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ABSTRACT

The purpose of the study was to analyze the relationship between strategic response capability and export performance of manufacturing firms in Kenya. The study was grounded on resource-based view theory, systems theory and dynamic capabilities theory. A total population of 130 individuals comprising of managers, heads of departments and supervisors from 26 export manufacturing firms located within Kiambu County in Kenya were sampled. Descriptive statistics such as frequencies, percentages, means and standard deviation were estimated and the information was presented inform of tables and graphs. Inferential data analysis was done using Pearson correlation coefficient and multiple regression analysis done in order to establish the relationships between strategic response capability and export performance. Hypothesis testing was done using Chi-square test where p-value and F-statistic were computed at 95% confidence level to test whether there were any significant relationships between strategic response capability elements and export performance of manufacturing firms in Kenya. The results revealed positive and significant relationship between strategic response capability and export performance of manufacturing firms. The results also revealed that operational capabilities have no significant moderating effect on the relationship between strategic response capability and export performance of the manufacturing firms. The study therefore recommended that for manufacturing firms in Kenya to increase their export performance, they should frequently scan their export markets, analyze information gathered from external environments, review changes in consumer needs and preferences and develop their products to suit changing markets.

Keywords: *Strategic Response Capability, Dynamic Capabilities, External Environment, Manufacturing Firms, Export Performance, Competitive Advantage*

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INTRODUCTION

The development of global value chains has facilitated the rapid integration of emerging regions into the global economy, which are increasingly exerting competitive pressures on traditional manufacturing nations. In particular, China, India and Brazil have recorded very high growth rates of manufactured exports, while Africa largely remains a supplier of raw materials (UNIDO, 2013).

The manufacturing sector is widely considered to be the ideal industry to drive Africa's development mainly due its labor-intensive, export-focused nature. Furthermore, it's also more sustainable and less vulnerable to external shocks than commodities for instance. However, manufacturing export earnings in most African countries only account for around 25% of total exports (World Bank, 2012) as compared to exports of East and South Asian countries' that account for roughly 75% of total exports. The manufacturing sector in Kenya is a key economic driver that accounts for over 70% of the industrial sector contribution to GDP (KIPPRA, 2013) and is a major force in terms of value addition, employment and exports. However, results from the KNBS Economic Survey (2018) also showed that Kenya's trade with East African Member states dropped from $1.21 billion in 2016 while exports to Africa continued to fall for a second year to $ 2.23b in 2017 largely due to a slowdown in manufacturing sector.

The competitive advantage of the business firm appears to rest on the development and deployment of intangible assets, relationships and human capital. The dynamic capabilities framework is an entrepreneurial approach that emphasizes the importance of business processes both inside and outside the firm and also in linking the firm to external partners. It also recognizes the importance of critical resources and good strategy (Teece, 2014). Few empirical studies have been conducted to show how exporting firms can develop and nurture dynamic capabilities along with assessing how effectively these capabilities perform their function and enable a firm to be consistent with environmental changes (Barreto, 2010). Firm responses are driven by their dynamic capabilities (Zollo & Winter, 2002) and their ability to build and reconfigure internal and external competences to address the rapidly changing environment. According to Abala (2012), most studies focused on firm competencies and export performance in developed countries with few studies relate to sub-Saharan Africa, and therefore the need to investigate how firms from developing countries like Kenya can create, extend or modify these capabilities to support internationalization performance (Musuva, Ogutu, Awino & Yabs, 2013). This study analyzed the relationship between strategic response capabilities on export performance of manufacturing firms in Kenya.

The following hypothesis was used to establish the relationship between strategic response capabilities and export performance.

Ho$_1$: Strategic response capabilities are not significantly related to export performance of manufacturing firms in Kenya.

