
# THE MODERATING EFFECT OF COMPETITIVE INTENSITY ON THE RELATIONSHIP BETWEEN MARKET ORIENTATION AND PERFORMANCE OF PRIVATE SECURITY FIRMS IN KENYA

**Onditi, E. O., Kibera, N. F., Aranga, M. J., & Iraki, X. N.**

The Strategic JOURNAL of Business & Change MANAGEMENT
ISSN: 2312-9492 www.strategicjournals.com

*Vol. 7, Iss. 1, pp 47 – 65 January 13, 2020. www.strategicjournals.com, ©Strategic Journals*

# THE MODERATING EFFECT OF COMPETITIVE INTENSITY ON THE RELATIONSHIP BETWEEN MARKET ORIENTATION AND PERFORMANCE OF PRIVATE SECURITY FIRMS IN KENYA

**Onditi, E. O.,[1*] Kibera, N. F.,[2] Aranga, M. J.,[3] & Iraki, X. N.[4]**

[1*]Ph.D Candidate, School of Business, Department of Business Administration, University of Nairobi [UoN], Kenya
[2]Professor of Strategic Marketing Management, Ph.D, School of Business, Department of Business Administration, University of Nairobi [UoN], Kenya
[3]Ph.D, Lecturer, School of Business, Department of Business Administration, University of Nairobi [UoN], Kenya
[4]Professor, Ph.D, School of Business, Department of Management Science, University of Nairobi [UoN], Kenya

**Accepted: January 5, 2020**

**ABSTRACT**

*The objective of this study was to establish the moderating effect of competitive intensity on the relationship between market orientation on the performance of private security firms in Kenya. Data was collected from key informants in the private security firms and they were either the marketing managers or the Chief Executive Officer of the firms. The theoretical perspective to the study was Market based View. The study targeted 39 firms that were members of the Kenya Security Industry Association (KSIA) in a census study that was cross-sectional in nature and 37 firms participated in the study. Data was collected using a semi-structured questionnaire. Results of the regression analysis indicated that market orientation had a positive and significant effect on both non-financial and financial performance of the private security firms in Kenya. The results also indicated that competitive intensity moderated the relationship between market orientation and non-financial performance but not with financial performance. The study recommended that managers of private security firms and firms in other industries should view market orientation as a resource that can enhance the firms' ability to achieve sustainable competitive advantage. It also recommended that management of firms should invest their time in developing a market orientation culture among all departments of their firms. The study also recommended that managers should evaluate performance implications of their internal firm resources and use them to develop and implement strategies that will help the firm to counter competitor actions through exploration or exploitation of market opportunities. A longitudinal study was suggested since the industry competition will be significantly affected by the strong government regulation through the Private Security Regulatory Authority.*

***KEY WORDS:*** *Market Orientation, Competitive Intensity, Private Security Firms, Kenya*

**CITATION:** Onditi, E. O., Kibera, N. F., Aranga, M. J., & Iraki, X. N. (2020). The moderating effect of competitive intensity on the relationship between market orientation and performance of private security firms in Kenya. *The Strategic Journal of Business & Change Management,* 7(1), 47 – 65.

## INTRODUCTION

The relationship between market orientation and firm performance has been at the center of marketing thoughts by scholars and the existing marketing literature identifies market orientation as a central pillar of the marketing function. Morgan and Strong (1997) opined that market orientation activities and behaviours of a firm involve firms proactively looking for opportunities in the markets as well as positioning themselves to exploit future opportunities. The marketing concept is the origin of market orientation and Van Raaij and Stoelhorst (2008) posited that it is the foundation of all marketing activities. In a competitive and dynamic market environment, business firms are expected to have a near-perfect understanding of the market (Maydeu-Olivares & Lado, 2003) and this requires the firms to have information about customer needs, intelligence about competitors and sharing this information among all departments of the firm so that they can work together to develop strategies that will enable the firms to gain a competitive advantage and superior performance.

Firm performance has also attracted a considerable amount of research interest from academicians as they seek to establish the significant factors that influence firm performance and therefore knowing the various determinants of firm performance is critical (Nga'nga, Lagat & Kieti, 2016) especially when firms are faced with declining economic activities. Hunt and Morgan (1995) emphasized that the primary objective of business organizations is to achieve superior financial performance. They further argued that organizations definitely have other objectives such as corporate social responsibility but the other objectives all depend on achievement of superior financial performance by the firm. The pursuit of performance objectives is usually done by firms under conditions of imperfect information about customers and competitors. Market orientation activities enable firms to collect information about customers and use this information for business process re-engineering and provision of superior customer value. With regard to moderators of market orientation, market orientation is less likely to affect firm performance in situations where firms experience a strong demand for their products (Day & Wensley, 2008). If a market is experiencing scarcity to the point that rationing of products is done to customers, Gudlaugsson and Schalk (2009) suggested that market orientation would not work in such a situation.

Market turbulence and industry competition strengthen the relationship between market orientation and firm performance (Kohli & Jaworski, 1990). However, Van Raaij and Stoelhorst (2008) stated that results of studies on the moderators of market orientation have been inconsistent and this view was supported by Kirca et al. (2005) who reviewed a number of empirical studies on the moderators of market orientation and concluded that there was no sufficient evidence to support the view that market and technological turbulence or competitive intensity moderate the relationship between market orientation and firm performance. In relation to industry competition, O'Cass and Weerawardena (2010) suggested that when managers of business firms perceive their industries as being competitive, they will initiate activities aimed at knowing their customers better and monitor competitor activities and this enhances their level of market orientation.

Security is very critical to business success since business activities cannot be conducted in a state of insecurity. Private security firms play an important role in the Kenyan economy by providing security services to both individual and corporate clients including the government. Mkutu and Sabala (2007) stated that the strong need for private security is caused by the financial and manpower limitations of the government. The increased threat of terror attacks in Kenya at strategic locations such as


The Strategic Journal of Business & Change Management. **ISSN** 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

shopping malls, hotels, bus stations, academic institutions and other public places has driven up the demand for private security services and as a result, there is an increased demand for private security by business firms and individuals. The terror attack in Nairobi at the DusitD2 hotel in January 2019 highlighted to crucial role private security plays in the Kenyan economy. The private security industry tends to do well when there is insecurity in the country because it security makes business firms and home owners to contract private security firms to provide manned guarding, alarm systems, electric fences, vehicle tracking among other security services. In view of this, private security firms are expected to have a value-adding understanding of the needs of customers and respond to them better than competitors in order to achieve competitive advantage. Despite the significant value of private security firms to the economy, the market orientation construct has not been studied in the context of PSFs in Kenya. For instance, Gatoto et al. (2015) focused on service quality strategies of private security firms while Kaguru and Ombui (2014) used a case study to analyze factors influencing performance of G4S Company. The case study approach makes it difficult to generalize their study findings. The relationship between market orientation and performance of the firms was also not analyzed in both studies.

