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Influence of Firm Age on Customer Orientation of Courier Service Firms in Mombasa County, Kenya

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*Firm Age,
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The objective of this study was to determine the influence of firm age on the customer orientation of courier service firms in Mombasa County, Kenya. The study was founded on the Knowledge-Based View and the target population was 46 courier firms operating in Mombasa which were licensed by the Communications Authority of Kenya. A census of the target population was done because it was relatively small. A cross-sectional research design was adopted and data was collected from marketing managers who were the key informants using a semi-structured questionnaire. 37 firms responded and this led to an 80% response rate. Data analysis was done using simple regression analysis and the regression results indicated that firm age explained 12.2 % of the variation in the customer orientation of the courier service firms. The regression coefficients also indicated that firm age had a positive and significant effect on customer orientation ($\beta = 0.138$, $t = 2.204$, $p = 0.034$). These results led to the rejection of the study's null hypothesis which stated that firm age has no significant influence on the customer orientation of courier service firms. Based on the results of the regression analysis, the study concluded that firm age has a positive and significant influence on the customer orientation of the courier service firms operating in Mombasa County. The study recommended that marketing managers or officers in both old and young firms should ensure that they are customer-led and data-driven by improving their capability to perform customer analytics. Another recommendation was that future studies should consider exploring the influence of technological innovation on the market orientation practices of firms using mixed methods.

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INTRODUCTION

The link between firm age and organizational operations and performance has attracted a lot of interest from researchers around the globe. As a concept, firm age has generated attention from scholars, especially in the context of small and medium enterprises (Coad et al., 2016). The age of the firms can be considered to be a determining factor in the growth, sustainability and performance of a business enterprise. According to Nguyen et al. (2015), the age of the firm indicates the level of experience that the firm has which is positively related to the firm's ability to maintain its operations in the market. This implies that the more experience a firm has in the market, the more control it is likely to have on its operations through the learning effect (Doucoure & Diagne, 2020). However, there is a feeling among scholars that firm age is a relative concept because a business may have been in operation for a long time but it may also have gone through managerial changes as well as strategy changes which can have a significant impact on firm operations.

Customer orientation is a dimension of market orientation and it was originally defined by Narver and Slater (1990) as "the sufficient understanding of one's target buyers to be able to create superior value for them continuously". It is also considered to be an activity that involves a firm collecting information about the current and future needs of customers since customers are the priority for the business (Taleghani & Tayebi, 2013). Customer orientation is the foundation of organizational learning which contributes to higher value credit and greater customer satisfaction (Slater & Narver,

1995) Customer orientation is embedded in the cultural conviction of putting the needs of customers first. Many authors have argued that a customer-oriented culture is critical for achieving business success (Deshpandé et al., 2012). This is because customer orientation helps firms determine the product needs of customers and set competitive prices in a differentiated manner that gives the firms a competitive advantage. Studies have produced results showing that customer orientation has a positive effect on firm performance especially in terms of sales (Singh & Rachhod, 2014). However, there are not many studies that have been done to explore whether the age of a firm influences its level of market orientation.

Courier service firms in Kenya and beyond offer important services to customers who have parcels or items that they want to send to local and international destinations. Courier firms in Kenya employ more than 15,000 people directly (Communication Authority of Kenya, 2024). The Communications Authority of Kenya (CAK) is the regulator of courier firms in Kenya. It should be noted that digitalization has changed the courier service industry with at least 80 percent of e-commerce purchases by customers being delivered by courier firms (Kagwiria, 2020). The 21st-century users of courier services are more demanding and they expect efficiency and real-time updates on the movement of their parcels or items from the time the courier firms receive them to the time they are delivered. This requires courier firms to be highly customer oriented otherwise they can end up losing their market share to competing firms. Therefore, this study aimed to determine the influence of firm

age on the customer orientation of courier service firms in Mombasa County in Kenya.

