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THE ROLE OF FIRM CHARACTERISTICS IN THE RELATIONSHIP BETWEEN MARKETING STRATEGIES AND ORGANIZATIONAL PERFORMANCE OF FOOD AND BEVERAGE PROCESSING COMPANIES IN KENYA

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Abstract
This paper sought to establish the role of Firm characteristics in the relationship between marketing strategies and firm performance of Food and Beverage processing Companies in Kenya. The study adopted a descriptive cross sectional survey method. A census survey comprising 71 senior managers was contacted for this study. Data was analyzed using descriptive and simple regression analysis. The findings established that there is a positive correlation between structure related characteristics (Age and size) and performance of food and beverage processing companies. The regression results revealed positive moderating effects of firm characteristics in the relationship between Marketing strategies and firm performance. This study gives a theoretical contribution in strategic marketing literature by suggesting a model that explains the role of moderating variable in the marketing strategies- firm performance relationship in manufacturing context as supported by the empirical results presented. The study recommends for marketing practitioners and policy makers in food and Beverage companies to look for the appropriate mix of marketing strategies and firm characteristics for optimal firm performance. In addition the study recommends to policy makers to push for legislations aimed at low interest rates for startup firms, reduced tax on essential processed commodities and subsidized inputs by the Government. It is also prudent for policy makers to push for budgetary allocations through the legislative arm of Government to sectors that enhance the industry growth like educational institutions and research bodies.

Keywords: Firm Characteristics Marketing strategies, Firm performance.

1.0 Introduction

Strategy formulators and marketing managers use marketing mix elements in their endeavors to satisfy customer expectations and attain long term organizational goals (McCarthy, 1971). These elements are popularly known as the four Ps and are the major marketing strategy components that marketers use to design a mix that cater for their market needs (Jha, 2012).Kotler and Armstrong (2011) in their book on marketing principles assert that the entire firm's marketing mix efforts should be geared towards improving organizational performance. The success of an organization is defined by the ability to execute marketing strategy decisions effectively and efficiently (Varadarajan, 2010).

Firm characteristics contribute to a large extent the overall firm performance. Studies indicate that aligning firm attributes with the environmental characteristics is a capability that can enhance performance in any industry (Dean, 2000). Literatures suggest that firm size, age, capital intensity and market intensity of a firm are some of the characteristics that have an effect on firm performance (Maina, 2012). A well performing manufacturing sector in Kenya is important in as far as job creation, Gross domestic (GDP) growth and support of upcoming small and medium enterprise (SMEs) are concerned (World Bank, 2018).

2.0 Literature Review

This section examines the existing theoretical and empirical literature on marketing strategies, firm characteristics and firm performance and indicates the kind of relationships so far established among these variables.

2.1Marketing Strategies and Firm performance

Organizations engaged in developing marketing strategies that are consistent with specific environmental situations of their segments have a higher chance of success in tapping the available opportunities in competitive business environments. A research finding by Wiklund (2005) indicates that better mix of firm attributes with dynamic environmental factor by firms results in high performance and success.

The adoption of various marketing strategies for purposes of organizational performance is of great importance. Kim (1998) asserts that in dynamic business situations, constant advertising enhance company sales volumes and increases market share. In addition,DeDee et al (2008) established that those companies that focused on staff reduction and cutting on advertising budget performed poorly compared to those who increased their marketing communication budget. In times of hard economic conditions, buyers experience lower purchasing power and therefore exhibit a more rational buying behavior. Such conditions call for companies to focus on more appealing attributes like product safety, reliability and durability instead of image and status in their advertising campaigns (Shrager, 2002). A study of Australian firms by Ang et al (2000) concludes that choosing only effective channel members and directing company efforts to discount wholesalers improve company sales volume. Karanja (2014) and Arasa et al (2014) established that competitive marketing strategies had a strong and positive relationship with firm performance. These studies seem to imply existence of a direct link between marketing strategies and firm performance. It is however unclear the nature of role played by third forces in this marketing strategies- firm performance association.

2.2 Firm Characteristics and Firm Performance

The firms' capabilities and constraints largely influence the nature and type of its marketing efforts and consequently the ability to implement a given strategy. Barney (1991) asserts that firm's capabilities and diverse resources endowments influence its competitive advantage as explained in the resource based view (RBV). Internal characteristics which comprise; structure, capital and market related characteristics are assumed in this study to influence the choice of marketing strategies and consequently influence firm performance. Structure-related firm features include company size and age. The firm size which is measured as the total number of workers in a firm, total net worth and the number of branches, is one of the most acknowledged determinants of a firms' profitability. Ural (2006) explains that, comparably in terms of efficiency, bigger firms are better than smaller ones. On the other hand firm's dynamics is determined by firm's age. The age of a firm is determined by examining the period of operation since its inception it terms of years.

