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INFLUENCE OF COMPETITIVE AGGRESSIVENESS ON PERFORMANCE OF STATE CORPORATIONS IN KENYA

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ABSTRACT

Purpose: The purpose of this study was to establish the influence of competitive aggressiveness on performance of state corporations in Kenya.

Methodology: The study adopted an explanatory research design. The population of the research consists of the 187 state corporations in Kenya as at 2013. The unit of analysis was the state corporation. A purposive sample of 55 commercial state corporations was included in the study. The study used primary data gathered using questionnaires.

Results: Results indicated that competitive aggressiveness is key determinants of firm performance for commercial state corporations in Kenya.

Conclusion: The study concludes that competitive aggressiveness has an effect on firm performance. Commercial state corporations that will apply and promote activities regarding corporate entrepreneurship can be sure that they will achieve significant competitive advantage and superior performance.

Keywords: *competitive aggressiveness, state corporations, performance*

INTRODUCTION

Firms which could not take a new position against the increased intensity of the competition and/or became late to enter into the growing markets, compute the opportunity costs and try to make alternative strategies to survive or to remain in competition (Birkinshaw, Hood & Young, 2005). Firms which decide to gain share from those markets, adopt competitive aggressive behaviors by employing marketing strategies such as competing on price, increasing promotion and/or combating for the distribution channels or imitating the competitors' actions and/or products (Dess, Lumpkin, & Eisner, 2007). By acting aggressive via marketing tools, they force relatively stronger competitors to make entry barriers for the current markets. From the two points of view –either new entrants or existing firms- the purposes of these bold and aggressive behaviors are initially to remain in competition and then to make profit by fulfilling the opportunities of markets.

Competitive aggressiveness is considered as a strong struggle to overcome the competitors; it is characterized by a combative attitude or aggressive response, which seeks a better positioning in the market or defeat threats. Competitive aggressiveness, which has a relation with the organization's propensity**,** intensely and directly challenges its competitors reaching better market position, seeking to overcome them. Hambrick (1995) deal with the competitive aggressiveness as being an organization's trend in responding aggressively to the competition actions, looking forward to reaching competitive advantage, dominating it with responsiveness. Similarly, Lumpkin and Dess (2001) characterized it as threat responses. For Venkatraman (1989), the competitive aggressiveness is the position adopted by a company, through allocating sources in order to gain positions in a specific market faster than its competitors. It can be based on product innovation, market development, and high investment to improve market char and to achieve a competitive position. Covin and Covin (1990) point out that some evidences of competitive aggressiveness can be reached when evaluating the management attitude as far as competitiveness. This evidence can also reflect the use of non-conventional competition methods instead of traditional or reliable ones (Lumpkin & Dess, 1996).

Statement of the Problem

In the constantly changing business environment companies tend to seek for new opportunities on the market where they can develop and sustain their competitive advantage and outperform competitors. In some environments, competitive aggressiveness of a firm leads to higher firm performance, and, thus, firms tend to be more entrepreneurial in order to improve their position on the market (Rauch et al., 2009). State corporations in Kenya have performed poorly compared to their private counterparts. Evidence of this is in the poor performance contracting results by majority of parastatals. Specifically, only a few commercially oriented corporations have reported profit or surplus. This is an economic problem that policy makers are still grappling with. The problem of poor performance of commercial parastatals represents a drain on the exchequer and also results into non delivery on intended services. This has a negative implication on the welfare of Kenyan Citizens and may also imply that Vision 2030 is not met.

In Kenya, many studies (Lwamba, Bwisa and Sakwa, 2014; Mokaya, 2012) have been conducted on factors that influence performance of enterprises; however, they fail to address commercial state

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corporations. For example, Mayaka (2006) in their studies of leading Kenya companies concentrated on the factors that lead to the companies' success in order to develop a case study.

