

## INFLUENCE OF EXPORTERS' MARKETING COMPETENCE ON EXPORT PERFORMANCE AMONG SMALL AND MEDIUM ENTERPRISES IN NYERI COUNTY

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### ABSTRACT

Enhancing export performance is crucial for firms based in developing countries that view the global marketplace as a means to ensure growth, survival or competitiveness. However, succeeding in export markets remains a challenging task for small and medium enterprises SMEs operating in developing countries like Kenya. The objective of this research was to assess the influence of exporters' marketing competence on export performance. The study was anchored in the resource-based theory. The current study employed a descriptive survey design. SMEs in Nyeri County adopted as unit of observation while the owners and managers of the SMEs were the unit of analysis. A sample of 130 respondents drawn from 26 SMEs in Nyeri County were used. A structured self-administered questionnaire was used to collect data. A pre-test was carried out in Murang'a County to ensure the validity and reliability of the instrument. Descriptive and regression analysis was used to analyse the data using SPSS V28; and results presented using tables. There was a strong positive correlation ( $r=0.857$ ) between the independent variables and export performance. These variables in a collective manner explained an approximate of 73.5% of the variation observed in the export performance of SMEs in the town. The associated significance level (p-value) of .000 indicated that this relationship was statistically significant at the chosen significance level. The results showed that marketing competence ( $p<0.001$ ) was significant. The study concluded that export performance of SMEs in Nyeri County Kenya is determined by marketing competence. The researcher recommended that SMEs ought to actively engage with government authorities to address the issues affecting their export performance.

**Keywords:** *Marketing Competencies, Export performance, SMEs*

### 1.0 INTRODUCTION

The balance of commerce, the number of jobs, and the quality of life in a country all improve as a result of exporting. In addition to fostering economic growth, the so-called "export-led recovery" approach is especially pertinent to helping nations emerge from global crises (Haddoud et al., 2021). Since exporting doesn't need a lot

of resources and is linked with less risk than other entrance modes to foreign markets Salali (2012), it has become the most popular and fastest-growing way of entering international markets, particularly among small and medium-sized enterprises (SMEs).

Access to international markets and the ability to serve those markets are seen as the basic building blocks of successful export performance. To put it another way, the ratio of exports is equal to the product of the ratios of supply capacity and access to foreign markets, subject to an estimating error term. According to Sadeghi et al. (2021), export performance is a person's evaluation of the degree to which a company achieves its specified financial and nonfinancial objectives in export markets.

SMEs are defined by the Organisation for Economic Co-operation and Development (2019) as non-subsidary, autonomous enterprises with less than a certain number of workers. Companies with less than one hundred workers are considered small businesses in the United States of America (USA), whereas those with between one hundred and nine hundred workers are considered medium-sized businesses. Micro, small, and medium-sized firms (SMEs) in the European Union are defined as those with fewer than 250 full-time employees and annual revenues or balance sheet totals of less than € 50 million). To qualify as a Small unit in India, an MSME must have a revenue of less than 50 crores and an investment of less than 10 crores. In Nigeria, SMEs are classified as organisations with a total asset base of up to 500 million Naira and a total employee headcount of 10 to 300. Most enterprises in Kenya fall within this category, which is described as having between one and ninety-nine workers (Kenya National Bureau of Statistics [KNBS], 2019).

SMEs make up the overwhelming majority of businesses worldwide and significantly contribute to both economic development and employment creation. They comprise 90% of all businesses and more than half of all employees. By 2022, formal SMEs in developing nations may contribute up to 40% of GDP (World Bank, 2022). In OECD countries, SMEs account for over 98% of enterprises and 70% of all employment, while in high-income countries worldwide, SMEs account for more than 50% of GDP. SMEs in Africa make up an estimated 80% of all jobs on the continent, making them a significant contribution to employment and economic growth. The number of MSMEs in Sub-Saharan Africa is 44 million. SMEs are thought to be responsible for 80% of job possibilities in Africa. Kenya has about 7.4 MSMEs which employ 14.9% of the country's workforce.

To establish or develop export operations in foreign markets, SMEs face a number of challenges, particularly those based in emerging nations (Safari & Saleh, 2020). According to Faruk and Subudhi (2019), export success may be predicted by marketing competencies. Building client loyalty is crucial to a company's success, and companies who invest in their marketing departments have a better chance of doing so. The functional processes and value-creating mechanisms of marketing that centre on the traditional marketing mix have been operationalized as marketing's capabilities. One definition of market orientation is the propensity of a company to implement marketing strategies. By coordinating and responding correctly to clients' choice based on the intelligence obtained, businesses are encouraged to have knowledge about customers' requirements and desires and to critically investigate external elements that sway consumers' demands and preferences (Adjei-Bamfo et al., 2019).

