

E-COMMERCE STRATEGY ADOPTION AND PERFORMANCE OF
MICRO AND SMALL ENTERPRISES: A CASE OF PRIVATE
SECURITY FIRMS IN NAIROBI COUNTY, KENYA

BY

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DECLARATION

This research project is my original work and has not been submitted for a degree to any other institution, college or university.

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DEDICATION

I dedicate this project to God Almighty my creator, my strong pillar, my source of inspiration, wisdom, knowledge and understanding. He has been the source of my strength throughout this program and on His wings only have I soared. I also dedicate this work to my wife; Linda who has encouraged me all the way and whose cheer has made sure that I give it all it takes to finish that which I have started. To my parents Luke (Daddy), and Elizabeth (Mum) who have been affected in every way possible by this quest but have nevertheless supported my quest. Thank you. My love for you all can never be quantified. God bless you.

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ABBREVIATION AND ACRONYMS

| | |
|----------------|--|
| B2B: | Business to Business |
| B2C: | Business to Consumer |
| CRM: | Customer relationship management |
| DOI: | Diffusion of Innovation |
| ICT: | Information Communication Technology |
| IT: | Information Technology |
| KSIA: | Kenya Security Industry Association |
| MSE: | Micro and Small Sized Enterprises |
| MSME: | Micro, Small and Medium Enterprises |
| PROSAK: | Protective & Security Association of Kenya |
| PSIA: | Protective Security Industry Association |
| SEO: | Search Engine Optimization |
| SME: | Small and Medium Sized Enterprises |
| TAM: | Technology Adaptation Model |
| TRA: | Theory of Reasoned Action |

OPERATIONAL DEFINITION OF TERMS

- 1) **E-commerce:** Is the buying and selling of products or services over electronic systems such as the internet and other computer networks. It covers areas like communication, marketing, product/service delivery, making payments, and business processes among others (Andam, 2017).
- 2) **E-commerce Adoption:** In this study, this is defined as using Internet-related applications to support marketing operations, customer management, business communication, business operations, and decision-making in business (Warden & Motjoloane).
- 3) **Internet Marketing:** This is the art and science of selling products and (or) services over digital networks, such as the internet using Social Media Marketing, email marketing, search engine optimization and pay-per-click marketing (Ward, 2016).
- 4) **MPESA:** Mobile banking solutions that allow users to store and transfer money using their mobile phones. It is run by Safaricom Ltd, a mobile communications service provider (MPESA).
- 5) **Performance:** This refers to the outputs or meaningful business results measured against its intended outputs. Organization performance mainly focuses on three areas of firm's outcome, in this case, sales volume (Achim & Borlea, 2010).
- 6) **Security firm:** A business corporation, which provides armed and unarmed security services and expertise to private and public clients. Private security companies are primarily engaged in providing guard and patrol services, such as bodyguard, guard dog, parking security, and security guard services. Many of them will even provide advanced special operations services if the client demands it. These services can be broadly described as the protection of personnel and/or assets. Other security services such as roving

patrol, bodyguard, and guard dog services are also included, but are a very small portion of the industry (Achim & Borlea, 2010).

7) Social Media Integration: This includes using and linking various social media accounts with a business website. These are online platforms, applications, and media that facilitate collaborations, interactions, and sharing of content with fans, customers, target audience and the general market (Cunliffe, 2011).

8) Strategy: A unique value proposition compared to other organizations. It is a matter of working out a company's best position relative not just to pricing pressures from rivals, but to all the forces in the competitive environment (Watkins, 2007).

