

# COMPETITIVE STRATEGIES AND PERFORMANCE OF FIRMS IN THE LOGISTICS INDUSTRY IN MOMBASA COUNTY, KENYA

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**Abstract:** Logistics plays a critical role in the supply chain management; however, few organizations in the industry have been able to tap into the competitive strategies needed to give the organization a competitive edge against competitors. External challenges that are outside the control of the organization such as poor road infrastructure remain a seemingly intractable challenge, never the less, internal challenges such as incorporation of technological infrastructure and emerging approaches of third party logistic provider are yet to be fully optimized moreover, logistics firms do not benefit from collaborative synergy. Therefore, the general objective of the study was to investigate the competitive strategies and performance of firms in the logistics industry in Mombasa County, Kenya. The study was guided by the following specific objectives; the influence of information technology on logistics performance, to examine the influence of outsourcing on logistics performance, to determine the influence of transportation management on logistics performance and to establish the influence of strategic partnership on logistics performance of firms in the logistics industry in Mombasa County, Kenya. The theories that used for the study was be: instrumentality theory, technological acceptance theory, network theory and human capital theory. To achieve this objective, a survey research design was adopted. The target population of the study entailed both managerial and staff members of logistics firms in Mombasa County from which the target population will be 500 with a sample size of 250 respondents will be identified through stratified sampling which constitutes 50% of the target population. Primary data was collected from the members of ICT, Accounting/finance, procurement, transportation and sales/customer services department using a combination of questionnaires and structured interviews. A fact sheet was used to summarize the data collected before analyzed using statistical package for social science (SPSS) to obtain descriptive statistics; data collected will be presented in the form of frequency tables. This study concluded that information technology significantly and positively influence the performance of firms in the logistics industry in Mombasa County. The study also concluded that outsourcing had significant and a positive influence on the performance of firms in the logistics industry in Mombasa County. The study further concluded that strategic partnership had significant and a positive influence on the performance of firms in the logistics industry in Mombasa County. The study finally concluded that transportation management had significant and a positive influence on the performance of firms in the logistics industry in Mombasa County. The study recommends that technological innovations should be encouraged and logistics firms should continuously look for superior processes and adoption of technology to enhance its competitive advantage. It is also highly recommended the logistics firms should have a formal outsourcing process so that they can make decisions which would result to management of risks and securing added value and continuous improvement.

**Keywords:** information technology, outsourcing, strategic partnership and transportation management.

## 1. INTRODUCTION

Globalization has ushered in an era of shrinking product life cycles, proliferating product lines, shifting distribution chains, and changing technology hence, mastery of logistics management has become an essential ingredient of competitive success (Kotler, 2000). Moreover, in today's global market place it is rare that goods are produced and

consumed in the same location, the finished products are collected at distribution centers' and then transported to destination points where they are consumed. Therefore, logistics management plays a key role in the functioning of current global economics (Ross, 2000). Vilko & Hallikas (2012) noted that numerous strategic logistical and managerial decisions occurred along the supply chain.

### Statement of the problem

In today's global market place industries have developed from slow moving, stable oligopolies to hypercompetitive environments identified by powerful and rapid competitive moves, in which competitors strike rapidly, unpredictably, and unconventionally and advantages are quickly created and eroded. Overall, the periods of sustained competitive advantage have shortened over time (Esper, 2007). Logistics has evolved from a mere classic transport function to a strategic, cross-functional, and global discipline, moreover, the trend of focusing on logistics has formed a desire for firms to enhance and sharpen their logistics capabilities (Grant, 2006).

In Kenya, while 95% of Kenya cargo travels by road and rail Wildgoose & Thompson (2012) noted that about 83% of companies suffered from the inability to use logistics as a competitive weapon to secure and maintain customer loyalty and thereby affecting the delivery of goods and services. Smyth (2017) noted that many are yet to integrate strategic management into logistics to ensure timely and responsiveness to customers' expectation and consequently gain a competitive advantage. The adaptation of an efficient logistic management approach substantially reduces logistics related cost this in turn improves organization performance (Robinson, 2014).