Several studies have yielded positive results in the relationship between firm size and firm performance indicators like; financial (ROA, Gross profits and sale) and non-financial indicators comprising; customer loyalty, Customer retention, employee retention and market share. Bigger firms are associated with effectiveness, market dominance and access to capital markets, access to investment opportunities and achieving economies of scale compared to smaller firms. A study on the effects of firm characteristics on company profitability of listed consumer good in Nigeria, (Dioha, Mohammed, & Okpanachi, 2018) concludes that firm characteristics affects company profitability.

A descriptive cross-sectional study by Hendricks (2000) in Canada to find out the relationship between financial performance and firm characteristics like the size of the firm, the capital intensity and the extent to which a firm diversifies affirms that smaller firm, less capital intensive firms do better financially and are highly diversified. A study done in Kenya to establish the correlation between firm characteristics and firm performance of Micro financial institutions in Nakuru, found out that capital and market related firm characteristics have significant direct effect on organizational performance (Kisengo et al, 2014).

In view of this argument therefore, it is evident that internal characteristics of a firms explains its performance, its marketing efforts and consequently the ability to implement its strategy choice. However, these studies focused on the relationship between firm characteristics and performance, were in financial sector and in quite different environment. It is for this reason that this study hypothesizes there could be other factors like firm characteristics that may influence the original relationship between marketing strategies and firm performance. This relationship may be strengthened or weakened by introducing or removing these factors. This study therefore sought to address this empirical gap by adopting firm characteristics as a moderating factor and testing for its moderation role on the marketing strategies – Firm performance association. The test was done by first formulating the hypothesis that: H0: Firm characteristics have a moderating influence in the relationship between marketing strategies and Firm performance. The study surveyed firm characteristics through three constructs; structure related characteristics, market related characteristics and capital related characteristics. These were deemed to have an effect on how firms execute marketing practices and thereby influence performance.

2.3 Conceptual Framework

Figure 1 depicts the operational definition of the relevant hypothesis of firm performance. Marketing strategies constituted the independent variable, firm characteristic the moderating variable and organizational performance was the dependent variable.