ABSTRACT

E-commerce has experienced unprecedented growth in the last decade, especially with the continued penetration of the Internet. Even though E-commerce is fraught with various challenges such as poor internet access, lack of technical skill and potential of cybercrime, it presents many benefits to businesses, small and big, local and international. While small companies in Kenya have not fully utilized E-commerce, the trend is fast growing, and the market is increasingly accepting doing business over the internet. This study sought to establish the effects of E-commerce on the performance of Micro and Small Enterprises (MSEs) in the private security sector through four focal points; E-commerce integration, Social media integration, Customer relationship management, and Online marketing strategies to find out their effects on performance measured as sales volume. The retrospective study (2015-2017) had 83 respondents who were members of Protective & Security Association of Kenya (PROSAK) and operated in Nairobi County. Data were analysed using ratios, percentages, analysis of variance (ANOVA) and correlation coefficients. The study found that there are significant benefits associated with adopting E-commerce strategies into an MSE. Sixty per cent of the respondents had a website, and 80% had at least one business social media account for communications with the clients and marketing. Most of the respondents (72%) said they have seen an increase in sales and 82% saw an increase in business profitability since they started using internet marketing and social media in their businesses.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

This chapter introduces the concepts of E-commerce, organisational performance, Micro and Small Enterprises (MSEs) and an overview of the private security sector; it highlights the extent of electronic commerce application by MSEs, the challenges faced in implementing the E-commerce strategies and the impact of E-commerce on the performance of MSEs in the private security sector in Nairobi County. The chapter also covers the study gap as well as the objectives and value of the study. This study was born out of the researcher's concern with the low levels of implementation of E-commerce by the MSEs in Kenya (Mutua, Oteyo, & Njeru, 2013). Prior studies have indeed delved into this field, but mostly in developed countries and only touching on SMEs and large organizations, (Olatokun & Kebonye, 2010; Duncombe & Molla, 2009; Tan, Tyler, & Manica, 2007). MSEs in Africa are lagging behind the rest of the world economies when it comes to tapping into the vast possibilities of E-commerce strategies, therefore, missing the benefits. E-commerce cannot be adopted all at once, but in slow progression with small series of steps (Brand & Huizingh, 2008), however, very little has taken place in the developing countries due to the challenges faced, including lack of technical knowledge and financial power to adopt E-commerce strategies into their regular business operations (Karanasios & Burgess, 2008).

Technological evolution has significantly affected the way businesses operate, even on the smallest scale. This has changed the industry structure and the degree of competition. It has connected small businesses quickly, cheaply internally, and externally, locally and globally (Ongori & Migiro, 2010). Adoption of ICT has also improved business operations, increased efficiency, and productivity, and created a competitive advantage to MSEs. The level of E-commerce integration into the enterprise has significance on how well the business performs. A business is better placed to capture the benefits of E-commerce and compete effectively with larger businesses with more resources.

A business that implements social media strategies as part of their business strategy opens up marketing, communication, and customer service channels for efficient operations and better business performance (Khan & Maqsood, 2011). The MSEs that integrate customer relationship

management into their business activities have been shown to be efficient at managing customer complaints and have a better customer satisfaction level compared to those who still use traditional methods. This study sought to find out how this has affected businesses in the private security sector. With the increasing costs of marketing, more and more businesses are shifting to internet marketing. There is a better customer reach, targeting, and measurement of marketing efforts when businesses use online marketing channels. It also comes at a lower cost; the advertiser only pays for the actions target customers take, making it cheaper and scalable depending on business size and financial abilities (Demishkevich, 2015). There is evidence of improved business performance when companies use internet marketing strategies to reach the market. There is, however, no study, to the researcher's knowledge, on its efficacy on private security businesses in Kenya hence the importance of this study.

1.1.1 E-commerce Strategy Adoption

According to Turbman, King, MacKay, Marshall, Lee and Viehland (2008), E-commerce is the practice of buying and selling or exchanging information, products and services over the internet and other paperless media. Huy and Filiatrault (2006) describe E-commerce as any business or economic activity that makes use of ICT-based applications to facilitate the transaction among businesses, business-to-business (B2B), individuals, customers to customers (C2C), or business to customers (B2C). E-commerce, therefore, is the umbrella concept that refers to the incorporation of a range of prevailing and new technological applications in business transactions. When the internet and the web were commercialised in the late 1990s, E-commerce technology experienced tremendous growth and has not let up the momentum to-date (Heng, 2003).