Research Problem

Firm age is associated with the accumulation of market knowledge by firms and this accumulation level aligns with the length of the firm's existence (Shinkle & Kriauncas, 2009). This implies that older firms will have more experience and reputation compared to younger firms. Gauzente (2012) argued that the age of a firm is a determining variable of the strategic choices of an organization and this implies that firm age influences the adoption of a customer orientation. Younger and older firms represent distinct environments for customer orientation and the marketing literature shows that customer orientation plays a significant role in channelling organizational efforts towards customer value creation (Thoumrungroje & Racela, 2013; Deshpandé et al., 2012). However, many studies have focused on studying customer orientation as an independent variable by investigating the influence of customer orientation on firm performance. Despite the importance of firm age as a variable, few studies have analyzed the influence of firm age on customer orientation of firms in the service industry and those that have studied the effect of firm age on customer orientation have produced inconsistent results. A study by Oluwatoyin, Olufunke and Salome (2018) examined the effect of firm age on the market orientation of hotels in Nigeria. The results of their study indicated that firm age had a positive and significant effect on the market orientation of the hotels. This contradicts the findings of a study by Ogbonna and Ogwo (2013) who investigated the influence of firm age on the market orientation of insurance companies in Nigeria and their study results indicated that the influence of firm age on market orientation was insignificant. A similar finding was made by Handoyo et al. (2023) whose study also found that firm age did not play any role in influencing the firms' orientation choices. The inconsistency in study findings is an indication that

the available evidence is inconclusive and this calls for more studies to be done on the influence of firm age on customer orientation. There is also a contextual gap since the courier service industry has been largely ignored by researchers despite its important contribution to the economy and this is a gap that the current study sought to address. Geographically, the coastal county of Mombasa has also been largely ignored by researchers conducting studies relating to firm characteristics like firm age and market orientation a gap that the current study also sought to address.

LITERATURE REVIEW

Theoretical Foundation

This study was based on the Knowledge-Based View in which Teece et al. (1997) and Tiwana (2002) suggested that knowledge has special characteristics that make it the most important and valuable resource that a firm can use to gain competitive advantage. Knowledge, know-how, intellectual assets and competencies are the key drivers of a firm being customer-oriented since without them, it would be difficult for a firm to understand customer needs and wants and to meet customer expectations, especially in a competitive business environment. The age of a firm influences the amount of market knowledge that the organization can have and this may also affect its level of customer orientation. According to Beckmann (1999), there is a 5-level knowledge hierarchy that consists of data, information, knowledge, expertise and capabilities. Similarly, Zack (1999) grouped organizational knowledge into core knowledge, advanced knowledge and innovative knowledge. He further explained that core knowledge is the basic knowledge that makes it possible for firms to survive in the market in the short-term while advanced knowledge provides firms with the same knowledge as their competitors and this allows them to compete actively in the short-term. Innovative knowledge is the one that gives a firm a competitive advantage over other firms since innovative knowledge enables a firm to

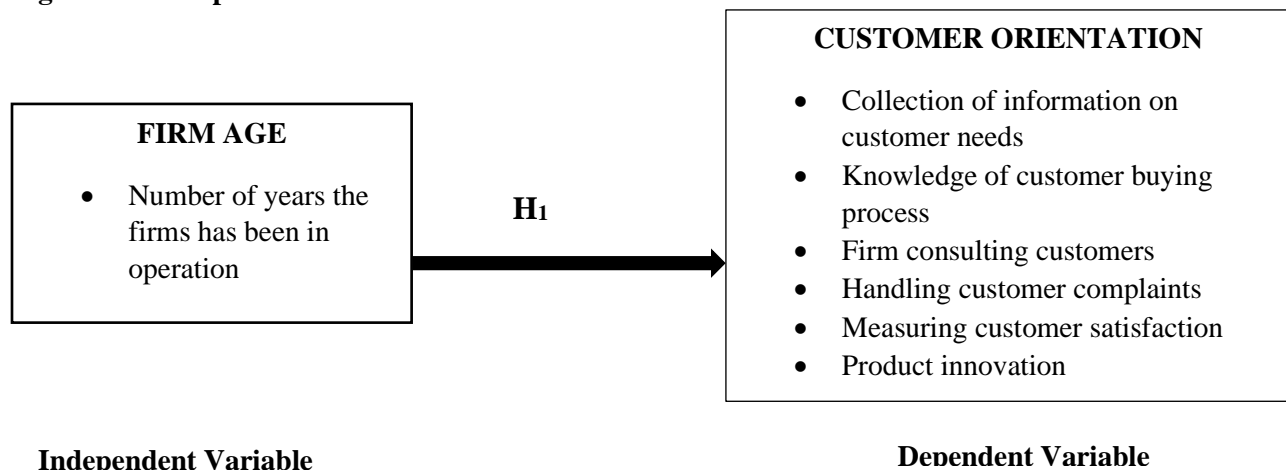
develop innovative products that meet current and future customer needs hence making the firm to be customer oriented (Zack, 1999). This theory was relevant for this study because the ability of a firm to acquire and develop core knowledge, advanced knowledge and innovative knowledge depends on the firm age and this knowledge affects the firm's ability to be market oriented.

