performance

The results show that three factors underlie organizational performance. These three factors were extracted as they have an eigen value of 1.0 or higher. The results in table 4.16 show that the first factor explained 25.6% of variation in organizational performance while the second factor explained 16% of variation in organizational performance. The third factor explained 13.4% of variation in organizational performance. Cumulatively, the three factors explained 55% of variance in organizational performance.

Table 4. 4: Total Variance Explained for Organizational Performance Factors

Component of Squared	Initial Eigenvalues	Extraction Sums of Squared		Rotation Sums
		Loadings	Loadings	

Total		% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.050	25.629	25.629	2.050	25.629	25.629	1.509	18.862	18.862
2	1.283	16.035	41.663	1.283	16.035	41.663	1.459	18.238	37.100
3	1.070	13.378	55.041	1.070	13.378	55.041	1.435	17.941	55.041
4	.989	12.356	67.398						
5	.883	11.037	78.435						
6	.718	8.976	87.411						
7	.639	7.993	95.404						
8	.368	4.596	100.000						

Results in table 4.17, shows that three items loaded high in the first factor, another three in the second factor and four in the third factor. The items that loaded high on the first factor included statements that customers' needs are responded to swiftly (.825), the organization has gained new customers recently (.658) and the organization observes delivery on-time and on specification to its customers (.469). The items that loaded high on the second factor included the statements that the organization has gained new customers recently (.406), the company's customer groups and market segments are clearly defined and selected (.823) and the organization has a high customer retention (.692). The items that loaded high on the third factor included the statements that the organization has a high customer retention (.359), there are processes to improve efficiency (.772), the organization has achieved the image of a trusted supplier (.719) and there are new products and services based on customer needs (.391). Based on the items that loaded high on the factors, the first factor can be deduced to be customer focus while the second and third factors are customer loyalty and efficient processes respectively.

Table 4. 5: Rotated Component Matrix for Organizational Performance Factors

	Component		
	1	2	3
Customers' needs are responded to swiftly	.825		
The organization has gained new customers recently	.658		
The organization observes delivery on-time and on specification to its customers			
The company's customer groups and market segments are clearly defined and selected		.823	
The organization has a high customer retention	.692		
There are processes to improve efficiency		.772	
The organization has achieved the image of a trusted supplier			.719
There are new products and services based on customer needs			.391

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.^a

a. Rotation converged in 6 iterations.

The Kaiser-Meyer-Olkin Measure of Sampling Adequacy is 0.495 which is close to 0.5 hence average and shows that patterns of correlations are relatively compact and so factor analysis should yield distinct and reliable factors. Factor analysis was therefore appropriate for these data.

performance	Sig. (2-tailed)	.000
N	203	203

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

Hypothesis Testing

Simple linear regression analysis was done to test the study hypothesis H_1 . The model used for analysis is $Y = \beta_0 + \beta_1 X_1 + \epsilon$. The results presented in table 4.19 show that predictor variables strategic competitive response, explain 45.7% of change in dependent variable organizational performance ($R^2 = .457$).

Table 4. 7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.682 ^a	.465	.457	1.27661

a. Predictors: (Constant), Strategic competitive Response.

Analysis of variance (ANOVA) was used to test the fitness of the analysis model. The results of F value show that the analysis model used was fit and the results obtained were significant hence did not occur by chance ($F = 57.612$, $p = .000$). These results are shown in table 4.20.

Table 4. 8: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	281.681	3	93.894	57.612	.000 ^b
1 Residual	324.319	199	1.630		
Total	606.000	202			

a. Dependent Variable: Organizational Performance

b. Predictors: (Constant), Strategic Competitive Response, Coordination, Organizational Learning

The coefficients shown in table 4.21 indicate that strategic competitive response capability deployment contributed to organizational performance by a factor of 0.6 ($\beta = .600$, $p = .000$). Strategic competitive response capability deployment has a statistically significant contribution to organizational performance. The results mean that we reject the third hypothesis H_3 *strategic competitive response capability deployment has no significant relationship with organizational performance*. These results are shown in table 4.21.

Table 4. 9: Coefficients

Model	Unstandardized Coefficients	Standardized	t	Sig.		
Coefficients	B	Beta				
	Std. Error					
(Constant)	-5.613	.090	.000	1.000		
Strategic Competitive Response		.600	.085	.490	7.066	.000

a. Dependent Variable: Organizational performance

Tables 4.19 and 4.21 summarize these findings. These results of simple linear regression have illustrated that strategic competitive response capabilities deployment explain 45.7% of change in dependent variable organizational performance ($R^2=.457$).

Discussion

The objective of the study was to determine the influence of strategic competitive response capability deployment on the performance of commercial organizations in Kenya listed in Nairobi Securities Exchange. The hypothesis *H01 Strategic competitive response capability deployment has no significant relationship with organizational performance* was tested. The results show that strategic competitive response has a positive statistically significant relationship with organizational performance hence the study rejected null hypothesis. The better, the strategic competitive response capability deployment by the organization better the organizational performance. Strategic planning and state-of-the-art trends in technology and information in the industry are the two important elements of strategic competitive response. The results show that strategic competitive response capability deployment has a positive statistically significant relationship with organizational performance. The better the strategic competitive response capability deployment, the better the organizational performance.

Conclusion and implication

This study concludes that strategic planning and state-of-the-art trends in technology and information in the industry are two important pointers of strategic competitive response for organizations. The study also concludes that strategic competitive response significantly influences organizational performance of firms listed at the Nairobi Securities Exchange. The higher the strategic competitive response capability a firm has, the better the organizational performance. These results are in agreement with argument by (Helfat, 2007) described strategic competitive response as the ability of the firm to scan the environment, identify new opportunities, assess its competitive position and respond to competitive strategic moves. (Teece, 2007) and (Frese, 2008) also emphasized on the capability to sense and strategically respond to environmental challenges. They observed that this capability is of utmost importance to organizational performance as it enables the firm to reconfigure certain competences before they become core rigidities. The study as well agrees with (Katkalo et al., 2010), strategy as sensing being recognition of market and technological opportunities and the mobilization of requisite resources. The study also postulates that strategic competitive response enhances information processing, hence issues are identified and appropriate responses taken much sooner than would otherwise be the case in the firms strategic planning process as according to (Ibid, 1995). These also collaborates empirical studies observing that fast decision makers collect more information and develop more alternatives than do the slow decision makers (Eisenhardt, 1989).

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