E-commerce has transformed business processes in many ways in several organizations and is expected to continue in the future (Al-Qirim, 2007). Some of these benefits include access to a wider market, improved operational efficiency, increased potential to partner with suppliers, better customer service, flexibility and accessibility among others, (Vaithianathan, 2010). Another study by Chaffey (2009), on the other hand, has distinguished the benefits of E-commerce into tangible and intangible benefits as follows: the tangible advantages include increased sales, acquisition of new customers, cross-selling, and access to new markets. The other benefits are reduced marketing cost, reduced distribution cost, and reduced advertising cost. There is also the reduction in the supply-chain cost due to shortened ordering process and reduced inventory. Businesses also experience a reduction in administrative costs. Whereas the intangible benefits of E-commerce

include improved marketing communication, increased brand awareness, ease of finding new partners, better corporate image, improved product development process, faster customer feedback, and improved efficacy of marketing information.

With the proven potential of E-commerce in improving effectiveness and productivity in various sectors, it has received an increasing amount of attention in many countries. In line with the Vision 2030 (Ministry of Planning, 2007), Kenya has taken several steps to make E-commerce adopted by more small businesses. E-commerce has over the last few years changed people's lifestyle and access to modern fashion and how companies carry out their activities. Studies on the adoption of E-commerce by SMEs in Botswana (Olatokun & Kebonye, 2010) and Kenya (Wanjau, Macharia, & Ayodo, 2012) found that the strategic technological approach adopted by users influenced the adoption of E-commerce. However, inadequate infrastructures, lack of government ICT strategies, cultural and socioeconomic issues has created significant barriers to E-commerce technology diffusion into businesses in the emergent economies. Studies in Tanzania (Kabanda, 2011) on the perception of E-commerce found that small companies in Tanzania do not understand the concept of E-commerce. Their opinion is that E-commerce equals having a website and using the basic features of mobile phones.

1.1.2 Firm Performance

Performance, in this study, refers to significant business outcomes or results measured alongside its intended outputs. Performance means gaining unprecedented improvement from technological development in business trade (Jahanshahi, Rezaei, Nawaser, Ranjbar, & Pitamber, 2012). The other definition is the accomplishment of tasks measured against recognised standards of completeness, accuracy, speed, and cost. The organizational performance focuses on three areas of firm's outcomes: product market performance, customer satisfaction, and product service quality.

An organization is efficient if its costs are low and activities are effective (Bardhan, Krishnan, & Lin, 2005), and efficiency and effectiveness are an excellent measure of organizational performance (Robins, Coulter, & Vohra, 2009). Existing research by Kibuthu (2014), points out that E-commerce has the possibility to offer even further benefits to a business compared to traditional business operating environments. According to Noor (2009), many researchers consider E-commerce to hold a positive influence on business operations. Noor (2009) continues to say that those businesses left behind in the E-commerce strategy adoption cannot favourably compete in the global marketplace. Those firms that have implemented E-commerce strategies have seen the

performance improvements, including better operational effectiveness and efficiency, market expansion, better customer service, and reduction in operating costs. E-commerce can enhance the competitive positioning of MSEs in all sectors (Estebanez, 2010). Different tools can measure organization performance, these include financial and market performance, social responsibility and employee satisfaction. However, financial and market performance ordinarily receive more attention by researchers and managers due to their significance to organizational success and survival (Estebanez, 2010). For this study, only the product and service market performance, financial performance were of interest to the researcher and were measured in sales volume and profitability.

1.1.3 Micro and Small Enterprises

According to the European Union (2011), the term MSE stands for "micro and small enterprises." A micro enterprise is any business operation both formal and informal that employs 1-9 people and has an annual turnover not exceeding five hundred thousand Kenya Shillings (European Foundation , 2011). Small enterprises, on the other hand, are those business activities with 10 to 49 persons in their employee list and an annual business turnover of between five hundred thousand and five million Kenya Shillings according to the Micro and Small Enterprise Act of 2012, which also provided for the creation of the MSE Authority (UNDP, 2015).

The MSEs sector is vital for economic growth and innovation since it helps in diversifying any economy. Since this sector accounts for 60% of formal employment in most developing countries and higher if the informal employment is included, many countries, especially in Africa have focused in investing in this sector (World Bank, 2015). In Ghana, this sector accounts for about 85% of all the jobs in the manufacturing sector (Iddris, 2012). Between 50 to 70% of all the informal jobs fall within the MSMEs sector (Gonzales, Hommes, & Mirmulstein, 2014).