### ***Statement of the Problem***

Every nation's exports are vital to its economic health and trade balance. In addition, increasing exports is the best way to stockpile a country's foreign currency and tax income. SMEs are crucial to national economic growth, job creation, innovation, and international competitiveness in today's interconnected world. SMEs rely heavily on export to boost their bottom lines, thus it's crucial for them to learn how to boost their export performance (Faruk & Subudhi, 2019). However, for SMEs in underdeveloped nations like Kenya, achieving success in export markets remains a difficult undertaking.

The government of Kenya has instituted several measures to encourage export performance among SMEs in an effort to make Kenyan commodities more competitive in regional and worldwide markets, the government has recently reduced tariff levels, loosened licencing requirements, and done away with pricing restrictions. However, despite these measures export performance by Kenyan SMEs remains low and it is depreciating.

In Nyeri County, the number of exporting SMEs has dropped from 78 in 2019 to 56 in 2022. Despite having a high number of SMEs in agribusiness very few of them export and some which were exporting earlier stopped. This suggests that there are gaps marketing competencies in relation to export performance.

### **Research Objective**

The general objective of this study was to assess the influence of exporters' marketing competence on export performance among SMEs in Nyeri County

### **Research Hypotheses**

What is the influence of exporters' marketing competence on export performance among SMEs in Nyeri County?

## **2.0 LITERATURE REVIEW**

This section is concerned with the review of literature relating to factors influencing export performance among SMEs. Literature review is divided into theoretical and empirical review. Theoretical review contains relevant theories that anchor variables in the study. Empirical review on the other contains a synthesis of past studies relating to the variables in the study and how they affect export performance

### ***Theoretical Review***

The present research employed theoretical frameworks to identify the variables impacting the export performance of SMEs. Resource-based theory was the theories adopted in this research study.

### ***The Resource-Based Theory***

The Resource-Based Theory (RBT) emphasises on effective management of a company's resources, diversification strategy, and potential for development. It was first introduced by Penrose (2009). It's been used extensively as a management tool for pinpointing what's needed to keep a company ahead of the competition. The resource-based theory argues that businesses with access to "strategic resources" have a significant advantage over rivals without such assets. A company's strategic resources are its assets that provide it an edge in its operations (Davis & Simpson, 2017). They could consist of the company's cash on hand or the talent pool it has at its disposal. A competitive advantage may be gained and maintained by a company if its resources have VRIO characteristics (value, rarity, imitability, and organisation). Instead than focusing only on the external competitive environment, this concept emphasises the need of a match between a company's strategic resources and the external market (Barney & Mackey, 2016).

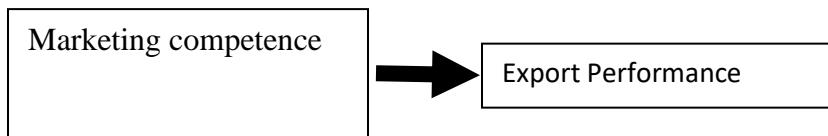
This idea is applicable because it suggests that tiny enterprises might use their existing resources to acquire an edge in the market.

### ***Empirical Review***

This section presents a systematises of past studies relating to factors influencing export performance among SMEs. Studies were reviewed in 5 domains corresponding to the 5 independent variables in the study which included government policy, management skills, marketing competence, production capacity and technology utilisation.

### **Figure 1:**

#### ***Conceptual Framework***



## **3.0 MATERIALS AND METHODS**

### ***Research Design***

A descriptive explanatory descriptive research design was adopted in this inquiry, so as to bring out the link between marketing competencies of SMEs and the link with export performance. Descriptive survey approach was used in this study to identify the variables that affect the export performance of SMEs. The primary goals of a descriptive survey are observation, description, and documentation of characteristics of a situation as they occur in the wild rather than explanation. This approach allowed the researcher to quickly and easily identify how marketing competencies affect export performance of SMEs.

### ***Population of the Study***

SMEs in Nyeri County were the unit of observation while the owners and managers of the SMEs were the unit of analysis. This study targets SMEs in the manufacturing sector. This was because these SMEs are registered and licensed and are more likely to be involved in export compared to SMEs in other sectors. Agricultural processing industries made up the bulk of the 28 manufacturing businesses in Nyeri, as reported by the county government in 2022.

**Sample Design and Sample Size**

Participants were recruited using a process of systematic random selection. Purposive sampling which is a non-probability sampling method was used. In this design, the researcher makes a subjective selection of sample population characteristics (Sileyew; 2020; Tobi & Kampen, 2018). Purposive sampling was preferred because not all SME employees had the information the researcher required. Therefore, the researcher involved the owners and managers of SMEs in the study.

**Data Collection**

A structured self-administered questionnaire was used to collect data. The researcher developed the questionnaire which had several sections corresponding to the objectives of the study which was marketing competence on export performance. The questionnaire was developed electronically using Microsoft Forms.

**Data Analysis and Presentation**

The information collected from the field was coded into SPSS V28 tool in readiness for analysis. Descriptive and regression analysis were used to analyse the data. Multiple regression helped to test the effect of marketing competencies on export performance. Frequencies, percentages, mean and standard deviation constituted descriptive statistics and was used to organise findings on marketing competencies and export performance.