Objectives

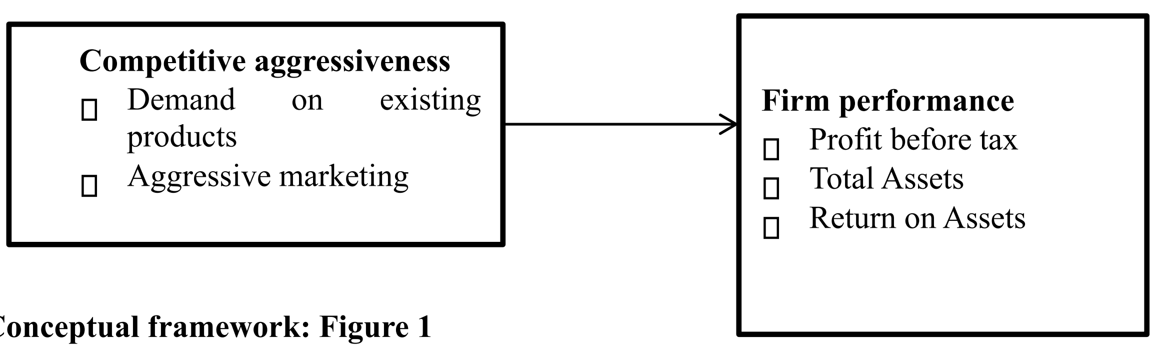
i. To establish the influence of competitive aggressiveness on performance of state corporations in Kenya.

LITERATURE REVIEW

CE Model of Lumpkin and Dess

In comparison, Lumpkin and Dess (1996) present an alternative model for entrepreneurial orientation represented in figure 2.1. These authors describe entrepreneurial orientation in terms of the five dimensions (autonomy, innovativeness, risk taking proactiveness and competitive aggressiveness). Entrepreneurial Orientation, according to Lumpkin and Dess (1996) refers to the processes, practices, and decision-making activities that lead to a new entry. They state that a new entry is accomplished by entering new markets with new or existing goods and services. In this context a new entry is the idea that underlies the concept of CE. Key dimensions that characterize EO include a propensity to act autonomously, a willingness to innovate and take risks and a tendency to be aggressive toward competitors and proactive relative to marketplace opportunities.

The model differs from the (Covin & Slevin, 1991) model since it indicates that both environmental and organizational factors influence the relationship between entrepreneurial orientation and firm performance, yet there is no recognition that firm performance influences entrepreneurial orientation. This implies that the model presented by Lumpkin and Dess represents a static view of the firm with no feedback between performance, entrepreneurial orientation and the environment and organizational factors. The Covin and Slevin model incorporates feedback between the different relationships implying that entrepreneurial orientation itself is a dynamic concept. The model is useful in this study since it provides a source entrepreneurial constructs such as autonomy, innovativeness, risk taking proactiveness and competitive aggressiveness. These constructs have been incorporated in the proposed conceptual framework.



Conceptual framework: Figure 1

RESEARCH METHODOLOGY

This study was quantitative in nature and employed an explanatory research design. This study comprised of 187 state corporations in Kenya which also form the target and accessible population. A purposive sampling methodology was employed since 55 commercial state corporations were selected from a total of 187 state corporations. Each firm was issued with one questionnaire which can either be filled by the chief executive officer, company secretary, finance director, division directors or business development manager.

The study used questionnaires to obtain qualitative data for analysis which was further validated from analysis of secondary data. To check the validity and reliability of the questionnaires in gathering the data required for purposes of the study, a pilot study was carried out. Descriptive statics was used to present results.

RESULTS AND DISCUSSION

Response Rate

The number of questionnaires, administered to all the respondents, was 55. A total of 45 questionnaires were properly filled and returned from the commercial state corporation employees. This represented an overall successful response rate of 82%. According to Mugenda and Mugenda (2003), a response rate of 50% or more is adequate. Babbie (2004) also asserted that return rates of 50% are acceptable to analyze and publish, 60% is good and 70% is very good.