This sector, according to UNCTAD (2004), constitutes more than ninety per cent of all the businesses in most economies and plays the biggest role in job creation. This sector plays a major role in economic growth and innovation in Kenya, however, little research has been done, and this applies to many developing countries and those that have done research, only research large organizations (Lin, 2005). According to the European Foundation (2011), a firm with one to nine employees is considered a micro enterprise, businesses with ten to 49 employees are categorised as small businesses, whereas those employing 50 to 249 are considered medium companies with a monthly turnover equal to or greater than eighty million Kenya Shillings.

Usage patterns among MSEs in general and in the security industry in Kenya shows a slow progress in internet use from primarily email communication, to research and information search, to developing static sites to display enterprise information including its goods and/or services (Macharia, 2009). It experiences a turbulent business environment characterised by eternal environmental factors and faces internal business factors such as individual characteristics, resources, management attitudes, and management expertise. This turbulence and dynamism affect small business more than it affects the large ones because the smaller ones respond differently to changes in the environment (Hartshon & Wheeler, 2003). The large business may have strategic resource and choices, not available to the MSEs. According to the Sessional Paper (2005), the government of Kenya documents the role of MSEs in promoting national development in the country without which, the Vision 2030 may not be realised. This sector, in addition to providing goods, services, and employment, is a significant promoter of competition and innovation. This enhances the entrepreneurial culture needed to develop the private sector, and push the country towards industrialization that is expected to happen by the year 2030 (Ministry of Planning, 2007).

This sector comprises about 75% of all businesses in the country, making it the more crucial that it succeeds for the country to grow economically (Kiveu & Ofafa, 2013). For this to happen, smaller business entities should performance their part in transforming the economy. This requires minimizing the failure rate characterizing the MSEs sector. Most businesses in the micro sector employ an average of five employees and have a high mortality rate, meaning they do not graduate into medium or large businesses.

Many do not make it to the third year (Sessional Paper , 2005). This study, therefore, was necessary to provide a clear understanding of the relationship between the adoption of E-commerce strategies and performance in the MSE sector. The Kenyan government has however, taken steps to support the MSEs sector by creating the Micro and Small Enterprise Authority (MSEA) through an Act of Parliament in 2012. The authority aims at improving the business environment for the small businesses to increase job opportunities, according to their 2013-2017 strategic plan (MSEA, 2013) .

1.1.4 Private Security Industry

The private security industry in Kenya has a long history spanning decades. Companies such as Group4Securicor, Security Group, and KK Security have been in operation in the country, some

from as early as the 1960s. The sector's main expansion, however, is dated between the late 1980s and early 1990s (Abrahamsen & Williams, 2005). It is estimated that currently there are more than 2,000 private security businesses operating in Kenya and uncounted installers, consultants, private investigators, and shops selling security products in the country with the sector dominated by about ten big players (Wairagu, Kamenju, & Singo, 2004). High crime rates (Stavrou, 2002), combined with the inadequacy of the public security services to fully offer protection, are thus the main drivers of this expansion of private security in Kenya (Ngugi, 2004). The increase of terrorism activities after the 1998 bombing of the US embassy, the 2013 Westgate attack and sporadic terrorist events have driven the demand further. This has been common among the international clients, business establishments, and the upper and middle-class residences (Abrahamsen & Williams, 2005).

According to Abrahamsen and Williams (2005), there is a high level of differentiation in the private security market in Kenya and a very high state of competition. While the leading private security companies offer an integrated package of advanced security services and uses E-commerce to increase efficiency. This leaves most of the remaining security companies to offer primarily low-skilled guarding services, medium-priced products, and installation services. They can then look to E-commerce to gain competitiveness in a field dominated by a few large organizations (Abid, Rahim, & Sheepers, 2011). In the security sector, MSEs are mainly small guard service companies, alarm service providers, security installers, and security products retail shops, investigations service providers, and security consultants.