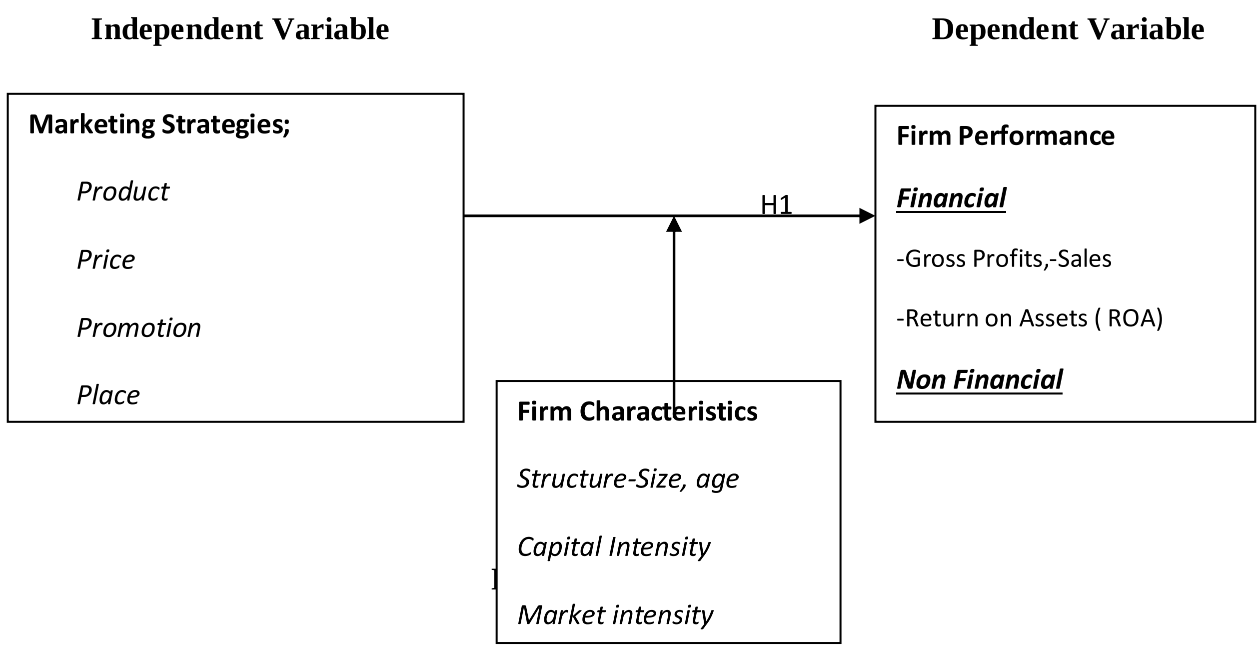

Figure 1. Conceptual Framework

3.0 Methodology

This research used a descriptive cross sectional survey design. This research design facilitates checking for significant associations between variables and make generalizations concerning the target population (Cabrita & Bontis, 2008).A census survey was contacted for the population comprising seventy one Food and Beverage companies operating in Kenya which are duly registered members institutions of Kenya Association of Manufacturers (KAM) as at 31st, August 2017. A semi-structured questionnaire was used to collect primary data covering marketing strategies and firm characteristics. Secondary data relate to financial performance for a period of three years (2014-2016) and was specifically on profitability, sales revenue and

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return on assets (ROA) whereas non-financial measures included customer loyalty, market share, customer satisfaction and employee satisfaction. The Data were tested for reliability before analysis using Cronbach's alpha. Descriptive statistics and simple regression analysis were used to analyze the data.

4.0 Findings of the Study

The section that follow explains the pertinent results of the current study. Both descriptive and regression analyses were using to describe the sample.

4.1Response rate

This study adopted a descriptive cross sectional survey of Beverages processing firms in Kenya as at October 2017. The study targeted 71 firms operating across the country. However, only 64 firms (90%) participated in the study and their feedback captured. A response rate of 90% is very much consistent with previous studies. A study by (Wei, 2014)on the relationship between organizational cultures, market responsiveness, product strategy and firm performance of emerging market in China had a response rate of 60%. A study with a 35% - 40% response rate is useful for research done at the institutional level and 50% for research conducted at the individual level using survey design. (Rogelberg & Santon, 2007).

4.2 Descriptive Statistics of the Study Variables

Data were first analyzed using descriptive statistics; Mean scores and standard deviation. The results are presented in Table 1.

Table 1: Summary of Descriptive Statistics

Study Variable	Dimension Description	N	Mean Scores	Standard Deviation	CV (%)
Marketing Strategies	Product Characteristics	64	3.24	1.163	36
	Pricing Strategies	64	3.77	1.003	27
	Promotion Strategies	64	2.82	1.075	38
	Place(Distribution) Strategies	64	3.89	1.030	27
Average Score		**64**	**3.43**	**1.07**	**31**

Firm Characteristics		Market Related Characteristics	64	3.29	1.08	33
		Capital Related Characteristics	64	2.06	.509	25
		Structure Related characteristics	64	3.26	1.08	33
Average Score			**64**	**2.87**	**0.8895**	**30**
	Non-Financial	Customer Loyalty	64	3.21	0.991	31
		Customer satisfaction	64	3.69	1.088	29
		Employee loyalty	64	3.46	1.139	33
Average Score			**64**	**3.48**	**1.074**	**31**

Source: Primary Data

Table 1 presents summary results of descriptive statistics of the study. The results show that marketing strategies had a mean, standard deviation and CV of 3.43, 1.07 and 31% respectively. Firm characteristics had 2.67, 0.509 and 30% respectively. This implies that firm performance had the highest ratings by the respondents followed by marketing strategies, which equally had an impression on the respondents. Firm characteristics had the least effect. This implies that marketing strategies are key aspects to Food and Beverage processing firms in improving performance.

4.3 The role of Firm Characteristics

Moderation influence occurs when the outcome variable changes as a result of variations of the predictor variable due to a third variable that changes the strength and direction of the relationship.