LITERATURE REVIEW

Systems Theory

The systems theory was founded in 1963 by Bertalanfy and incorporated into a widely used congruence theory of organizational alignment by Nadler and Tushman in 1980. The systems theory views organizations as open social systems made up of subunits that must interrelate in a harmonious manner for the organization to be effective (Johnson et al, 1963). The theory focuses on the complementariness among elements, their integration and the outcomes resulting from their interactions. It thus recognizes the importance of feedback which is analogous to learning in the business environment (Teece, 2019). In a systems theory approach, the most effective organizations

adapt to their environments. A business environment can range from being "static" on one end to 'dynamic' on the other. Static environments are relatively stable or predictable whereas dynamic environments are in a constant state of change. Since dynamic environments are constantly changing, they create a lot of uncertainty about what an organization must do in order to survive and grow. Thus an organization has to develop procedures, action patterns, routines and thus capabilities and competencies in order to exist and to act in a world of infinite possibilities, implying environmental complexity (Schreyog & Sydow, 2010). The organization then monitors its environment by collecting information about environmental deviations, then organize and process this information to formulate solutions or responses to these changes. This strategic behavior of firms is related to both its environment and performance (Pearce et al., 2012), with its profitability being optimized when it's able to align its strategic behavior with its operating environment (Ansolf and Sullivan, 1993).

Dynamic Capabilities Theory

Dynamic capabilities concept has evolved as a complementary paradigm to the competitive forces approach and the RBV (Helfat et al., 2007). Dynamic capabilities paradigm has come to the strategic management research agenda since the former resource-based view did not adequately explain how and why certain firms have competitive advantage in situations of rapid and unpredictable change (Eisenhardt & Martin, 2000). Capabilities have been identified as those activities that are collectively-learned and routine-based with the ability to initiate the emergence of some pattern over time in an organization (Winter, 2012). In this view, Helfat and Winter (2011) briefly summarized the various definitions of organizational capability, noting that a capability is in place when 'the organization (or its constituent parts) has the ability to perform a particular activity in a reliable and at least minimally satisfactory manner'. The capabilities view endeavors to help explain inter-firm heterogeneity, enterprise evolution, and organizational longevity (Teece, 2019)
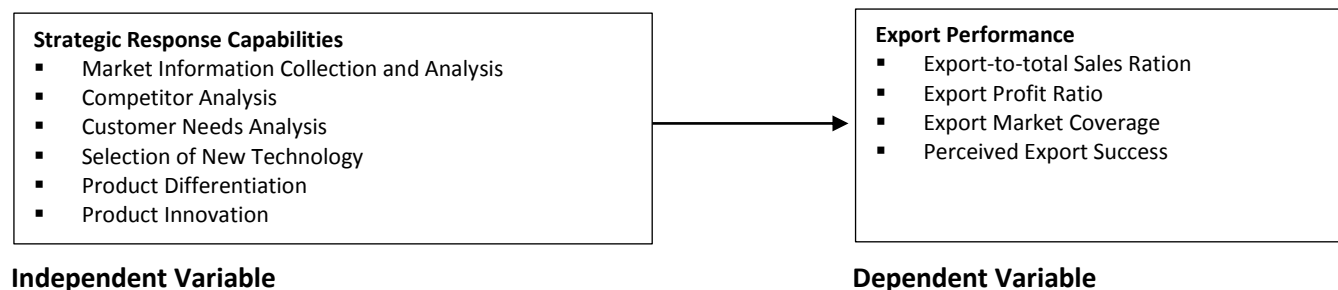
Strategic Response Capabilities	Export Performance
▪ Market Information Collection and Analysis ▪ Competitor Analysis ▪ Customer Needs Analysis ▪ Selection of New Technology ▪ Product Differentiation ▪ Product Innovation	▪ Export-to-total Sales Ration ▪ Export Profit Ratio ▪ Export Market Coverage ▪ Perceived Export Success

Independent Variable   **Dependent Variable**

Figure 1: Conceptual Framework

Empirical Review

A literature study by Gathungu and Mwangi (2012), on dynamic capabilities, talent development and firm performance revealed that the dynamic capabilities positively influence the firm profit and thus performance. Sensing capabilities were found to be useful in identification and assessment of an opportunity within firm's environment. Seizing dynamic capabilities help in mobilization of resources to address an opportunity and to capture value.