Market orientation is defined by Deshpande and Farley (1998) as the set of cross-functional processes and activities directed at creating and satisfying customers through continuous evaluation of their needs. Narver and Slater (1990) define market orientation as the business culture through which superior customer value is created effectively and efficiently. On the other hand, Jaworski and Kohli (1996) defined market orientation as company-wide process of generating marketing intelligence relating to competitors, customers and all forces that affect them, disseminating intelligence internally and proactive and reactive responsiveness to the intelligence. Even though the scholars have different definitions for market orientation, it is clear that the definitions focus on understanding customer needs and satisfying them in a way that gives the firms competitive advantage.

A cultural perspective of market orientation was proposed by Narver and Slater (1990) in which they viewed market orientation in terms of customer orientation, competitor orientation and inter-functional coordination within the firm. Hillman and Kaliappen (2014) stated that in the cultural dimension, customer orientation involves gathering information about customer needs and wants so that they firm can offer superior value added goods and services. Competitor orientation requires the firm to collect information about competitors so that the firm it can respond appropriately to competitor actions that may affect its market share of profitability. Inter-functional co-ordination requires all the departments in the organization to share the information collected about customers and competitors and co-ordinate their activities and strategy development so that they can provide superior value to customers.

On their part, Kohli and Jaworski (1990) proposed a behavioural perspective of market orientation which views market orientation in terms of generating market intelligence, disseminating the market intelligence among the departments of the firm and then responding to customer needs using that information. Generation of market of intelligence involves gathering market information relating to the current and future customer needs while dissemination of the information involves distributing the market information to all departments of the firm and responsiveness to customer needs is about the ability of the whole organization to respond to the market information accordingly.

The marketing literature indicates the existence of a relationship between the level of a firm's market


The Strategic Journal of Business & Change Management. **ISSN** 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

orientation and its performance such that firms with a high level of market orientation tend to experience better performance. Several authors have supported the argument that market oriented firms achieving better performance levels than firms which are not market oriented or have low levels of market orientation. Goderis (1997) opined that market oriented firms have more satisfied customers and a high rate of customer retention as well as reduced transaction costs while Cooper (1993) argued that market oriented firms are responsive to changes in customer needs as well as changes in environmental forces through the development of new or modified products that help the firm to achieve growth and profit goals.

Competitive intensity is viewed by Sorensen (2009) as the level of competition within an industry. Competitive intensity is high when there are many competitors offering similar products in the industry and hence opportunities for market growth diminish. Olalekan and Olakunle (2012) argued that when competitive intensity is high, firms adapt by taking risks and engaging in proactive activities that involve learning and market exploration in order to avoid price wars. However, when competitors are few, firms can operate using their existing systems to exploit market opportunities. An industry with a high level of competition will experience reduced firm-level performance because customers have many options to choose from. Operating cost structures of firms can also explain differences in performance since those with higher costs perform poorly than those with lower costs (Sorensen, 2009).

The five forces model by Porter (2008) identifies forces that affect competitive intensity within an industry and they are; rivalry among industry players, threats of substitutes and new entrants, bargaining power of suppliers and that of customers. These five forces combine to influence industry profits. A high level of industry rivalry affects industry profitability while high entry barriers limit the number of firms in the industry (Johnson et al., 2008). If customers in the market have high market power, they can drive prices down and this reduces firm profitability. Powerful suppliers can increase prices for materials which would influence firm profits negatively. Substitute products restrict the potential profits in an industry especially if the customers switching costs are low (Hubbard & Beamish, 2011).

When competitive intensity in an industry is high, the relationship between MO and performance of a firm will be stronger (Kohli and Jaworski, 1990). Slater and Narver (1994) opined that customer orientation for a firm is mandatory in markets that have high competitive intensity, highly segmented end-user markets and shifting mobility barriers. However, if there is low competitive intensity in the market and the market is stable with predictable demand, a competitor orientation would be a priority. Kumar et al. (1998) also supported the suggestion that industries with a high level of competitive intensity calls for a competitor orientation by arguing that the high level of competitive intensity requires the firm to identify the strengths and weaknesses of competitors firms including being able to anticipate and respond to the move of competitors. There are over 500 PSFs in Kenya which indicates that the concentration of firms in the industry is very high. Information asymmetry exists in the private security industry in Kenya because customers have less information on security matters and for this reason they rely completely on what is provided by the security firms.

The private security firms in Kenya operate in a growing market because of the increased threats to security of individual households and businesses. Competitive intensity in the private security industry in Kenya is high since there are many firms operating and customers have many options to choose from. This implies that the private security firms need to be aware of what competitors are offering so that they can use their internal resources to offer value added services to customers in a way that gives them

competitive advantage and improves their non-financial and financial performance.

Firm performance refers to the level of success of a commercial entity in terms of whether it is positive or negative (Olusola, 2011). Parker (2000) opined that performance measurement helps the managers of a firm to make business decisions based on real data that highlights the positive and or negative performance areas. Performance measurement is therefore necessary to help firms to translate their strategy into the desired results (Ladipo, Rahim, Oguntoyibo & Okikiola, 2016). Santos and Bito (2012) argued that firm performance can be thought of in terms of non-financial (qualitative) measures such as the level of employee satisfaction as well as and customer satisfaction and customer retention capabilities of a firm as well as financial (quantitative) measures such as Return on Equity and Return on Assets, sales revenue and profitability of the firm. Financial measures of firm performance can be found by looking at the figures provided on a firm's financial statement. Carton (1996) argued that there is no consensus among authors on the best measure of firm performance. However, financial and non-financial measures were found to be positively correlated by Wall et al. (2004) and Dalves (1999). In view of the opinions of scholars regarding financial and non-financial measures, this study analyzed the performance of private security firms in Kenya using non-financial measures such as customer attraction, customer retention and financial measures in terms of sales revenue.