In an effort to improve the efficiency in the logistics industry the government of Kenya upgraded the standard gauge railway to ease the congestion on the road as well as to reduce the time taken to deliver goods from the port to their destination (Barrow, 2017). Similarly, over the last few years, firms operating in the transport and logistics sector have made significant progress in their adoption of new technologies, particularly the use of IT to track cargo and fleet using electronic cargo tracking system and information sharing between members of a supply chain using EDI technology (Koellinger, 2006). However, despite these changes many firms in the logistic industry are yet to optimize the necessary strategies to gain a competitive advantage.

Numerous studies have been conducted on competitive strategies in the logistics industry such as Muchori (2015) analyzed the effect of congestion in the road traffic on freight logistics efficiency at the port of Mombasa. He noted that building on the infrastructural pressure on the road from Nairobi to Mombasa which has continued to put strain logistics operations at the port. The correlation results revealed that traffic congestion had a positive correlation with transport cost. Consequently, traffic congestion impacted negatively on efficiency of freight logistics. Mwangangi (2016) examined the influence logistic management has on performance of manufacturing firms. The study revealed that transport management by use of transport management systems was a significant predictor of firm performance.

However, none of these and other studies have navigated towards how strategic management can be incorporated into logistic management to provide a competitive advantage over competitors in the industry. Thus, this study was intended to fill that gap by investigating the competitive strategies adopted by logistic firms in the industry and their influence on organization performance in Mombasa County, Kenya.

### Objectives

- i. To determine the influence of information technology on performance of firms in the logistics industry in Mombasa County.
- ii. To examine the influence of outsourcing on performance of firms in the logistics industry in Mombasa County.
- iii. To determine the influence of strategic partnership on performance of firms in the logistics industry in Mombasa County.
- iv. To establish the influence of transportation management on performance of firms in the logistics industry in Mombasa County

## 2. THEORETICAL REVIEW

### Instrumentality theory

Instrumental theory offers the most widely accepted view of technology. It is based on the common sense idea that technologies are "tools" standing ready to serve the purposes of their users. Technology is deemed "neutral," without evaluative content of its own. The concept usually implies at least four points. First technology, as pure instrumentality, is indifferent to the variety of ends it can be employed to achieve (Kenneth & Laudon, 2007). Thus, the neutrality of technology is merely a special case of the neutrality of instrumental means, which are only contingently related to the substantive values they serve.

### Technological acceptance theory

According to Davis (1993) technological acceptance theory clarify the mechanisms that influence and shape users' acceptance of new information technology and there are two specific variables that are fundamental determinants of users' attitude toward using information technology and actual use of the system: Perceived usefulness and perceived ease of use relatively to new information system design features Dewett and Jones (2001) defines usefulness as the degree to which someone believes that using a system will enhance his performance and ease of use is defined as the degree to which user believes that benefits of systems' use are outweighed the efforts for using it.

### Network theory

The concept network refers to the long term relationships between the two or more organizations. Strong relationships among the members of supply chain, keeping in view the dynamics of whole supply chain are positively related to the drivers of the value supply chain and supply chain performance (Thorelli, 1986). Christopher (2005) noted that networks are developed with relationships, long term relationships for the sake of overall supply chain objectives with the vision of ultimate mutual profitability and competitive advantage of all supply chain actors. In this view of networks the nature, level, and type of relationships matter a lot.

### Human capital theory

Olaniyan and Okemakinde (2008) argued that human Capital theory emphasizes on the importance of managerial expertise and its trickle effect on efficiency and productivity of workers through gradual enhancement of cognitive inventory of economically productive human functionality. Additionally, Sweetland (2007) concluded that employees and the community stand to gain economically from empowering individuals, moreover the investment in training and development of individuals can be compared to investment in physical capital since a competent labour force improves productivity. Developing expertise of individuals is among the most important component of human capital investment and a more competent employee tends to receive a higher income than an average wage rate in the long run it develops a labor force that is both qualitative and quantitative (Becker, 1993).

### Conceptual framework

In line with the position held by (Lee & Wang, 2001) the conceptual framework of your study, the system of concepts, assumptions, expectation, beliefs, and theories that supports and informs your research is a key part of your design. A conceptual framework is a visual or written product, one that, "explains either graphically or in narrative form, the main things to be studied, concepts, or variables and the presumed relationship among them (Lee & Wang, 2001). Imenda (2014) noted that it relates concepts, empirical research, and relevant theories to advance and systematize knowledge about related concepts or issues. More importantly, it shows the relationship between the independent variables and the dependent variable in light of strategic partnership, information technology, outsourcing and transportation as independent variable and logistics performance as a dependent variable.