The larger security firms are members of Kenya Security Industry Association (KSIA) with the middle tier companies being members of Protective Security Industry Association (PSIA) where membership fees are moderate. Some medium firms and small security firms are members of Protective & Security Association of Kenya (PROSAK), which is more of a professional group that also accepts individual members in addition to the corporate members at affordable annual fees. Flexibility and rapid coordination are even more important to these small players where mobile phones and two-way radios are majorly used to stay in contact with the staff on the ground. The MSEs that shows stronger capabilities to adopt E-commerce strategies will have sustainable competitive advantages over the rest in the E-commerce marketplace (Grandon & Pearson, 2004).

1.2 Statement of the Problem

Micro and Small Enterprises in Kenya and Africa in general, face many challenges to achieve effective and efficient business performance, as shown by the declining share of the SME economy in Kenya with approximately 400,000 SMEs closing shop in the 2015/16 financial year (Omondi, 2016). This necessitates businesses to adopt new technology, in particular, electronic commerce. There is, however, a low uptake of E-commerce with an ICT penetration of less than 20% as compared with the European countries, due to limited resources, a lack of the right attitude and mainly because the owner/managers are not aware of the benefits of implementing E-commerce strategies (Wang, 2016). Most literature lacks the view of MSEs on E-commerce, and more research is needed to understand how small businesses conceive the meaning and benefits of E-commerce (Kabanda, 2011).

There is still limited systematic research about the performance benefits of E-commerce strategy adoption to MSEs in the emerging markets and, the MSEs in Kenya operating within the private security sector (Rahayu & Day, 2017). Earlier research done in African countries like South Africa (Mpofu, Milne, & Watkins-Mathys, 2013), Botswana and Ghana (Asare, Gopolang, & Mogothwane, 2012), Benin (Abodohou, Mohiuddin, & Su, 2014), Kenya (Lekoolool, 2010), mainly focused on the obstacles to ICT adoption within SMEs, the benefits, and competitive strategies adopted by security firms. According to (Macharia, 2009), Kenya shows a slow progression in how information technology is used for E-commerce; hence this study sought to explore the influence of E-commerce strategy adoption on firm performance among MSEs in Kenya, through a census of businesses in the private security industry in Nairobi.

1.3 Objectives of the Study

1.3.1 General Objectives

The general objective of the study was to establish the influence of E-commerce strategy adoption on the performance of MSEs in the private security industry. The study also sought to find out the extent of adoption of E-commerce technology into small businesses within the private security sector and the challenges they face in implementing the strategy.

1.3.2 Specific Objectives

The following specific objectives guided this study:

- i) To evaluate the influence of E-commerce integration on the performance of security firms in the MSE sector.
- ii) To determine the influence of social media integration on the performance of security firms in the MSE sector.
- iii) To establish the influence of customer relationship management on the performance of security firms in the MSE sector.
- iv) To determine the effects of internet marketing strategies on the performance of security firms in the MSE sector.

1.4 Research questions

- i) What is the influence of E-commerce integration on the performance of security firms in the MSE sector?
- ii) What is the influence of social media integration on the performance of security firms in the MSE sector?
- iii) What is the influence of customer relationship management on the performance of security firms in the MSE sector?
- iv) What is the influence of internet marketing strategies on the performance of security firms in the MSE sector?

1.5 Significance of the Study

Many MSEs are currently seeking suitable business solutions and strategies of adopting and integrating E-commerce technology into their business processes to improve business performance. The study is premised on the fact that in spite of the huge potential benefits of E-commerce adoption for MSEs, there is evidence of slow uptake. The results of this study, therefore, incentivise stakeholders to develop relevant interventions to enhance the uptake of E-commerce in adopting the most cost-effective strategies. The findings of this study would help policy makers, managers of MSE as well as practitioners to formulate strategies and programmes that overcome the challenges faced in the adoption of E-commerce strategies in their business as well as to ensure efficiency, effectiveness and high productivity in their businesses.

This study helps in understanding the performance benefits of E-commerce adoption strategies that are crucial in creating policies and strategic business interventions that help security service

providers provide suitable innovations that suit the security industry players in the MSE sub-sector. The E-commerce technology is increasingly gaining recognition as a major component in the growth of the MSE sub-sector. Therefore, the results of this study will guide the government, especially the Ministry of Trade and Micro and Small Enterprise Authority (MSEA) in making the necessary reforms that will result in making it more attractive to invest the MSE sector and the Kenyan economy as a whole.