## LITERATURE REVIEW

### Market orientation and firm performance

Market orientation provides a competitive edge and is a critical determinant of firm performance (Mokhtar, Yussoff & Arshad, 2009). Narver and Slater (1994) stated that market oriented firms perform better in the market since they develop an organizational culture that enables them to deliver superior value to customers. The market orientation literature provides evidence of a positive influence of market orientation on performance of firms. However, some authors have reported contradictory findings with some finding a negative relationship between market orientation and firm performance and others reporting that market orientation had no relationship with performance. Salyova et al. (2015) examined MO and performance of businesses in Slovakia in the foodstuff industry and results indicated that MO affects business performance positively. Findings of Boachie – Mensah and Issau (2015) also indicated that market orientation had a positive relationship with performance of small and medium sized manufacturing firms in Ghana.

However, their findings are contradictory in terms of the direction of the effect of market orientation with the findings of Aliyu, Ahmed and Utai (2015) who found that market orientation had a negative effect on the performance of SMEs in Nigeria and this contradicted the finding by Njeru (2013) who found a positive relationship between market orientation and performance of Tour firms in Kenya. Similarly, Hussin et al. (2014) also found that market orientation had a negative effect on the business performance of contractors in Malaysia and this also contradicts the findings of Didonet, Frega, Toaldo and Diaz (2014) who used a cross sectional survey of 327 SMEs in Chile to analyze supply chain integration in the market orientation and performance relationship but found no relationship between market orientation and performance of a firm. Similarly, O'Sullivan and Butler (2009) also found that market orientation did not have a relationship with the performance of firms in the high-value added sectors in Ireland and this contradicts the findings of Agbobli, Oni and Fatoki (2017) who found a positive relationship between market orientation and performance of small businesses in South Africa.

The inconsistency in the literature regarding the findings on the relationship between market


The Strategic Journal of Business & Change Management. **ISSN** 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

orientation and firm performance by various authors implied that existing research evidence on the market orientation and firm performance relationship was inconclusive and more studies were required to examine the relationship especially in different industry contexts and geographical areas. Most of the market orientation studies were done in manufacturing industries and there was a strong need to conduct a study on the market orientation and firm performance relationship in the private security industry in Kenya.

**Market orientation, competitive intensity and firm performance**

The market orientation and firm performance relationship is influenced by the nature of competition that firms face in the industry. In monopoly markets, customer options are very limited but when competitive intensity is high, customers can choose from many product options to satisfy their needs. Kumar et al. (2011) suggested that increased competition enhances the market orientation and firm performance relationship because market oriented firms are able to improve their customer retention capabilities leading to better performance. However, they also argued that late entrants into the industry can also be market oriented. Therefore the power of competitive intensity as a moderator on market orientation and firm performance tends to reduce as more firms become market oriented in the industry (Sorensen, 2009).

Past studies by researchers on the impact of competitive intensity on market orientation – firm performance relationship reported mixed results. Ng'ang'a, Lagat and Kieti (2016) examined competitive intensity as a moderating variable on the relationship between customer orientation and hotel performance using a cross sectional study and a sample of 132 hotels in Kenya. Customer orientation was found to positively influence hotel performance and competitive intensity moderated the relationship. However, this contradicts the findings of Zhang and Zhu (2016) who analyzed market orientation, product innovation and export performance of Chinese firms. Their findings indicated a positive impact of MO on firms' export performance but competitive intensity did not moderate the relationship.

Sorensen (2009) evaluated the influence of customer and competitor orientations on the financial performance of 2,527 manufacturing firms in Denmark. The study results indicated that customer orientation had a negative effect on the financial performance but competitor orientation had a positive impact on financial performance. However, the study by Sorensen (2009) also found that competitive intensity moderated the relationship between customer orientation and financial performance but did not moderate the relationship between competitor orientation and financial performance of the firms. A study by Subramanian and Gopalakrishna (2001) investigated the market orientation and firm performance relationship using a sample of 162 manufacturing and service firms in India. Their findings showed a strong positive relationship between market orientation and firm performance. However, the results indicated that competitive hostility did not moderate the relationship between market orientation and firm performance.

On the other hand, Kumar, Subramanian and Yauger (1998) examined the market orientation and firm performance relationship in the healthcare industry. A survey of 159 hospitals in USA was done and results indicated a strong positive relationship between market orientation and hospital performance. However, their finding that competitive hostility moderated the market orientation and performance relationship contradicted that of Subramanian and Gopalakrishna (2001) who found that competitive hostility did not moderate the effect of market orientation on performance. The two studies were also done in different contexts and geographical


The Strategic Journal of Business & Change Management. **ISSN** 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

locations with one being done in the manufacturing and service sector in India and the other in the healthcare industry in the USA.

In another study. Ruzgar, Kocak and Ruzgar (2015) also found that competitive intensity moderated the relationship between market orientation and performance of SMEs in Turkey. However, these findings contradict those of Hartono (2013) and Zhang and Zhou (2016) who found that the intensity of competition did not moderate the relationship between market orientation and firm performance. The contradictions that exist in these study findings by authors call for further research especially in different geographical areas and contexts. The Kenyan private security industry is very competitive and this study sought to determine how competitive intensity affected the market orientation and performance relationship of private security firms in Kenya.

The study conceptualized that the relationship between market orientation and performance of private security firms in Kenya was not moderated by competitive intensity. This was based on the Market Based View (MBV) that indicated that the performance of an organization is influenced by external environmental factors. Figure 1 illustrated the conceptual model of the study.