Transforming dynamic capabilities are important for continued renewal and are needed when radical new opportunities are to be addressed. Managerial capabilities orchestrate the rest and coordinates on adoption, change and proper actions.

A literature study by Masnan et al. (2018) on SME's in Malaysia, found that to strengthen business operation, SMEs require both adaptive and sensing capability that serve as a catalyst for a quick response to rapid changes in foreign markets. The dynamic

capability proposed in the study comprised internal and external capabilities required by SMEs to adapt to changing customer and technological opportunities. It concluded that the capability to adapt and develop new products, processes or design is of no use to the SMEs, if it does not find opportunities for possible business expansion into international markets.

A study by Muchiri et al. (2017) on the influence of strategic responses on performance of Oil Marketing Companies in Kenya using a descriptive case study sought to determine the strategic responses adopted by Oil Marketing Companies in Kenya to improve performance. Their study used primary sources of data on a sample size of 115 employees. Their study found that Oil Marketing Companies in Kenya faced stiff competition in the Oil sectors that prompted their adoption of strategic responses to effectively cope with the market environment. They concluded that there was a statistically significant relationship between strategic responses and performance of Oil Marketing Companies in Kenya. Their study however concentrated on the local market and not on the export market environments.

A study was conducted by Kaleka and Morgan (2017) on how marketing capabilities and current performance drive strategic intentions in international markets. Their study drawing from two strategic views of the firm that is the capability-based view and performance-feedback theory examined the role of both marketing capabilities and current market performance as potential influencers of the intended future competitive strategy of firms operating in international markets. They developed hypotheses and tested them in a survey of a sample of British exporting manufacturers. According to Pitta and Richardson (2007), companies that have a systematic process of market monitoring and market knowledge have the advantage of responding with greater speed and efficiency to market opportunities and threats which in turn culminates into continuous

growth both in sales and profits that are necessary for firm survival. Thus the generation, analysis and dissemination of information about clients, competitors and technology exert a positive influence on company performance

METHODOLOGY

The researcher used a mixed methods approach in hypothesis testing that allowed for collection, testing and analysis of data to accurately indicate the relationships that exist between strategic response and export performance in this study. The researcher conducted a triangulation research design in which both quantitative and qualitative data was collected and analyzed. A Descriptive research design was used to collect quantitative data in order to address the longitudinal changes occurring at the firm level within a historical context of the firm and how they relate with its present export performance. The population of a study involved all the elements or individuals represented in an investigation. The Kenya Association of Manufacturers had clustered nine regions in Kenya which were: Athi-River, Coast, Eldoret, Nairobi and surrounding area, Naivasha, Nakuru, Nyanza/Western, Nyeri and Thika and surrounding area. There were 31 companies registered by Kenya Association of Manufacturers under manufacturing and exporting industries under the Thika and surrounding area (KAM, 2014), out of these 26 registered manufacturing exporting companies had been identified for this study based on their active export activity. To ensure reliable data was obtained the researcher targeted the management team in each firm to include; the firm manager, two heads of department and two supervisors in charge Finance and Sales & Marketing departments. This brought the total population to comprise of 130 individuals.

The sampling frame that was used in the study comprised of manufacturing firms contained within Thika and surrounding area and classified under the

manufacturers and exporters in the KAM's 2014 directory. The study used Yamane (1967) simplified formula to calculate sample sizes of 98 from the population of 130. Both purposive and stratified random sampling was carried out in order to select a representative sample for this study. CEO's / Managers and Heads of Departments were purposively selected from each firm while the supervisors were selected using a stratified random sampling technique.

A survey questionnaire was used as the primary data collection tool. This allowed collection of both quantitative and qualitative data. The study also made use of secondary data that was obtained through collecting historical data collected from both internal and external sources of the target firms. Secondary data at the firm level included those found in organizational annual reports and other internal documents, books, journals, websites and databases.