Table 1: Response Rate

Response Rate	Frequency	Percent
Returned	45	82%
Unreturned	10	18%
Total	55	100%

Gender of the Respondents

The respondents were asked to indicate their gender. Figure 2 that majority (80%) of the respondents was male and 20% were female. The findings imply that state corporation sector is a male dominated field. According to Ellis et al. (2007), in spite of women being major actors in Kenya's economy, and notably in agriculture and the informal business sector, men dominate in the formal sector citing the ratio of men to women in formal sector as 0.74 : 0.26.

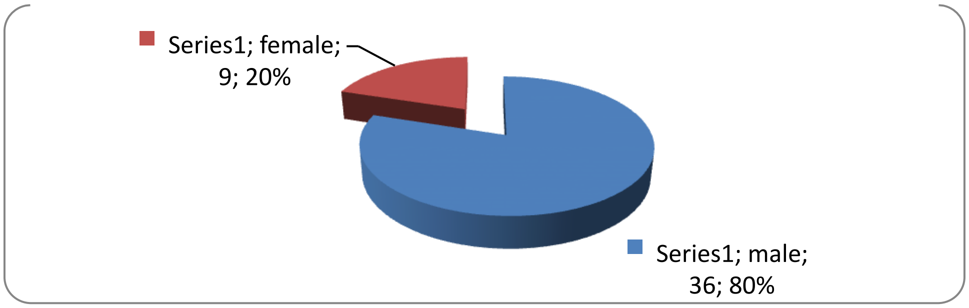


Figure 2: Gender of the Respondents

Level of Education

The respondents were asked to indicate their highest level of education. Figure 3 illustrates that 89% of the respondents had reached post graduate level and 11% had attained university level. The findings imply that most of the respondents had high level of education which could have contributed to accurate responses.

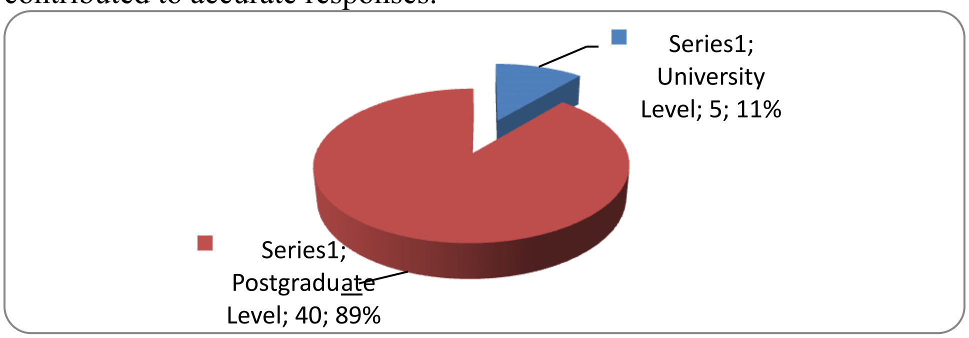


Figure 3: Level of Education

Years Worked in the Organization

The study sought to find out the years the respondents had worked in the organization. Table 2 shows that 51.1% of the respondents indicated they had worked for 6 years and above while 42.2% indicated between 3 to 5 years and 6.7% indicated less than 2 years. The findings imply that the respondents had worked long enough in the hotel industry and hence had knowledge about the issues that the researcher was looking for.

Table 2: Years Worked in the Organization

Years worked	Frequency	Percent
Less than 2 years	3	6.7
3-5 years	19	42.2
6 years and above	23	51.1
Total	45	100

Size of Organization

The respondents were asked to indicate the size of the organization. Figure 4 indicates that 49% of the respondents indicated that their organizations were large (500 employees and above) while 44% indicated small (1-249 employees) and 7% indicated medium (250-499 employees).