Firm Age and Customer Orientation

Firm age is associated with the survival and failure probability of the firm (Yasuda, 2015). It is expected that older firms that have more experience in the market should perform better than younger firms. This is because older firms have accumulated more information about the marketplace and hence they tend to behave more prudently and passively in relation to market opportunities (Ismail et al., 2010). However, Handoyo et al. (2023) argued that young firms are usually very active in seeking market opportunities and are more risk-takers than older firms. A study by Asomaning and Abdulai (2015) on the influence of customer orientation nonmarket performance of small businesses in Ghana produced results indicating that customer orientation had a strong positive and significant association with market performance. Another study by Asikhia (2010) on SMEs in Nigeria established a positive

relationship between customer orientation and firm performance while Pongwiritthon and Awirothananon (2014) also established a positive and significant relationship between customer orientation and firm performance among SMEs in Thailand. These study findings imply that in order for businesses to be customer-oriented, they need to get information about their customers and engage in excellent customer interactions. According to Rapp et al. (2010), a stronger customer orientation makes older firms more sensitive to external environmental cues which makes them better placed to uncover potential deficiencies in their marketing operations with respect to customer-related capabilities. In contrast, young firms tend to have the advantage of operational, political, cognitive and structural flexibility (Kotha et al., 2011). This makes younger firms have less rigid mental models and routines which makes them have a more favourable internal environment for new knowledge absorption which can also make them highly customer-orientated because of their high level of flexibility in operations. This shows that there is consensus yet among authors on whether firm age influences customer orientation and there is a need for more studies to be done so that the research evidence is more conclusive. The conceptual framework for the study is illustrated in Figure 1.

Figure 1: Conceptual Model



Source: Author (2024)

Based on the literature review, the study hypothesis was developed as;

H₁: Firm age has no significant influence on customer orientation

METHODOLOGY

A cross-sectional research design was adopted by this study because data collection was done at a single point in time. The target population was all the courier service firms operating in Mombasa County. Data from the Communications Authority of Kenya (2024) indicated that there are 46 courier service firms operating in Mombasa County. Since 46 firms is a relatively small number, a census study was conducted and firm age was measured in terms of the number of years the firms had been in operation. Customer orientation was measured using statements adopted from the customer orientation dimension of the MKTOR scale developed by Narver and Slater (1990). The key informant approach was used where the marketing managers/marketing officers of the courier service firms were the respondents because of their knowledge and expertise in customer-related aspects of firm operations and data was collected using a semi-structured questionnaire using the drop and pick later method. The Cronbach alpha reliability coefficient for customer orientation was 0.87 and this indicated a high level of internal consistency. The method used for data analysis was regression analysis and therefore the primary data collected was subjected to the tests of the assumptions of regression analysis. Normality was tested using the Shapiro-Wilk and Kolmogorov Smirnov tests and both had results showing p-values that were greater than 0.05 which was an indication that the data was normally distributed. Linearity was checked using the values of significant deviation from linearity and these were greater than 0.05 which indicated that the relationship between firm age and customer orientation was linear. The Durbin-Watson test for autocorrelation had values that were close to 2 and this confirmed that

autocorrelation was not present in the study variables.

FINDINGS

The response rate for the study was 80% since 37 of the 46 courier service firms responded. This response rate is excellent and it was probably influenced by the fact that the study population was small and that the drop-and-pick-later method used for data collection gave the respondents sufficient time to fill in the questionnaire. In terms of gender, 63% of the respondents were male and 37% were female. This was expected since the courier service industry in Kenya is dominated by males because of the manual work involved. However, it was an improvement since a study by Suda (2002) found that female employees remained below 30% compared to their male counterparts who held a larger share of job positions in the labour market. In terms of education, 45% of the respondents had a bachelor's degree as their highest qualification while 55% had Diplomas as their highest qualification. This showed that the respondents were well-educated. In relation to work experience, 35% of the respondents had worked in the courier service industry for between 3 to 6 years and 65% had worked for between 7 to 10 years hence they had relevant industry experience to take part in the study. From the data collected, 22% of the courier service firms that took part in the study had been in operation for less than 10 years, 46% of the firms had operated for between 10 to 20 years and 32% of the firms had operated for more than 20 years. This showed that all the courier service firms had sufficient industry experience needed to take part in the study.

Testing the Influence of Firm Age on Customer Orientation

The influence of firm age on customer orientation was tested using simple regression analysis. Table 1 provides the results of the model summary.