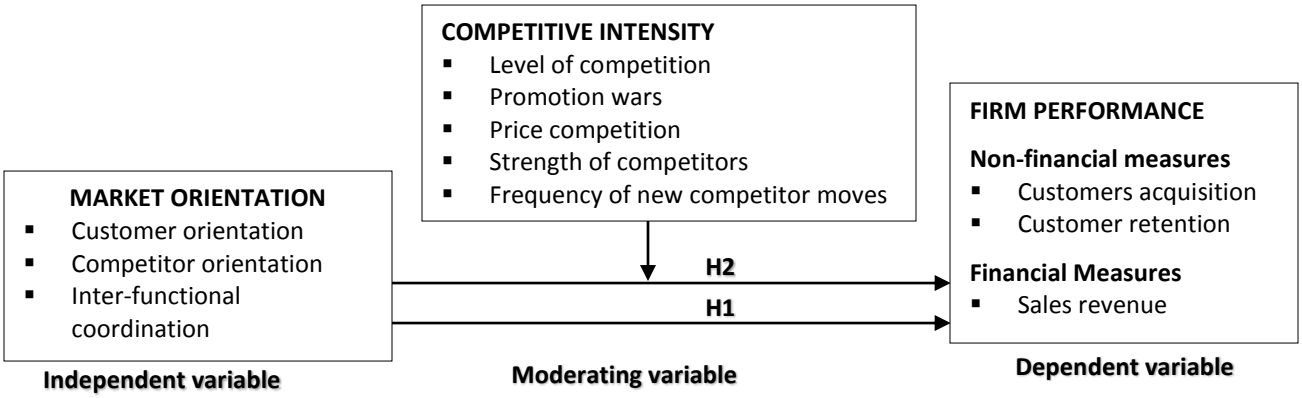


**Figure 1: Conceptual Model**

Based on the literature review, the study derived two hypotheses and four sub-hypotheses as;

**H1:** Market orientation has no significant influence on performance of private security firms in Kenya

**H1a:** Market orientation has no significant influence on non-financial performance of private security firms in Kenya

**H1b:** Market orientation has no significant influence on financial performance of private security firms in Kenya

**H2:** Competitive intensity has no significant moderating effect on the relationship between market orientation and performance of private security firms in Kenya

**H2a:** Competitive intensity has no significant moderating effect on market orientation and non-financial performance of private security firms in Kenya

**H2b:** Competitive intensity has no significant moderating effect on market orientation and financial performance of private security firms in Kenya

## METHODOLOGY

The study relied on existing theory and use of quantitative data analysis to test the study hypotheses and therefore it adopted the positivist research paradigm. The study also adopted the cross-sectional research design. The target population included all the private security firms that were


The Strategic Journal of Business & Change Management. **ISSN** 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

registered members of the Kenya Security Industry Association (KSIA) and they were 39 firms in number. A census study was conducted since the study population was relatively small. The measurement of market orientation was done using the MKTOR scale developed by Narver and Slater (1990) which was based on a 5-point likert type scale that required respondents to indicate the extent to which their firms engaged in market oriented activities. The scale for measuring competitive intensity was adopted from Jaworski and Kohli (1993) and Sorensen (2009). Measures of non-financial performance of the firms were adopted from Chen et al. (2009) and that of financial performance was adopted from Zhou et al. (2009).

Non-financial performance was measured objectively in terms of number of new customers attracted and number of existing customers retained while financial performance was measured in terms of sales revenue. A pilot study was done to evaluate the reliability of the measurement scale by administering the study questionnaire to marketing managers of ten (10) private security firms operating in Mombasa county that were not members of the KSIA and the Cronbach's alpha coefficient was above the lower limit of 0.6 proposed by Hair et al. (1998). The study used the key informant approach where a structured questionnaire targeting either the marketing manager or CEO of the firm was used to collect data. Factor analysis was used to test for construct validity and the data was subjected to tests for the assumptions of regression analysis. Linearity was tested using scatter plots, normality was tested using the Kolmogorov – Smirnov and Shapiro-Wilk tests, autocorrelation was tested using the Durbin–Watson test, multicollinearity was measured using Tolerance and Variance Inflation Factors (VIFs) while the Koenker test was used to check for heteroscedasticity. All the tests provided results that indicated that the data met all the requirements of the assumptions of regression analysis.

## FINDINGS

### Market orientation and firm performance

The influence of market orientation on firm performance was tested at two levels. The first level involved testing the influence of market orientation on non-financial performance and the second level involved testing the influence of market orientation on financial performance

### Testing the relationship between market orientation and financial performance

The influence of market orientation on non-financial performance was tested using simple regression analysis and Table 1 provided the model summary of the regression analysis on market orientation and non-financial performance.

**Table 1: Model summary of the relationship between market orientation and non-financial performance**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .710[a] | .504 | .490 | .63334 |

a. Predictors: (Constant), Market orientation

**Source: Research data (2019)**

The regression results in Table 1 indicated that the coefficient of determination ($R^2$) was at 0.504 and this implied that market orientation explained 50.4% of the variation in the non-financial performance of private security firms in Kenya. The relationship between market orientation and non-financial performance was strong as indicated by a correlation coefficient of 0.710. Table 2 contained results of the analysis of variance (ANOVA) on market orientation and non-financial firm performance.

**Table 2: ANOVA[a] results of the relationship between market orientation and non-financial performance**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 14.287 | 1 | 14.287 | 35.618 | .000[b] |
| | Residual | 14.039 | 35 | .401 | | |
| | Total | 28.326 | 36 | | | |

a. Dependent variable: Non-financial performance

b. Predictors: (Constant), Market orientation

**Source: Research data (2019)**

Analysis of variance (ANOVA) was conducted to test the significance of the regression model and the results in Table 2 indicated an F value of 35.618 which was significant at p = 0.000. This showed that the regression model was significant at 95% confidence level since the p value was less than 0.05 and hence was robust enough to explain the relationship between market orientation and non-financial firm performance. Table 3 provided the regression coefficients of market orientation and non-financial firm performance.

**Table 3: Regression coefficients of the relationship between market orientation and non-financial performance**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | .450 | .568 | | .793 | .433 |
| | MOrientation | .896 | .150 | .710 | 5.968 | .000 |

a. Dependent variable: Non-financial performance

**Source: Research data (2019)**

From table 3, results indicated that t = 5.968 and p value was 0.000 which implied that market orientation positively and significantly affected the non-financial performance of private security firms. The unstandardized regression coefficient also indicated that market orientation factors were significant (β = 0.896, p value = 0.000). Therefore, the results led to the rejection of the null sub-hypothesis H1a; which stated that; market orientation has no significant influence on the non-financial performance of private security firms.