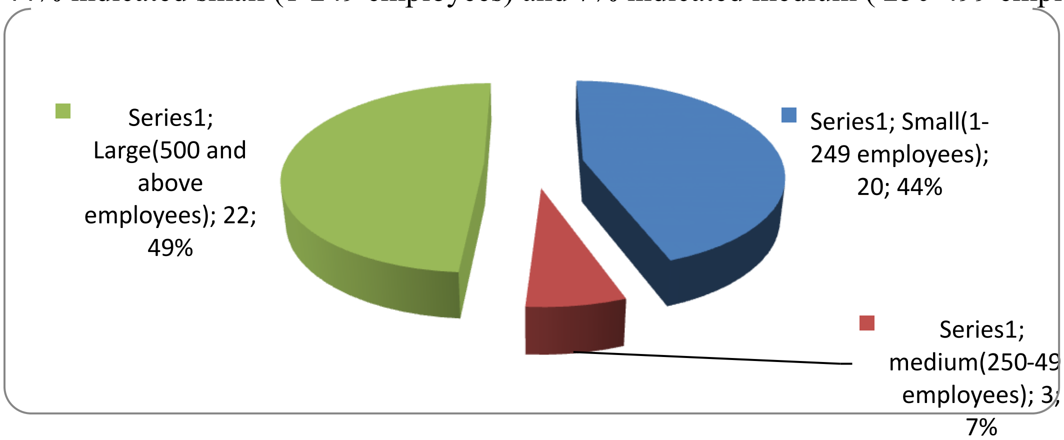


Figure 4: Size of the Organization Years of the Firm Existence

The respondents were asked to indicate the years of the firms' existence. Table 3 shows that 66.7% of the respondents indicated 16 years and above while 20% indicated between 11-15 years and 13.3% indicated between 1-5 years.

Table 3: Years of the Firm Existence

Years of the firm`s existence	Frequency	Percent
1-5 years	6	13.3
11-15 years	9	20
16 and above years	30	66.7
Total	45	100

Competitive Aggressiveness and Firm Performance Reliability Tests

Using Cronbach's Coefficient Alpha test on competitive aggressiveness and firm performance, a coefficient of 0.844 was found as shown in Table 4. These results corroborates findings by Saunders Lewis and Thornhill (2009) and Christensen, Johnson and Turner (2011) who stated that scales of 0.7 and above, indicate satisfactory reliability. Based on these recommendations, the statements under the competitive aggressiveness variable of this study were concluded to have adequate internal consistency, therefore, reliable for the analysis and generalization on the population.

Table 4: Reliability Test for Competitive Aggressiveness

Statement	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Owing to the nature of the environment, bold, wide ranging acts are necessary to achieve the firm's objectives	0.319	0.866
The company stimulates new demand on existing products in the current market through aggressive advertisement	0.718	0.799
The company takes bold and wide ranging acts (e.g. sales, promotion, competitive prices and distributive channels) to market products	0.538	0.836
Our company has a strong tendency to increase the market share by reducing competitors through competitive marketing strategies	0.718	0.8
Our company spends substantial amount of financial resources in sales promotion	0.886	0.762
Our company actively searches for significant opportunities to improve market share	0.567	0.83
Number of items	6	
Cronbach's Alpha	0.844	

Sampling Adequacy

To examine whether the data collected was adequate and appropriate for inferential statistical tests such as the factor analysis, regression analysis and other statistical tests, two main tests were performed namely; Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Barlett's Test of Sphericity. For a data set to be regarded as adequate and appropriate for statistical analysis, the value of KMO should be greater than 0.5 (Field, 2000).

Findings in Table 5 showed that the KMO statistic was 0.615 which was significantly high; that is greater than the critical level of significance of the test which was set at 0.5 (Field, 2000). In addition to the KMO test, the Bartlett's Test of Sphericity was also highly significant (Chisquare = 169.807 with 15 degree of freedom, at $p < 0.05$). The results of the KMO and Bartlett's Test are summarized in Table 5. These results provide an excellent justification for further statistical analysis to be conducted.