The survey questionnaires were first checked for completeness and consistency, whereby only the complete ones were considered for analysis. The data was then analyzed using both descriptive and inferential statistics. Correlation analysis was used to test the strength of the relationships between variables. Analysis of Variance (ANOVA) was used to test whether the independent variables have a combined effect on the dependent variable, while

multiple linear regression analysis was used to express the hypothesized relationships between independent variables and dependent variables each tested separately.

FINDINGS AND DISCUSSION

The study used a five point Likert scale to collect data on the respondent's level of agreement with the various statements used to establish the relationship between dynamic capabilities and export performance of manufacturing firms in Kenya. A descriptive analysis was then done in order to present the collected data in a summarized way using indices or statistics, so that it would allow simple interpretation. Percentages, measures of central tendency (mean) and measures of spread (standard deviation) were used to present the study findings. The study analyzed descriptive statistics for strategic response capabilities and export performance.

Relationship between Strategic Response Capabilities and export performance of manufacturing firms in Kenya

The study also sought to establish the relationship between strategic response capabilities and export performance. An analysis of the respondent's perceptions was carried out on a five-point Likert scale as outlined in table 1.

Table 1: Measurement of Strategic Response Capabilities

Construct	% SA	A	N	D	SD	Mean	SD
Developing measures in place to frequently scan the environment to identify new business opportunities	12.5	61.1	18.1	6.9	1.4	3.8	0.8
Reviewing the likely effect of changes in its business environment on customers	19.4	41.7	22.2	15.3	1.4	3.6	1.0
Developed new differentiated products to target various customer requirements in the last three years.	26.4	41.7	19.4	11.1	1.4	3.8	1.0
Allocating time for implementing ideas for new products and improving our existing products	12.5	52.8	16.7	18.1	0.0	3.6	0.9
Utilizing information related to the export market environment	16.7	43.1	29.2	11.1	0.0	3.7	0.9

	SA	A	N	D	SD	Mean	SD
Capability to make fast decisions and changes in work practices when needed	15.3	43.1	22.2	18.1	1.4	3.5	1.0
Satisfactory management response to changes in the market or consumer needs	11.1	41.7	23.6	20.8	2.8	3.4	1.0
Continuously setting high priority in penetrating and dominating new markets	11.1	54.2	16.7	12.5	5.6	3.5	1.0

n= 72

SA= Strongly agree, A=Agree, N=Neutral, D=Disagree, SD=Strongly disagree, SD=Standard deviation.

From the findings, 73.6% were in agreement that their organizations developed and had measures in place to frequently scan the environment to identify new business opportunities, a further 61.1% agreed that they reviewed the likely effect of changes in its business environment on customers and 68.1% were in agreement that they had developed new differentiated products to target various customer requirements in the last three years. On export marketing, 59.8% agreed that they utilized information related to the export market environment while 65.3% agreed that they continuously set high priority in penetrating and dominating new markets. 58.4% were on agreement that they had the capability to make fast decisions and changes in work practices when needed and that they were satisfied with the management response to changes in the market or consumer needs.

From the analysis all the eight response statements had a mean of 3.5 to 3.8 with a standard deviation ranging from 0.8 to 1.0 indicating that they were in agreement with the statements used to measure strategic response capability.

Diagnostic Tests
Before carrying out the correlation and regression analysis, various diagnostic tests were used to validate the data in order to ensure that the basic assumptions of regression analysis were observed. These tests included collinearity, normality and homogeneity tests. According to Greene (2003) a regression model can only be accurately estimated if the basic assumptions of multiple linear regression are met.

Test for Multicollinearity
Multicollinearity occurs when a strong correlation is observed between two or more independent variables in a regression model and is a problem especially in situations where there is a multiple linear regression. Multicollinearity in this study was tested by computing the Variance Inflation factor (VIF) and its reciprocal, the tolerance. A VIF measure of close to 1 indicates no multicollinearity and a VIF value greater than 5 indicates there is multicollinearity among the variables (Martz, 2013). A tolerance value close to 1 indicates there is little multicollinearity whereas a value close to zero suggests a multicollinearity threat (Belsley, Kuh & Welseh, 2004). The results of the VIF and tolerance results are as shown in table 2. From the results it was concluded that the all the variables could be selected for regression analysis as the tolerance values were greater than 0.1 and VIF values being less than 5.