**3.0 Results and Discussion****Marketing Competence**

The objective of the study was to assess the influence of exporters' marketing competence on export performance among SMEs in Nyeri County. To assess marketing competence, the researcher sought to find out from the respondents about the firms' marketing capabilities, market orientation, marketing strategies, target market and digital marketing. The results are presented in table 3.1.

**Table 3.1****Marketing Competence**

	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
The business advertises its products to internal markets	10.6%	3.5%	2.7%	38.9%	44.2%
The firm has a marketing manager/department	10.6%	23.9%	0.0%	25.7%	39.8%
The firm frequently conducts effective export advertising and promotion programmes	16.8%	11.5%	4.4%	36.3%	31.0%
The business had identified a target market for its products internationally	25.7%	15.0%	0.0%	34.5%	24.8%
The business uses digital marketing tools to advertise products to international markets.	10.6%	3.5%	2.7%	46.9%	36.3%

The managers seek to maintain in-depth relationships with foreign clients	8.0%	2.7%	0.9%	59.3%	29.2%
The firm continually monitors competitive products in the export markets	0.0%	5.3%	1.8%	68.1%	24.8%
The marketing information system used by the organization is very helpful to identify new market opportunities of the foreign market.	0.0%	0.0%	0.0%	61.1%	38.9%

Majority (83.2%) of the respondents agreed that the business advertises its products to internal markets. The results show that 65.5% and 67.3% agreed that the firm has a marketing manager/department and the firm frequently conducts effective export advertising and promotion programmes respectively. Most (59.3%) of the respondents agreed that the business had identified a target market for its products internationally. Majority (83.2% and 88.5%) agreed that the business uses digital marketing tools to advertise products to international markets and the managers seek to maintain in-depth relationships with foreign clients respectively. The vast majority (92.9%) of the respondents agreed that the firm continually monitors competitive products in the export markets. In addition, all (100%) agreed that the marketing information system used by the organization is very helpful to identify new market opportunities of the foreign market. These results suggest that the firms in the study valued marketing and had high marketing competence. The results show that the firms' marketing capabilities were high and various marketing strategies were employed including digital marketing. This is similar to Nouri and Boujelbene (2022) assertion that companies must adopt an approach that aims to identify the markets with the highest potential for their activities. Thus, the choice of the target market must be based on a series of criteria that will allow the company to succeed in its international development. It is also similar to Adjei-Bamfo et al. (2019) finding that firms are urged to have information about customers' needs and wants, and to critically examine exogenous features that persuade customers' needs and preferences by way of coordinating and reacting appropriately to clients' preference based on the intelligence gathered.

### Marketing Competence and Export Performance

It was an aim of the study to assess the influence of exporters' marketing competence on export performance among SMEs in Nyeri County. The coefficient for marketing competence was 0.317, with a standard error of 0.038. The standardized coefficient (Beta) of 0.415 indicated that marketing competence had a significant positive impact on export performance. The t-value of 8.274 suggested that this coefficient was statistically significant ( $p < 0.001$ ). This result is similar to Njuguna (2018) study which established that product; promotion, place, and price strategies positively significantly influenced export performance individually, while promotion attributes had a negative but not a significant influence export performance when considered jointly with the other marketing capabilities. It is similar to Onyango (2016) where companies that invested to harness the power of Digital Marketing claim better returns, more customers and more sales. It is also similar to Chen and Nuangjamnong (2022) where differentiation of product strategy negatively affects export performance; then, differentiation of price, place, and promotion strategy has a significant positive effect on export performance for export SMEs.

Marketing competence helps SMEs identify potential target markets for their products or services. It enables them to analyze market trends, competition, and customer demographics to determine the most suitable export destinations. SMEs with strong marketing competence can effectively segment their target markets based on specific customer needs and preferences. They can position their offerings in a unique and appealing way to differentiate themselves from competitors and attract international buyers. Marketing competence also helps SMEs develop appropriate market entry strategies, which can include direct exporting, licensing, franchising, or

strategic alliances. By selecting the right strategy, SMEs can minimize risks and maximize opportunities for export growth.

## **5.0 Conclusion**

Although SMEs in this study had good management competence, management skills were not significant probably due to stronger external factors such as government policy, competition and technology.

Exporters' marketing competence influenced export performance among SMEs in Nyeri County. SMEs had good marketing capabilities, market orientation, marketing strategies, target market and digital marketing also had higher export performance

## **5.1 Recommendations**

### **Marketing Competence and Export Performance**

It was an aim of the study to assess the influence of exporters' marketing competence on export performance among SMEs in Nyeri County. The study found that that the firms in the study valued marketing and had high marketing competence. The results show that the firms' marketing capabilities were high and various marketing strategies were employed including digital marketing. Marketing competence was significant ( $p < 0.001$ ) in the regression analysis. According to the results, a unit change in marketing competence would result in a 0.317 increase in export performance.

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