Table 5: Competitive Aggressiveness KMO Sampling Adequacy and Bartlett's Sphericity Tests

Kaiser-Meyer-Olkin Measure	0.615	Bartlett's Chi- Square	169.807
Bartlett's df			15
Bartlett's Sig.			0

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Factor Analysis

Factor analysis was conducted after successful testing of validity and reliability using KMO coefficient and cronbach alpha results. Factor analysis was conducted using Principal Components Method (PCM) approach. The extraction of the factors followed the Kaiser Criterion where an eigen value of 1 or more indicates a unique factor. Total Variance analysis indicates that the 6 statements on competitive aggressiveness and firm performance can be factored into 1 factor. The total variance explained by the extracted factor is 57.09% as shown in Table 6.

Table 6: Competitive Aggressiveness Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.425	57.091	57.091	3.425	57.091	57.091
2	0.96	15.995	73.087			
3	0.848	14.138	87.225			
4	0.561	9.351	96.576			
5	0.117	1.958	98.534			
6	0.088	1.466	100			

Extraction Method: Principal Component Analysis.

Table 7 shows the factor loadings for sub-constructs of competitive aggressiveness. All the statements attracted coefficients of more than 0.4 hence all the statements were retained for analysis. According to Rahn (2010) and Zandi (2006) a factor loading equal to or greater than 0.4 is considered adequate. This is further supported by Black (2002) who asserts that a factor loading of 0.4 has good factor stability and deemed to lead to desirable and acceptable solutions.

Table 7: Factor Loading for Competitive Aggressiveness

Item	Factor loading
Our company spends substantial amount of financial resources in sales promotion	0.959
Our company has a strong tendency to increase the market share by reducing competitors through competitive marketing strategies	0.937
Our company actively searches for significant opportunities to improve market share	0.934
The company stimulates new demand on existing products in the current	

market through aggressive advertisement	0.916
The company takes bold and wide ranging acts (e.g. sales, promotion, competitive prices and distributive channels) to market products	0.912
Owing to the nature of the environment, bold, wide ranging acts are necessary to achieve the firm's objectives	0.876

Descriptive Analysis

The fourth objective of the study was to establish the influence of competitive aggressiveness on performance of state corporations in Kenya. Table 8 shows 93.4% of the respondents agreed that owing to the nature of the environment, bold, wide ranging acts are necessary to achieve the firm's objectives, 42.2% agreed that the company stimulates new demand on existing products in the current market through aggressive advertisement and 53.3% agreed that the company takes bold and wide ranging acts (e.g. sales, promotion, competitive prices and distributive channels) to market products. Thirty seven point eight percent of the respondents agreed that their company had a strong tendency to increase the market share by reducing competitors through competitive marketing strategies, 42.2% agreed that their company spends substantial amount of financial resources in sales promotion and 51.1% agreed that their company actively searches for significant opportunities to improve market share. The mean score for responses for this section was 3.33 which indicates that majority of the respondents agreed that competitive aggressiveness was a key determinant of firm performance.

Means greater than 1 and less than 1.5 implied that competitive aggressiveness influenced performance to no extent. Means greater than 1.5 and less than 2.5 implied that competitive aggressiveness influenced performance to a little extent. Means greater than 2.5 and less than 3.5 implied that competitive aggressiveness influenced performance to a moderate extent. Means greater than 3.5 and less than 4.5 implied that competitive aggressiveness influenced performance to a greater extent. Means greater than 4.5 implied that competitive aggressiveness influenced performance to a very great extent.

The standard deviation on the other hand describes the distribution of the response in relation to the mean. It provides an indication of how far the individual responses to each factor vary from the mean. A standard deviation of more than 1 indicates that the responses are moderately distributed, while less than 1 indicates that there is no consensus on the responses obtained. An average of 1.042 for all statements on competitive aggressiveness indicates that the responses are moderately distributed.

The study findings agree with those in Dess, Lumpkin, and Eisner (2007) who asserted that firms which decide to gain share from competitive markets, adopt competitive aggressive behaviors by employing marketing strategies such as competing on price, increasing promotion and/or combating for the distribution channels or imitating the competitors' actions and/or products. By acting aggressive via marketing tools, they force relatively stronger competitors to make entry barriers for the current markets. The purposes of these bold and aggressive behaviors are initially to remain in competition and then to make profit by fulfilling the opportunities of markets.