A single regression model comprising the predictor variable and the interaction term was used in the current study. Moderation effects occur if the coefficient for the interaction term is statistically significant. The interaction term is determined as a product of the predictor variable and the moderator variable (Baron & Kenny, 1986). The null hypothesis was formulated as follows:

H_0: Firm characteristics significantly influence the relationship between marketing strategies and Firm performance

To test the null hypothesis, the following three regression equations were formulated and tested:

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Step 1 : $FP = a + \beta 1MS + \varepsilon$

Step 2 :FP= $a + \beta 1MS + FC + \varepsilon$

Step 3: FP= $a + \beta 1MS + \beta 2FC + \beta 3MS * FC + \varepsilon$

Where; a=Intercept $\beta 1 \beta 2 \beta 3$ are beta coefficients

FP= Firm performance

MS=Composite index of marketing strategies

FC= Composite index of firm characteristics

STEP 1.

Table 2: The Relationship between Marketing Strategies and Firm Performance

(a) Goodness of Fit

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.365[a]	.133	.119	.439

(b) Analysis of Variance (ANOVA)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.838	1	1.838	9.520	.003[b]
	Residual	11.971	62	.193		
	Total	13.809	63			

a. Dependent Variable: Firm Performance

b. Predictors: (Constant), Marketing Strategies

(c) Coefficients of Regression

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.376	.493		2.792	.007
	Marketing strategies	.424	.137	.365	3.085	.003

dependent variable: Firm performance

Results from the Table 1 are fitted in the model

Step 1: $\mathbf{FP = a + \beta 1MS + \varepsilon}$

Table 2 shows that 13.30% of the variation in firm performance was explained by marketing strategies (R^2= 0.133, p <0.05) while 86.70% was accounted for by other factors not presented in the model. The values of F-ratio and t are also statistically significant (F = 9.520, t = 2.792, p <0.05). The F-ratio indicates that marketing strategies had significant influence on firm performance.

The regression results presented in Table 2 show the values of step 1, which are fitted into the model as follow:

Step 1: FP = 1.376 + 0.424MS

STEP 2

Table 3: The role of Firm Characteristics on the Relationship between Marketing Strategies and firm Performance

(a) Goodness of Fit Model Summary[a]

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Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.365[a]	.133	.119	.439	.133	9.520	1	62	.003	
2	.370[b]	.137	.109	.442	.004	.289	1	61	.593	2.147

(b) Analysis of variance ANOVA

Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	1.838	1	1.838	9.520	.003[b]
	Residual	11.971	62	.193		
	Total	13.809	63			
2	Regression	1.895	2	.947	4.850	.011[c]
	Residual	11.914	61	.195		
	Total	13.809	63			

(c) Regression Coefficients

Model		Unstandardized Coefficients		t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	1.376	.493	2.792	.007					
	Marketing strategies	.424	.137	3.085	.003	.365	.365	.365	1.000	1.000
2	(Constant)	1.233	.563	2.191	.032					
	Marketing strategies	.421	.138	3.042	.003	.365	.363	.362	.998	1.002

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	Firm characteristics	.055	.102	.538	.593	.079	.069	.064	.998	1.002

a. dependent variable: Firm performance

b. predictors: (constant), Marketing strategies

c. predictors: (constant), Marketing strategies, Firm characteristics

Results from Table 3 were fitted in the model as follows:

FP= 1.233 +0.421MS+ 0.055FC

STEP 3

Table 4: Combined effect of Marketing strategies and firm Characteristics on organizational performance

(a) Goodness of Fit

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.365[a]	.133	.119	.439	.133	9.520	1	62	.003	
2	.370[b]	.137	.109	.442	.004	.289	1	61	.593	
3	.375[c]	.141	.098	.445	.004	.260	1	60	.612	2.170

(b) Analysis of variance (ANOVA)

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.838	1	1.838	9.520	.003[b]
	Residual	11.971	62	.193		

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	Total	13.809	63			
2	Regression	1.895	2	.947	4.850	.011[c]
	Residual	11.914	61	.195		
	Total	13.809	63			
3	Regression	1.946	3	.649	3.281	.027[d]
	Residual	11.863	60	.198		
	Total	13.809	63			

c) Regression Coefficients

Coefficients of Regression analyses

Model	Variable Description	Unstandardized Coefficients		t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	1.376	.493	2.792	.007					
	Marketing strategies	.424	.137	3.085	.003	.365	.365	1.000	1.000	1.000
2	(Constant)	1.233	.563	2.191	.032					
	Marketing Strategies	.421	.138	3.042	.003	.365	.363	.998	1.002	1.002
	Firm Characteristics	.055	.102	.538	.593	.079	.069	.998	1.002	1.002
3	(Constant)	2.052	1.702	1.206	.233					