This study lays a theoretical and empirical framework for future research in E-commerce, especially in technology diffusion in MSE in the Kenyan economy.

1.6 Scope of the study

This study focused on MSEs in the security sector operating in Nairobi County. The businesses of interest were members of PROSAK that are licensed to carry out business in Kenya. It covered a period of three years from 2014 to 2016 and used a descriptive research design to develop a careful description of different patterns from the study variables.

1.7 Limitation of the Study

A possible lack of understanding on the respondent's part, specifically among the target MSEs, may have affected the accuracy of the results relating to the E-commerce concepts and its application to the overall firm operation. The researcher overcame this by using interviews where necessary.

Secondly, the Kenyan social fabric is sewn with a lot of mistrust and suspicion, especially concerning business operations data yet these are crucial to the researcher for example education level, IT literacy and E-commerce awareness levels. This was overcome by assuring the respondents that the research was purely for academic purposes, the researcher also presented the letter authorizing the research to gain the trust of the respondents.

CHAPTER TWO LITERATURE REVIEW

2.1 Introduction

This chapter covers the review of both theoretical and empirical literature. The theoretical foundations are exposed in the first section. These affect the environmental, organizational, resource, and technological factors on the adoption of E-commerce strategies. The empirical literature is covered in the second section, whereas the third section presents a summary of the literature and research gaps. The final section discusses the conceptual framework of the study.

2.2 Theoretical Review

The importance of the internet in electronic commerce has continued to grow as the twenty-first century unfolds (Maswera, Edwards, & Dawson, 2008). Micro, Small and Medium Enterprises in particular, have benefited from this development to the extent that they can now overcome most of their disadvantages like financial limitations, small size; technological and human resource and limited global exposure by adopting E-commerce technologies (Cooper & Burgess, 2000). Several theoretical models that seek to explain the trends in E-commerce adoption among MSEs.

2.2.1 Theory of Reasoned Action

Introduced in 1967, this theory aimed at understanding the relationship between behaviour and attitude (Fishbein & Ajzen, 1975). It attempts to explain the relationship between attitudes, intentions, beliefs, and behaviour. The theory of reasoned action (TRA) assumes that human beings are rational and systematically utilize the available information and considers the consequences of their actions before they make a decision to go through with or not to be involved in a given behaviour. The immediate determinant of behaviour adoption, according to this theory, is behaviour intention. It consists of social influences, attitudinal influences, and intention variables for postulating on behaviour. This theory assumes that the individual's behavioural intention to adopt E-commerce, for instance, is shaped by his attitude towards the activities and the overall peer opinion towards the behaviour.

This theory has limitations since it does not mention the specific predictive beliefs of a given behaviour. Its use in evaluating consumer behaviour is wide; however, there are doubts about its suitability in an organizational context due to the dynamic intricacies of organizations with multi-

phase, multi-objective, multi-departmental, and multi-person nature of the decision process in organizations. This argument, however, does not exactly hold for MSEs where the decision-making process is dominated by a single individual (Ramsey, Ibbotson, & Mccole).

2.2.2 Technology Acceptance Model

Proposed by Fred David in 1989, Technology Acceptance Model (TAM) was adapted from the Theory of Reasoned Action (TRA) and has widely been used in investigating how users perceive a new or existing technology solution. The theory gives a good view of how users and potential users evaluate the available technological solutions and their general adequateness. TAM puts forth two factors; Perceived Usefulness (PU), which is the degree to which the individual believes the use of a particular system, would significantly enhance his job performance with no regard to the limitations. The other is Perceived Ease of Use (PEOU), this is defined as the degree to which the individual believes that using a given technology would be free of effort, and the user experience in using the application (Kholoud & Al-Qeisi, 2009).