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Table 8: Competitive Aggressiveness and Firm Performance

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Likert Mean	Std. Deviation
Owing to the nature of the environment, bold, wide ranging acts are necessary to achieve the firm's objectives	0.0%	6.7%	0.0%	46.7%	46.7%	4.33	0.798
The company stimulates new demand on existing products in the current market through aggressive advertisement	13.3%	26.7%	17.8%	42.2%	0.0%	2.89	1.112
The company takes bold and wide ranging acts (e.g. sales, promotion, competitive prices and distributive channels) to market products	6.7%	13.3%	26.7%	42.2%	11.1%	3.38	1.072
Our company has a strong tendency to increase the market share by reducing competitors through competitive marketing strategies	4.4%	40.0%	17.8%	31.1%	6.7%	2.96	1.086
Our company spends substantial amount of financial resources in sales promotion	6.7%	37.8%	13.3%	37.8%	4.4%	2.96	1.107
Our company actively searches for significant opportunities to improve market share	4.4%	13.3%	31.1%	33.3%	17.8%	3.47	1.079
Average	5.9%	23.0%	17.8%	38.9%	14.5%	3.33	1.042

Relationship between Competitive Aggressiveness and Firm Performance

Table 9 shows the correlation results which indicate that there was a positive and significant relationship between competitive aggressiveness and firm performance. This was evidenced by the p value of 0.000 which is less that of critical value (0.05).

Table 9: Relationship between Competitive Aggressiveness and Firm Performance

Variable		Firm performance	Competitive Aggressiveness
Firm performance	Pearson Correlation Sig. (2-tailed)	1	
Competitive aggressiveness	Pearson Correlation	0.654	1
	Sig. (2-tailed)	0.000	

Binary logistic regression was used to model relationship between competitive aggressiveness and firm performance**.** Table 10 shows that competitive aggressiveness was statistically associated with firm performance ($p<0.020$). An increase in competitive aggressiveness increases the probability of having high firm performance by 3.061 times. The findings imply that those firms with high competitive aggressiveness have higher chances of having higher firm performance as compared to those without or with low competitive aggressiveness.

Table 10: Logistic Regression for Competitive Aggressiveness

Variable	**Beta**	**S.E.**	**Wald**	**df**	**Sig.**	**Exp(B)**	**95% C.I. for EXP(B)**	
							Lower	**Upper**
Competitive aggressiveness	1.119	0.48	5.423	1	0.02	3.061	1.194	7.846
Constant	-3.331	1.652	4.066	1	0.044	0.036		

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary of the Findings

The objective of the study was to establish the influence of competitive aggressiveness on performance of state corporations in Kenya. The study findings indicated that the companies had a strong tendency to increase the market share by reducing competitors through competitive marketing strategies, the companies spent substantial amount of financial resources in sales promotion and the companies actively searched for significant opportunities to improve market share. Additionally, the results indicated that competitive aggressiveness was statistically associated with firm performance ($p<0.020$). An increase in competitive aggressiveness increases the probability of having high firm performance by 3.061 times. The findings imply that those firms with high competitive aggressiveness have higher chances of having higher firm performance as compared to those without or with low competitive aggressiveness.

Conclusions

The study concludes that competitive aggressiveness has an effect on firm performance. Commercial state corporations that will apply and promote activities regarding corporate entrepreneurship can be sure that they will achieve significant competitive advantage and superior performance.

Recommendations

The findings of this study suggest that firms which aim at sustaining their competitive advantage have to enhance marketing activities to improve business performance. This proves that market oriented culture should enhance entrepreneurial behavior within the firm. In a competitive environment, aggressive marketing can strengthen performance. The market information obtained from customers and the competitors helps the firm to keep an eye on the market. These findings may be of help to managers of firms to intensify initiatives to encourage better understanding on the significance of corporate entrepreneurship and marketing orientation which boosts firm's competitive position and superior performance. This helps them to be more entrepreneurial and market oriented in order for the firms to survive the intensively competitive market environment.

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