**Market orientation and financial performance**

The influence of market orientation on financial performance was tested using simple regression analysis and Table 4 provided the model summary of the regression analysis on market orientation and financial performance.

**Table 4: Model summary of market orientation and financial performance**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .518[a] | .269 | .248 | .51826 |

a. Predictors: (Constant), Market orientation

**Source: Research data (2019)**

The results in Table 4 indicated that the coefficient of determination ($R^2$) was at 0.269 and this implied that market orientation explained 26.9% of the variation in the financial performance of private security firms

in Kenya. The relationship between market orientation and financial performance was moderate as illustrated by the correlation coefficient of 0.518. Table 5 provided results of the analysis of variance on market orientation and financial performance.

**Table 5: ANOVA[a] results of the relationship between market orientation and financial performance**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 3.454 | 1 | 3.454 | 12.859 | .001[b] |
| | Residual | 9.401 | 35 | .269 | | |
| | Total | 12.855 | 36 | | | |

a. Dependent Variable: Financial performance (Sales revenue)

b. Predictors: (Constant), Market orientation

**Source: Research data (2019)**

Analysis of variance (ANOVA) conducted to test the significance of the regression model of market orientation and financial performance and the results indicated an F value of 12.859 which was significant at p = 0.01. This showed that the regression model was significant at 95% confidence level since the p value was less than 0.05. This confirmed that the model had enough robustness to explain the relationship between market orientation and financial performance of the private security firms. The regression coefficients of market orientation and financial performance are provided in Table 6.

**Table 6: Regression coefficients of market orientation and financial performance**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | .564 | .465 | | 1.212 | .233 |
| | MOrientation | .441 | .123 | .518 | 3.586 | .001 |

a. Dependent variable: Financial performance

**Source: Research data (2019)**

From Table 6, the results indicated that t = 3.586 and p value was 0.001 which indicated that market orientation positively and significantly affected the financial performance of private security firms. The unstandardized regression coefficient also indicated that market orientation factors were significant (β = 0.441, P value = 0.001). The results led to the rejection of the null sub-hypothesis H1b which stated that; market orientation has no significant influence on the financial performance of private security firms in Kenya. .

**Market orientation, competitive intensity and firm performance**

The influence of market orientation, competitive intensity and firm performance was tested at two levels. The first level involved testing for the moderating effect of competitive intensity on the relationship between market orientation on non-financial performance and the second level involved testing for the moderation effect of competitive intensity on the market orientation and financial performance relationship. The hypothesized moderating effect of competitive intensity on the relationship between market orientation and non-financial performance was tested based on a moderated hierarchical regression analysis. The variables were first standardized or mean adjusted to make the interpretations easier and to avoid multicollinearity. The interaction term was created by multiplying the proposed moderator (competitive intensity) and the independent variable (market


The Strategic Journal of Business & Change Management. **ISSN** 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

orientation). The regression results obtained were presented sequentially beginning with results on non-financial performance and then financial performance.

**Testing for the moderating effect of competitive intensity on the relationship between market orientation and non-financial performance**

The moderating effect of competitive intensity on the relationship between market orientation and non-financial performance was tested using a 3-step hierarchical regression analysis that was developed by Fairchild and Mackinnon (2009). Step 1 involved regressing market orientation against non-financial performance only. Step 2 entailed regressing market orientation and competitive intensity against non-financial performance. In step 3, market orientation, competitive intensity and the interaction term (Product of market orientation and competitive intensity) were regressed against non-financial performance. The moderating effect of competitive intensity on the relationship between market orientation and non-financial firm performance would be present if the interaction term produced a statistically significant regression coefficient. Table 7 provided the model summary of the moderating effects of competitive intensity on the relationship between market orientation and non-financial performance.

**Table 7: Model summary of the moderating effect of competitive intensity on the relationship between market orientation and non-financial performance**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | R Square Change | F Change | df1 | df2 | Sig. F Change |
| 1 | .710[a] | .504 | .490 | .63334 | .504 | 35.618 | 1 | 35 | .000 |
| 2 | .789[b] | .622 | .600 | .56107 | .118 | 10.596 | 1 | 34 | .003 |
| 3 | .792[c] | .627 | .593 | .56617 | .004 | .390 | 1 | 33 | .037 |

a. Predictors: (Constant) Market orientation

b. Predictors: (Constant) Market orientation, Competitive intensity

c. Predictors: (Constant) Market orientation, Competitive intensity, Interaction term

**Source: Primary data (2019)**

The results in the Table 7 indicated that when market orientation was entered into the model, it accounted for 50.4% of the total variance in the non-financial performance of the private security firms and this was significant at p = 0. 000. The addition of competitive intensity to the model increased the $R^2$ to 0.622 which implied that market orientation and competitive intensity jointly explained 62.2% of the variation in non-financial performance and as a result the $R^2$ change was at 0.118 and this was significant at p = 0.003.

When the interaction term (market orientation x competitive intensity) was entered into the model, the model explained 62.7% of the total variance in the non-financial performance of private security firms. The change in performance caused by the interaction term was significant with p = 0.037 and this indicated that competitive intensity had a significant moderating effect on market orientation and non-financial firm performance and hence the results led to the rejection of the null sub hypothesis H2a which stated that; competitive intensity has no significant moderating effect on the relationship between market orientation and non-financial firm performance. Table 8 presented the results of the analysis of variance that was conducted on the market orientation, competitive intensity and non-financial performance.

**Table 8: ANOVA[a] on the moderating effect of competitive intensity on the relationship between market orientation and non-financial performance**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 14.287 | 1 | 14.287 | 35.618 | .000[b] |
| | Residual | 14.039 | 35 | .401 | | |
| | Total | 28.326 | 36 | | | |
| 2 | Regression | 17.623 | 2 | 8.811 | 27.990 | .000[c] |
| | Residual | 10.703 | 34 | .315 | | |
| | Total | 28.326 | 36 | | | |
| 3 | Regression | 17.748 | 3 | 5.916 | 18.455 | .000[d] |
| | Residual | 10.578 | 33 | .321 | | |
| | Total | 28.326 | 36 | | | |

a. Dependent Variable: Non-financial performance

b. Predictors: (Constant), Market orientation

c. Predictors: (Constant), Market orientation, Competitive intensity

d. Predictors: (Constant), Market orientation, Competitive intensity, Interaction term

**Source: Research data**

The results of the ANOVA in Table 8 indicated that all the regression models were significant and this implied that they were robust enough to explain the relationships between the study variables. Table 9 provided the regression coefficients of the models.