Table 1: Model Summary of the Influence of Firm Age on Customer Orientation

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.349 ^a	.122	.097	.44165

a. Predictors: (Constant), FA

Source: Research Data (2024)

The regression results in Table 1 indicated that the coefficient of determination (R^2) was 0.122 and this implied that firm age explained 12.2% of the variation in the customer orientation of the courier service firms. The remaining 87.8% was attributed to other factors that were not covered by this study.

The relationship between firm age and customer orientation was weak but positive with a correlation coefficient of $R = 0.349$. Table 2 provides the results of the Analysis of Variance (ANOVA) of firm age and customer orientation.

Table 2: ANOVA^a Results of the Influence of Firm Age on Customer Orientation.

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.948	1	.948	4.860	.034 ^b
	Residual	6.827	35	.195		
	Total	7.775	36			

a. Dependent Variable: Customer orientation

b. Predictors: (Constant), FA

Source: Research Data (2024)

The ANOVA results in Table 2 showed that the regression model was significant ($p = 0.034$, $F = 4.860$). This implied that the regression model was robust enough to explain the influence of firm age

on competitor orientation. Table 3 provides the regression coefficients of the influence of firm age on competitor orientation.

Table 3: Regression Coefficients of the Influence of Firms Age on Customer Orientation

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.675	.073		50.616	.000
	FA	.138	.062	.349	2.204	.034

a. Dependent Variable: Customer orientation

Source: Research Data (2024)

The results in Table 3 indicated that $t = 2.204$ and $p = 0.034$ which implied that firm age positively and significantly affected the customer orientation of the courier service firms. The unstandardized regression coefficient also indicated that firm age was significant ($\beta = 0.138$, $p = 0.034$). Therefore, these results led to the rejection of the study's null hypothesis which stated that firm age has no significant influence on customer orientation. These results add to the evidence that firm age influences customer orientation.

DISCUSSION OF FINDINGS

The findings of this study indicated that firm age had a positive and significant effect on the customer orientation of courier firms in Mombasa County. This finding is similar to that of Doucoure and Diagne (2020) whose study also found that firm age was positively linked to intelligence generation activities of the firm which is a dimension of market orientation. The findings of the current study are also in tandem with those of Mehrabi et al. (2024)

whose study results also indicated that firm age had a positive effect on customer orientation and customer analytics capability of the firms. However, the current study's findings disagree with those of Handoyo et al. (2023) whose study found that firm age did not play any role in influencing a firm's orientation choices hence there could be a theoretical gap that needs to be explored. The findings of the current study also support the arguments of the Knowledge-Based View that the knowledge, know-how, intellectual assets and competencies are acquired through market experience which is linked to firm age and this directly influences the firm's level of customer orientation. Younger firms might not be as effective as older firms in the acquisition and application of customer information since the firm's ability to understand customer needs develops over time (Hirvonen et al., 2013). Secondly, the design and implementation of extensive marketing information systems and customer relationship management strategies require both skills and customer knowledge which young firms may not have at their early stages of operations. Therefore, as firms age, they develop a profound understanding of their customer needs which allows them to develop effective customer relationship strategies (Laukkannel et al., 2016).

CONCLUSION

The regression coefficient of firm age indicated that it has a positive and significant effect on customer orientation and therefore, the study concluded that firm age had a positive and significant influence on the customer orientation of the courier service firms operating in Mombasa County. Older firms have survived turbulent times in the business environment and hence they are able to better implement customer orientation practices (Onditi et al., 2021). As firms mature, they are able to learn by doing or by investing in research and development including learning from other firms in the same or different industries. With time, firms also discover what they are good at and this enables them to

enhance their level of customer orientation. From the perspective of the customer, the level of customer uncertainty with new firms is usually high because these firms have not yet proven themselves in the market. However, customer uncertainty reduces as the firms grow older because they are able to prove themselves that they are customer-oriented and able to deliver on promises made to customers.

Recommendation

The business world has witnessed a digital revolution, especially in the area of artificial intelligence, digital and social media marketing and big data analytics. This can be exploited by both older and younger firms and therefore, marketing managers or officers of old and young firms should ensure that they are customer-led and data-driven and enhance their capability to perform customer analytics to avoid potential cases of marketing myopia. Marketing managers should also recognize that the knowledge, intellectual assets and organizational processes are acquired and developed over time and this directly influences the extent of the firm's customer orientation.

Suggestions for Further Study

Future researchers can consider exploring the influence of technological innovation on the market orientation practices of business firms using mixed methods that allow for the collection and analysis of both qualitative and quantitative data for more conclusive findings.

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