Table 2: Test of Multicollinearity using VIF and Tolerance test

Variables	Collinearity Statistics	
	Tolerance	VIF
Strategic Response Capability (X2)	0.639	1.565

Correlation Analysis

Before proceeding to perform a regression analysis, it was important to conduct a correlation analysis of the study variables in order to explore the existing relationships among the variables of interest. Pearson Product correlation coefficient (r) was used in showing the magnitude and direction of the relationships between the study variables. The correlation coefficient (r) ranges between positive 1 through 0 and negative 1. When r is positive the regression line will have a positive slope and when negative it will have a negative slope. Table 3 showed the results of the correlation analysis between the independent variable and export performance.

Table 3: Correlation between Strategic Response Capability and Export Performance

		Strategic Response Capability	Export Performance
Strategic Response Capability	Pearson Correlation	1	.604**
	Sig. (2-tailed)		.000
	N	72	72
Export Performance	Pearson Correlation	.604**	1
	Sig. (2-tailed)	.000	
	N	72	72

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

Regarding strategic response capability (X2), the correlation coefficient was positive (r=0.604**, P<0.01) as shown in table 3. Thus an increase in strategic response capability in a firm lead to an increase in its export performance.

Test of Hypothesis

Multiple regression analysis was carried out in order to examine the relationships as proposed by the research model. According to Cooper and Schindler (2003) regression analysis can be used determine the strength of the relationship between the independent and dependent variables. The study tested hypothesis that: *Ho₁*: Strategic response capabilities are not significantly related to export performance of manufacturing firms in Kenya.

The objective of the study was to establish the relationship between strategic response capabilities and export performance of manufacturing firms in Kenya. To achieve this objective, the following hypothesis was formulated and tested; *Ho₂: Strategic response capabilities are not significantly related to export performance of manufacturing firms in Kenya.* A regression analysis on the relationship between strategic response capabilities and export performance of manufacturing firms in Kenya was carried out. The regression analysis results for strategic response capabilities and export performance were as shown in Tables 4 and 5

Table 4: Model Summary for Strategic Response Capabilities

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.604[a]	.365	.356	.26503

a. Predictors: (Constant), Strategic Response Capability

As shown in table 4 above, the linear regression model indicated R^2 = 0.365, this meant that 36.5% of export performance in manufacturing industries can be explained by Strategic response capabilities. R of

0.604 indicated positive correlation between strategic response capabilities and export performance.

Table 5: ANOVA for Strategic Response Capabilities

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.823	1	2.823	40.183	.000[b]
	Residual	4.917	70	.070		
	Total	9.617	71			

a. Dependent Variable: Export Performance

b. Predictors: (Constant), Strategic Response Capability

The results of Analysis of Variance (ANOVA) as depicted in table 5 above indicated regression coefficients (F= 40.183, P value < 0.05). Since P value was less than 0.05, it indicated that there exists a significant relationship between strategic response capability and export performance of manufacturing firms in Kenya.

Table 6: Coefficients for Strategic Response Capability

Model		Unstandardized Coefficients		Standardized Coefficients		t	Sig.
		B	Std. Error	Beta			
1	(Constant)	1.792	.159			11.294	.000
	Strategic Response Capability	.273	.043	.604		6.339	.000

a. Dependent Variable: Export Performance

The results in table 6 implied that for every 1-unit increase in strategic response capabilities, export performance of manufacturing firms in Kenya was predicted to increase by 0.273. The null hypothesis was therefore rejected as the results revealed that strategic response capabilities contribute positively towards export performance of manufacturing firms.