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	Marketing strategies	.176	.499	.353	.726	.365	.045	.078	12.897	12.897
	Firm characteristics	-.222	.552	-.402	.689	.079	-.052	.034	29.006	29.006
	Marketing strategies *****Firm characteristics	-.065	.055	.510	.612	.267	.066	.024	42.445	42.445

a. Dependent Variable: Firm Performance

b. predictors: (constant), Marketing strategies

c. predictors: (constant), Marketing strategies, Firm characteristics

d. predictors: (constant), Marketing strategies, Firm characteristics, marketing strategies*****Firm characteristics

The resultant single moderation regression equation is of the form:

$$\mathbf{FP= a+\beta_1 MS+\beta_2 FC+\beta_3 MS *FC+\varepsilon}$$

FP= 2.052+ 0.176MS – 0.222FC

Results from Table 4 were fitted in the model as follows:

FP= 2.052+ 0.176MS – 0.222FC -.065MS.FC

Results From the analysis in Table 3 and 4 above is evidence that the moderating effect of firm characteristics resulted in 0.4% increase in firm performance, and the moderating effect of firm characteristics on the combined strength of firm characteristics with marketing strategies also result in an increase of 0.4% in firm performance. The null hypothesis that; Firm characteristics significantly influence the relationship between marketing strategies and Firm performance was therefore accepted.

5.0 Discussions

The results of the study revealed that Firm characteristics have a positive moderating effect in the relationship between marketing strategy and organizational performance. From the analysis above, the resultant model revealed that, a unit increase in the combination of marketing strategies and firm characteristics leads to a 0.065 decrease in organizational performance; a t-value of 0.510 at p= 0.612.

Marketing strategies were measured in terms of product strategies, pricing strategies, promotion strategies and distribution strategies. On the other hand firm performance was measured in terms of financial performance and non-financial indicators. More specifically, the non-financial indicators included customer loyalty, employee satisfaction and customer satisfaction. Firm characteristics were measured in three constructs; structure related characteristics, market related characteristics and capital related characteristics.

The findings of this study agrees with the major theme of Resource Based Theory (RBV) that argues that internal resources and capabilities can enable firms implement strategies that make use of these capabilities to create value to their products and services and consequently generate a competitive advantage over rivals and hence superior performance (Wernerfelt, 1984). The study recommends for marketing practitioners and policy makers in food and Beverage companies to adopt the appropriate mix of marketing strategies and firm characteristics for optimal firm performance. The study further recommends for policy makers to push for legislations aimed at low interest rates for startup firms, reduced tax on essential processed commodities and subsidized inputs by the Government. It is also prudent for practitioners and policy makers to push for budgetary allocations through parliament to sectors that enhance industry growth like educational institutions and research bodies. Such support will enhance food and beverage processing subsector in terms of capital base and market reach.

5.1 Summary and conclusions

The purpose of this research was to establish the moderating effects of firm characteristics in the relationship between marketing strategies and firm performance of food and beverages processing firms in Kenya. The population comprised all food and beverage companies in Kenya which are duly registered and listed members of Kenya Association of Manufacturers (KAM).

Descriptive statistics were used to describe respondents and firm characteristics while inferential statistics dealt with hypotheses testing. The data were analyzed using cross tabulations. Tests were carried out using various methods such as regression analysis (linear, multiple and stepwise) at 95% confidence level. Marketing strategies were found to contribute significantly to the performance of firms in Food and Beverage sector in Kenya. More specifically the study established that pricing strategies to a large extent are important consideration in the overall marketing strategies. By use of regression analysis, the study established that firm characteristics moderate the relationship between marketing strategies and firm performance and thus the formulated hypothesis was supported. The study therefore makes a significant contribution to the knowledge base of marketing practice by adding substantially to our understanding of the function of an additional variable to the relationship between marketing strategies and organizational performance. The results of this study provide practical implications for practitioners in the manufacturing sector by providing evidence that shows that firm characteristics are critical in the relationship between marketing strategies and firm performance.

Managers in the sector should invest resources in market and capital related characteristics as well as investing in strategic marketing programs.

6.0 Limitations and Future Research

The current study only focused on firm characteristics related to capital, market and structure characteristics. Other factors such as the industry regulatory environment should also be researched to establish their influence. Secondly, the current study covered only one segment of the manufacturing sector. Future research should therefore widen the scope of the population coverage. Finally, the study was cross-sectional in nature. Future studies should therefore use longitudinal designs which more succinctly may reveal the dynamic relationships between the pertinent factors.

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