**Table: 9: Regression coefficients for the moderating effect of competitive intensity on the relationship between market orientation and non-financial performance.**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 3.784 | .104 | | 36.341 | .000 |
| | MO | .896 | .150 | .710 | 5.968 | .000 |
| 2 | (Constant) | 3.784 | .092 | | 41.021 | .000 |
| | MO | .610 | .159 | .484 | 3.830 | .001 |
| | CI | .563 | .173 | .411 | 3.255 | .003 |
| 3 | (Constant) | 3.757 | .103 | | 36.626 | .000 |
| | MO | .583 | .167 | .462 | 3.498 | .001 |
| | CI | .644 | .217 | .470 | 2.968 | .006 |
| | Interaction term | .110 | .177 | .083 | .624 | .037 |

a. Dependent variable: Non-financial performance

**Source: Research data (2019)**

The regression coefficients in Table 9 showed that the predictor variable (Market orientation) was significant with t = 3.498, p = 0.001. Competitive intensity was significant with t = 2.968, p = 0.006. The interaction term was also significant at t = 0.624 and p = 0.037. These results indicated that competitive intensity moderated the effect of market orientation on non-financial performance of the private security firms in Kenya**.**

**Testing for the moderating effect of competitive intensity on the relationship between market orientation and financial performance**

The study also sought to determine whether competitive intensity has a significant moderating

effect on the relationship between market orientation and financial performance of private security firms. A second hierarchical regression analysis was done on market orientation, competitive intensity and financial performance. Table 10 presented the model summary of the results of the hierarchical regression analysis.

**Table 10: Model summary of the moderating effect of competitive intensity on the relationship between of market orientation and financial performance**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | R Square Change | F Change | df1 | df2 | Sig. F Change |
| 1 | .518[a] | .269 | .248 | .51826 | .269 | 12.859 | 1 | 35 | .001 |
| 2 | .519[b] | .269 | .226 | .52571 | .000 | .016 | 1 | 34 | .901 |
| 3 | .532[c] | .283 | .217 | .52861 | .014 | .628 | 1 | 33 | .434 |

a. Predictors: (Constant), Market orientation

b. Predictors: (Constant), Market orientation, Competitive intensity

c. Predictors: (Constant), Market orientation, Competitive intensity, Interaction term

**Source: Primary data (2019)**

The results in the Table 10 for the model summary indicated that when market orientation was entered into the model, it accounted for 26.9% of the total variance in the financial performance of the private security firms and this was significant at p = 0.001. When competitive intensity (the proposed moderator) was added to the model, there was no increase in financial performance ($R^2$ = 0.000) and the model became insignificant at p = 0.901. When the interaction term (market orientation x competitive intensity) was entered into the model, it accounted for 28.3% ($R^2$ change = 0.014) of the total variance in the financial performance of private security firms. However, the change in financial performance caused by the interaction term was not significant (p-value = 0.434) and this indicated that competitive intensity had no significant moderating effect on market orientation and financial performance and hence the results led to the failure to reject the null sub-hypothesis $H3_b$ which stated that; Competitive intensity has no significant moderating effect on the relationship between market orientation and financial performance. Table 11 presented the results of the analysis of variance that was conducted on market orientation, competitive intensity and financial performance.

**Table 11: ANOVA results of the moderating effect of competitive intensity on the relationship between market orientation and financial performance**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 3.454 | 1 | 3.454 | 12.859 | .001[b] |
| | Residual | 9.401 | 35 | .269 | | |
| | Total | 12.855 | 36 | | | |
| 2 | Regression | 3.458 | 2 | 1.729 | 6.256 | .005[c] |
| | Residual | 9.397 | 34 | .276 | | |
| | Total | 12.855 | 36 | | | |
| 3 | Regression | 3.634 | 3 | 1.211 | 4.335 | .011[d] |
| | Residual | 9.221 | 33 | .279 | | |
| | Total | 12.855 | 36 | | | |

a. Dependent variable: Financial performance



The Strategic Journal of Business & Change Management. **ISSN** 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

b. Predictors: (Constant), Market orientation
c. Predictors: (Constant), Market orientation, Competitive intensity
d. Predictors: (Constant) Market orientation, Competitive intensity, Interaction term
**Source: Research data (2019)**

The results of the ANOVA in Table 11 indicated that all the regression models were significant hence they were robust enough to explain the relationships between the study variables. Table 12 provided the regression coefficients of the models.

**Table 12: Regression coefficients for the moderating effect of competitive intensity on the relationship between market orientation and financial performance**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 2.203 | .085 | | 25.853 | .000 |
| | MO | .441 | .123 | .518 | 3.586 | .001 |
| 2 | (Constant) | 2.203 | .086 | | 25.487 | .000 |
| | MO | .430 | .149 | .506 | 2.882 | .007 |
| | CI | .020 | .162 | .022 | .125 | .901 |
| 3 | (Constant) | 2.171 | .096 | | 22.668 | .000 |
| | MO | .398 | .156 | .468 | 2.558 | .015 |
| | CI | .115 | .203 | .125 | .570 | .573 |
| | Interaction term | .131 | .165 | .146 | .793 | .434 |

a. Dependent variable: Financial performance
**Source: Research data (2019)**

The regression coefficients for the models in table 12 showed that the predictor variable (Market orientation) with t = 2.558, p = 0.015 was significant but the moderator variable (competitive intensity) with t = 0.570, p = 0.573 was not significant with addition of the interaction term. The interaction term was also not significant at t = 0.793 and p = 0.434. This implied that competitive intensity did not moderate the effect of market orientation on financial performance of the private security firms in Kenya.

**Discussion of Results**

The findings of this study indicated that market orientation positively and significantly affected the non-financial and financial performance of the private security firms in Kenya. The unstandardized beta co-efficient for the effect of market orientation on non-financial performance was β = 0.896 while that for the effect on financial performance was β = 0.668 and this indicated that the positive effect of market orientation on non-financial performance of the private security firms was greater than the effect on the financial performance. The study finding of a positive effect of market orientation of firm performance corroborates the empirical literature that indicates a strong and positive influence of market orientation on the performance of a firm.