Therefore, the results revealed that there exists a significant relationship between strategic response capability and export performance of manufacturing firms in Kenya. The correlation results indicated and R of 0.604 while regression results indicated F at 40.183 with a P value less than 0.05 and a coefficient of 0.273. This meant that for every 1-unit increase in strategic response capability, export performance of manufacturing firms in Kenya is predicted to increase by 0.273.

DISCUSSION

It was evident from this study that manufacturing firms in Kenya have pursued mechanisms for the development of strategic response capabilities. These mechanisms included developing new differentiated products to target various customer requirements, adopting measures in place to frequently scan the environment to identify new business opportunities through investments in technology. Utilizing information related to the export market environment in order to get feedback from customers and market trends and to make fast decisions and changes in work practices when needed and continuously setting high priority in penetrating and dominating new markets. The firms also showed that management responds to changes in the market or consumer needs and their departments were quick in adopting new skills and working methods.

Strategic response capabilities enable a firm to build on its marketing capabilities that assist it to sense and respond to market changes such as competitors' moves, technological evolution and revolution, also enable firm organizations to leverage the capabilities and resources of partners for value creation, facilitate firms to foretell and anticipate customer explicit and latent needs (Saleh, 2015). A market oriented firm is able to gather information about what is going on in the environment and explore competitors' activities and practices, with a main focus of sensing what their primary competitors develop and invest in, and eventually be able to identify how this gathered information can be used in their deployment of capabilities. They do not imitate but exploit and diffuse recognized ideas into their own processes, systems, products and services (Breznik & Lahovnik, 2016)

The findings of the study were consistent with a previous study by Skarmeas *et al.* (2018) who conducted a study on United Kingdom manufacturers and found that strategic goal oriented firms showed advantaged positions in export ventures. The study also was congruent with a study by Morgan *et al.* (2012) who conducted a study on export marketing strategy implementation, export marketing capabilities, and export venture performance using data from manufacturing firms engaged in export marketing. Their study found that marketing capabilities coupled with an ability to effectively implement planned export strategies are an important predictor of a firm's export venture. The finding also concurred with Pitta and Richardson (2007) who found that companies that have a systematic process of market monitoring and market knowledge have the advantage of responding with greater speed and efficiency to market opportunities and threats which in turn culminates into continuous growth both in sales and profits that are necessary for a firm's export survival.

The study findings were in support of a research by Masnan et al. (2018) who found that to strengthen business operation, SMEs require both adaptive and sensing capability that serve as a catalyst for a quick response to rapid changes in foreign markets. The study also is in support of a research by Pitta and Richardson (2007), who indicated that companies that have a systematic process of market monitoring and market knowledge have the advantage of responding with greater speed and efficiency to market opportunities and threats.

CONCLUSION

This study concluded that there is a positive relationship between strategic response capability and export performance of manufacturing firms in Kenya. The study noted that the firms under study develop and have put measures in place to frequently scan the environment to identify new business opportunities, they review the likely effect of changes in its business environment on customers and they continuously develop new differentiated products to target various customer requirements in the export markets.

The study noted that in order for manufacturing firms to be more successful in export markets they should put more emphasis on utilizing information related to the export market environment by investing in technology and resources that will allow them to be able to continuously scan the export market environment. This will enable firms to develop their products based on effective signals from the market and customer needs and requirements, to suit changing consumer needs in export markets. They should also be able to continuously set high priority in penetrating and dominating new markets as well as be able to make fast decisions and changes in work practices when needed.

From the findings of this study, the researcher recommended that manufacturing firms in Kenya should be able to improve on their strategic response

capabilities as they lead to increased export performance. Exporting firms should be able to frequently scan their export markets, analyze information gathered from external environments, review changes in consumer needs and preferences and develop their products to suit changing markets. The study recommended that export manufacturing firms should make use of available and effective technology and resources that will allow them to be able to continuously scan the export market environment, communicate with their suppliers and customers, for example through use of websites, social media presence and therefore gather effective signals from the market and customer's needs and requirements. This would assist them recognize the changing consumer needs in export markets and thus continuously develop new differentiated products to target various customer requirements in the export markets as well as be able to penetrate and dominate new markets.

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