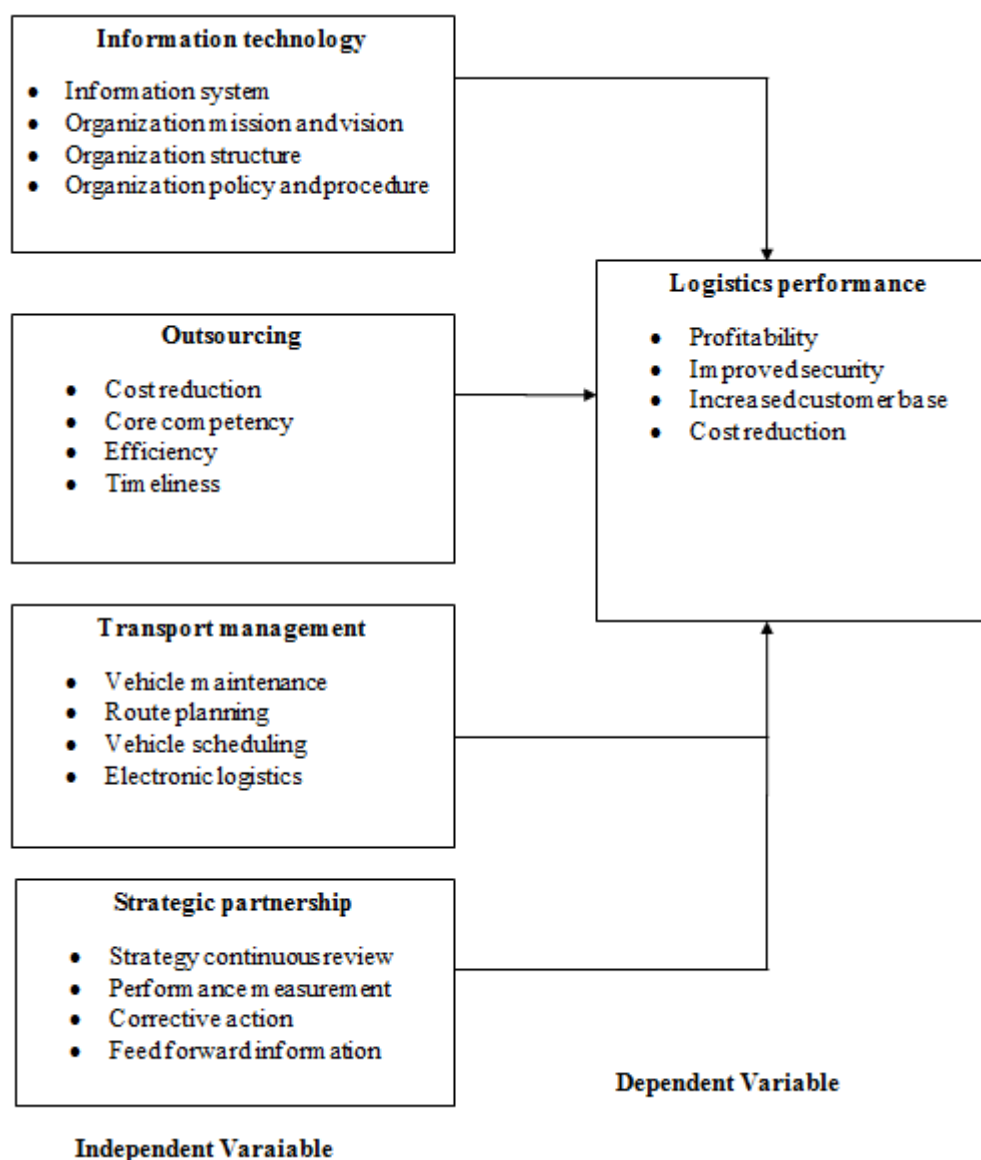


Figure 2.1: Conceptual framework

### Critique of the literature review

Jiang (2006) noted with great concern that organizations do not always experience consistent improvement in financial performance when outsourcing some portion of their operation, arguing that this failure may be due to competitive priorities that emphasize dimensions other than cost or cost alone. Likewise, Leiblein and Miller (2003) concluded that outsourcing risk may be manifested in loss of control on some key functions and the likelihood of opportunistic expropriation by vendor. IT investment has been researched extensively. The results have become known as productivity paradox because the studies have not confirmed the expectations of a positive correlation between IT investment and Logistical firm performance (Lee & Wang, 2011).