The finding of a positive relationship between market orientation and firm performance is in tandem with that of Oluwatoyin, Olifunke and Salome (2018) examined the impact of market orientation on the performance of hotels in Nigeria and found that

market orientation had a positive and significant impact on the hotels' customer satisfaction and customer retention which are non-financial performance measures. Protcko and Dornberger (2014) also found a positive impact of market orientation on the non-financial and financial performance of knowledge intensive industries in Russia. The finding of this study of a positive effect of market orientation on the non-financial performance of private security firms in Kenya also corroborates the finding by Mbugua (2015) who also found that a positive and significant effect of market orientation on the non-financial performance of deposit taking savings and credit cooperative societies in Kenya. Similarly, The study findings are also in line with the Market based View that emphasized that external environmental forces are the primary determinants of firm performance and this influences the market orientation of the firm. Market orientation is crucial for firms operating in industries with a high level of competitive intensity.

The finding of this study on the moderating effect of competitive intensity on the relationship between market orientation and non-financial performance corroborates that of Wambui, Lagat and Kieti (2016) who found that competitive intensity had a moderating effect on the customer orientation – hotel performance relationship in Kenya. On the same note, Kumar et al. (2011) examined the influence of market orientation on performance for a 9 year period (1997 – 2005) and found that competitive intensity moderated the effect of market orientation on firm performance. Olalekan and Binuyo (2012) also found that competitive intensity had a positive moderating effect on the relationship between customer orientation and performance of firms in Nigeria. Therefore, the study results on the moderating effect of competitive intensity on the relationship between market orientation and non-financial performance agree with Kohli and Jaworski's (1993) argument that when competitive intensity in an industry is high, firms must become more aggressive in discovering the needs of their customers in order to create and provide superior value to customers and this will be a source of competitive advantage.

The results of the moderation test failed to reject the second null-sub hypothesis which stated that competitive intensity has no significant moderating effect on the relationship between market orientation and financial performance. The contribution of competitive intensity to the relationship was positive but not significant. This finding corroborated that of Aziz and Yassin (2010) who examined market orientation and external environmental influence on the performance of SMEs in the Agro-food sector in Malaysia and found that competitive intensity did not moderate the relationship. Similarly, Zhang and Zhu (2016) also found that competitive intensity did not moderate the relationship between market orientation and export performance of Chinese firms. The private security firms in Kenya are faced with a highly competitive industry with a booming demand but their response to competition could be based on cost cutting measures and price reduction strategies.

**CONCLUSION**

The regression coefficient for the relationship between market orientation and non-financial performance was positive and significant and therefore the study concluded that market orientation had a positive and significant relationship with non-financial performance of the private security firms in Kenya. This could be attributed to the fact that in the private security industry, threats to the security of individual households and businesses keep changing and this forces the firms to be reactive in their market orientation by modifying their services to satisfy the changing needs of their clients and this has a positive impact on the firms' ability to attract and retain customers. In terms of the

financial performance of the private security firms, the regression coefficient for the relationship between market orientation and financial performance was positive and significant and therefore the study concluded that market orientation had a positive and significant relationship with financial performance of the private security firms in Kenya.

The study results demonstrated that competitive intensity in the private security industry moderates the relationship between market orientation and non-financial performance but not with financial performance. The finding that competitive intensity does not moderate the market orientation and financial performance relationship lends support to the suggestion by Slater and Narver (1994) that the moderator effect of competitive intensity on the relationship between market orientation and firm performance is very limited and that the benefits of market orientation for organizations are long term. They further argued that the competitive environment conditions are usually short-term in nature and therefore being market oriented would be cost effective for firms in spite of any short-term moderating effects of the competitive environment.

**RECOMMENDATIONS**

The results of the study confirmed the positive and significant effect of market orientation on non-financial and financial performance of private security firms in Kenya and therefore the study recommended that management of private security firms and other firms operating in industries where the industry rivalry is high should view market orientation as a resource that enhances the firms capability to achieve sustainable competitive advantage. Similarly, the managers should ensure that they help to develop a market orientation culture among employees of all departments so that the firms will always have up to date information about customer needs and wants, information about competitor actions in the market place and sharing of the information collected about customers and competitors between the various departments in order to develop appropriate proactive and reactive strategies that will give the firm a competitive advantage. Market orientation can be considered as a resource to organizations and in view of this managers of the private security firms and other firms should evaluate performance implications of their internal firm resources and then develop and implement competitive strategies based on competitor actions in the industry. Doing so allows a firm to counter competitor actions through exploration or exploitation of new and existing market opportunities respectively.

**Suggestions for further study**

At the time of conducting the study, the private security industry was not under government regulation and because the Private Security Regulatory Authority initiated the process of registering private security firms afresh, this would affect the structure of the industry and therefore it is possible that a longitudinal study should be conducted to establish whether government regulation of the industry would affect the competitive intensity in the industry and hence affect the moderating effect of competitive intensity on the relationship between market orientation and performance of the private security firms. Reputation of a firm is also very important in business especially in the private security industry and it would be interesting if future studies can be able to study the effect of firm reputation as a moderator on the relationship between market orientation and firm performance. The study also used regression analysis to test the relationship between market orientation and firm performance and therefore future studies should consider analyzing the relationship between the two variables using the structured equation modelling technique.

**REFERENCES**


Agbobli, E. K., Oni, O., & Fatoki, O. (2017). Market orientation and performance of Small businesses in South Africa. *Journal Economics and Behavioural Studies*, *9(5),* 135 – 143

Aliyu, M. S., Ahmed, A. A., & Utai, U. H. (2015). Entrepreneurial and market orientation relationship to performance: The role of business environment. *European Journal of Business and Management*, *7(26),* 97 – 104

Amit, R., & Shoemaker, P. (1993). Strategic Assets and Organizational Rent. *Strategic Management Journal, 14(1)*, 33-46

Barney, J. B., & Hesterley, W. S. (2006). *Strategic Management and Competitive Advantage: Concepts and Cases.* New Jersey: Pearson Education.

Barney, J.B. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management, 17(*1), 99-120

Boachie-Mensah, F., & Issau, K. (2015). Market orientation and performance of small and medium sized manufacturing enterprises in the Accra metropolis. *International Journal of Marketing Studies, 7(3)*, 39 - 52

Brownhilder, N.N. (2016). Market Orientation and Performance: The contingency role of external environment. *Environmental Economics, 7*(2), 130-137

Chen, J., Tai, T. H., & Ya-Hui, H. A. (2009). Service Delivery Innovation: Antecedents and Impact on firm performance, *Journal of Service Research*, *12(1)*, 36-55

Del Canto, J. G., & Gonzales, I. S. (1999). A Resource-Based Analysis of the factors determining a firm's R&D Activities. *Research Policy, 28*(*8*), 891 – 905

Didonet, S.R., Frega, J.R., Toaldo, A.M.M. & Diaz, G. (2014). The Role of Supply Chain Integration in the relationship between Market orientation and performance in SMEs. *International Journal of Business Science and Applied Management*, *9*(2), 17-29

Fairchild, A. J., & MacKinnon, D. P. (2009). A General Model for Testing Mediation and Moderation Effects. *Prevention Science, 10*(2), 87-99.

Gatoto, F. W., Wachira, A., & Mwenda, L. (2015). Service Quality Strategies by Private Security Firms in Kenya. *International Journal of Business and Finance Management Research*, *3*, 83-89

Hair, J. F., Anderson, R. E., Tatham, R. L., & Black, W. C. (2005). *Multivariate Data Analysis.* New Jersey: Prentice Hall

Hartono, A. (2013). Investigating Market Orientation – Business Performance Relationship in the Yogyakarta (Indonesia) Batik family firms. *International Journal of Marketing Studies, 5(*5), 31-40

Hawa, N., & Wagacha, D. W. (2015). Does private security mean better security in Kenya? *Institute for Security Studies.* Retrieved from: https://issafrica.org/iss-today/does-private-security-mean-better-security-in-Kenya

Homburg, C., Grozdanovic, M., & Klarmann, M. (2007). Responsiveness to customers and competitors: The role of affective and cognitive organizational systems, *Journal of Marketing, 71(*3), 18-38

Hunt, S. D., & Morgan, R.M. (1995). The Comparative Advantage Theory of competition. *Journal of Marketing*, *59*(2), 1-5

Jaworski, B.J., & Kohli, A.K. (1996). Market orientation: Review, Refinement and Roadmap. *Journal of Market-focused Management*, *1*(2), 119-135

Kenya Vision 2030 Report available at www.vision2030.go.ke

Kirca, A. H., Jayachandran, S., & Bearden, W. O. (2005). Market orientation: A meta-analytical review and assessment of its antecedents and impact on performance. *Journal of Marketing*, *69(4),* 24 - 41

Kumar, K., Subramanian, R., & Yauger, C. (1998). Examining the market orientation-performance relationship in a context specific study. *Journal of Management*, *24(2),* 201 – 233

Ladipo, P. K. A., Rahim, A. G., Oguntoyibo, S. A., & Okikiola, O. I. (2016). Market orientation and business performance: A study of inter-relationships and effects in small sized hotels within Lagos State Metropolis. *Academic journal of Economic Studies, 2(4), 98 - 119*

Mkutu K., & Sabala, M. (2007). Private Security Companies in Kenya and Dilemmas for Security, *Journal of Contemporary African Studies* 391-416

Narver, J.C., & Slater, S.F. (1990). The effects of Market Orientation on Business Profitability. *Journal of Marketing*, *54* (4), 20-35

National Police Service Commission. (2016). *Annual Report 2015-2016*. Nairobi, Kenya.

Ng'ang'a, W.E.K., Lagat, C., & Kieti, D. (2016). Moderating Effect of Competitive Intensity on the Relationship between Customer Orientation and Performance of Hotels in Kenya. *Journal of Marketing and Consumer Research, 25,* 7-16

Ngugi, R. (2004). *Security Risk and Private Sector Growth in Kenya: A Survey Report, Nairobi;* Kenya Institute for Public Policy Research and Analysis

Octavia, A., & Ali, H. (2017). The model of market orientation, entrepreneurial orientation and business performance of small and medium enterprises. *International Review of Management and Marketing*, *7(3),* 331 – 337

Parker, C. (2000). Performance Measurement. *Work Study, No. 2,* 63-66

Porter, M. E. (2008*).* The Five Competitive forces that shape strategy. *Harvard Business Review.*

Porter, M.E. (1998). *Competitive Advantage: creating and sustaining superior performance*: New York: Free Press

Prahalad, C. K., & Hamel, G. (1990). The core competencies of the corporation. *Harvard Business Review, 68(3)*, 78-91

Ruekert, R. W. (1992). Developing a marketing orientation: An organizational strategy perspective. *International Journal of Research in Marketing, 9*, 225-245

Salyova, S., Taborecka-petroricova, J., Nedelova, G., & Dado, J. (2015) Effect of Marketing Orientation on Business Performance: A study from the Slovak foodstuff Industry. *Procedia Economics and Finance, 34*, 622-629

Shapiro, B. P. (1998). "What the Hell is Market Oriented?" *Harvard Business Review, 66,* 119 - 125

Sin, L. Y. M., Tse, A. C. B., Yau, O. H. M., Lee, J. S., Chau, R., & Yau, L. B. (2000). Market orientation and Business performance. *Journal of Global Marketing, 14(3)*, 5 – 29

Sorensen, E. H. (2009). Why competitors matter for market orientation. *European Journal of Marketing, 43(5/6)*, 735 - 761

Taleghani, K. H., & Tayebi, A. (2013). Relationship between customer relationship management and marketing performance. *Journal of Business Management Perspective,* 34, 109 – 123

Van Raaij, E.M., & Stoelhorst, T.W. (2008). The Implementation of a Market Orientation: A review and Integration of the contributions to date. *European Journal of Marketing,* (4211/12), 1265-1293

Yildiz, S. (2010). A Research in the Banking sector on measurement of business performance. *Erciyes University Journal of Economics and Administrative Sciences, 36*, 179 – 193

Zhou, S., & Stan, S. (1998). The Determinants of Export Performance: A Review of the Empirical literature between 1987 and 1997. *Journal of Marketing Review, 15(5),* 333- 356