Despite many promising features and factors provided by a number of logistics service providers, a question still remains as to who would be most appropriate to have intrinsic knowledge of the customer's requirement, and while maintaining the accountability, responsibility and entails capability to not just strategize, but also to possess the necessary competencies to execute the operational aspects of the manufacturing companies (Hosie, 2008). Logistics outsourcing relationships are not always successful report cases where these relationships became source of failure and disappointment (Daugherty, 2011).

### Research Gaps

The literature shows that there is a little research, which has been done on the effect of competitive strategies and logistic performance in Kenya and more specifically Mombasa County. Many research which have been done majorly dwell on the IT and outsourcing impact on the organization in general. However, few to none of the available literature have focused on strategic partnership and transportation management as well and therefore; this study intends to delve more on not just the influence of IT and outsourcing but also the effect of strategic partnership and transportation management on logistic performance among firms in the logistic industry in Mombasa County.

### 3. RESEARCH METHODOLOGY

The research design used in this study was descriptive research design. This study targeted 500 respondents that are; ICT, Accounting/finance, procurement, transportation and sales/customer services under the study their objective opinion and insight will be valuable. Mugenda and Mugenda, (2003) considers a sample size of 10%-50% as sufficient enough, this study therefore, made use of 50% of the population size. The questionnaires were sent electronically using the Internet, posted to respondents or delivered by hand to be filled by the respondents at their convenient time and collected later and as such the questionnaires were self-administered. Pilot study was conducted to help in identification of errors in data collection instruments and make necessary adjustment in order to ensure valid and reliable data was collected. Quantitative data collected from the document analysis were analyzed statistically using the SPSS (SPSS version 24).

#### Regression analysis model

The regression analysis was used to determine with statistical significance, the influence or effect that the independent variables had in the dependent variable. The multiple regression models were of the form:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where:

$\beta_0$  = Constant

Y = Electronic procurement implementation

$X_1$  = Technological infrastructure

$X_2$  = Training and development

$X_3$  = Top management commitment

$X_4$  = Suppliers' capacity

$\beta_i$  = Coefficients of regression for the independent variables  $X_i$  (for  $i = 1, 2, 3, 4$ )

$\varepsilon$  = error term

### 4. RESULTS

#### Regression Results

**Table 4.1: Coefficients of Independent Variables**

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig
1	(Constant)	1.053	0.217		4.85	0.02
	Information technology	0.682	0.149	0.613	4.58	0.01
	Outsourcing	.480	.164	.358	2.086	0.03
	Strategic partnership	.875	.220	.670	4.810	0.01
	Transportation management	0.717	0.223	0.704	3.208	.002

The regression equation above has established that taking all factors into account constant at zero performance of firms in the logistics industry in Mombasa County will be 1.053. The findings presented also show that taking all other independent variables at zero, a unit increase in the information technology would lead to a 0.682 increase in the scores of performance of firms in the logistics industry in Mombasa County and unit increase in the scores of outsourcing would lead to a 0.480 increase in the scores of performance of firms in the logistics industry in Mombasa County. Further, the findings shows that a unit increases in the scores of strategic partnership would lead to a 0.875 increase in the scores of performance of firms in the logistics industry in Mombasa County.

The study also found that a unit increase in the scores of transportation management would lead to a 0.717 increase in the scores of performance of firms in the logistics industry in Mombasa County. Overall, Strategic partnership had the greatest effect on the performance of firms in the logistics industry in Mombasa County, followed by transportation management, then information technology while outsourcing had the least effect to the performance of firms in the logistics industry in Mombasa County. All the variables were significant ( $p < 0.05$ ).

## 5. CONCLUSION

This study concluded that information technology significantly and positively influence the performance of firms in the logistics industry in Mombasa County. The study further concluded that outsourcing had significant and a positive influence on the performance of firms in the logistics industry in Mombasa County. The study also concluded that strategic partnership had significant and a positive influence on the performance of firms in the logistics industry in Mombasa County. The study finally concluded that transportation management had significant and a positive influence on the performance of firms in the logistics industry in Mombasa County.

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