In this study, the researcher used TAM to explain the impediments affecting the users' perception of implementing certain systems that have the potential to enhance the performance of their organizations. E-commerce is such a system that has the opportunities that significantly improves how MSEs interrelate with their clients and vendors to make transactions quicker, low-cost, more responsive, and more personalized for all parties involved. In summary, the TAM theory postulates that the behaviour of an individual towards adopting a piece of technology is determined by their attitude towards the use of technology in general. The relevance of TAM in this study hinges on the theory that PU and PEOU can influence the adoption of E-commerce among the MSEs. Several Meta-analyses on TAM have demonstrated its validity, robustness, and power in the study of how users accept innovation. It builds the foundation that helps in understanding how the external factors affect the internal intentions, attitudes, and beliefs" (Bertrand & Bouchard, 2008).

2.2.3 Diffusion of Innovation Theory

Diffusion of innovation studies investigates the level of assimilation of E-commerce technology into the operations of an enterprise and the degree of its intensity (Al-Qirim, 2007). According to Rogers (2003), innovation is an idea, practice or object that organizations and individuals perceive as new. Rogers proceeds to describe diffusion as the gradual process through which innovation is

communicated through particular channels among members of a social system. According to Rogers (2003), Diffusion of Innovation Theory (DIT) considers several attributes; compatibility, relative advantage, trial ability, complexity, security/confidentiality and observability. Among the mentioned characteristics, it is only compatibility, complexity, and relative advantage that have a consistent relation to innovation adoption.

When examining the adoption of technology, TAM and DIT have some common constructs and are complementary to each other. TAM employs some constructs, which are a subset of perceived innovation characteristics. Therefore, when the two theories are integrated, the resulting model is stronger than using the two theories separately (Wu & Wang, 2005). The studies that integrated these two theories had good results prompting the authors to propose a model that blends the key constructs. These constructs involved in innovation acceptance include intention to adopt E-commerce, perceived ease of use, and usefulness taken from both DIT and TAM (Chen, Gillenson, & Sherrell, 2000).

According to Ramdani, Kawalek, and Lorenzo (2009), organizational readiness, experience with information systems, firm size, and top management support are critical factors in E-commerce decisions in the organizational context. According to these authors, owner or manager profiles play a significant role in affect E-commerce adoption. The perceived set up costs, on-going costs and technical difficulties and complexities in the innovation are likely to make adopting E-commerce unattractive to the firm that has little or no investment in IT. The greater the information system expertise in an organization, the higher the likelihood for the SMEs to adopt E-commerce technology (Kapurubandara & Lawson, 2008).

2.3 Empirical Review

According to the Organisation for Economic Co-operation and Development [OECD] (2000), the advent of E-commerce offers both small and large businesses a considerable opportunity to expand customer base and enter new markets. Empirical research from around the world indicates that most of the small business that adopts E-commerce performs better than those that do not. A previous study by Chong, Chan, Ooi, and Sim (2011), has shown an affirmative association between IT adoption and firm's performance. A study in Taiwan by Ramanadhan, Ramanathan, and Hsiao (2012) confirmed that E-commerce adoption in operations helps both larger and smaller

firms perform better. The researchers noted that a proper design and execution of E-commerce strategy in a business can have a great impact on the enterprise's revenue and profit resulting in rapid growth of the sector at the MSE level.

World Tourism Organization (2011) adds that E-commerce strategies offer MSEs an opportunity to do business cost-effectively and in a new way compared to the traditional way. Small businesses, however, face many inhibitions to information technology strategies adoption, especially E-commerce. The scale and affordability of IT are some of the impediments in addition to the facility to implement this technology in a rapidly ranging and growing business environment (Kinyanjui & McCormick, 2002). According to Mirchandani and Motwani (2001), small businesses face another problem in that new technology solutions are designed and configured for large organizations with international orientation. These, therefore, do not suit the small, dynamic businesses that operate on a local scale.

Businesses must realise that it is getting costly to be absent from the online marketplace. Embracing information technology and digital communication is not an option anymore; it has become a crucial necessity for every business. E-commerce has one important characteristic that it holds the promise and opportunity for growth for all MSEs even in a highly competitive business environment. The adoption of ICT is only a small part of the pie; the other crucial aspects like network access costs, training, human resources and skill development still pose a big challenge for smaller companies (World Tourism Organization, 2001) .

2.3.1 E-commerce integration

With the increasingly digital economy, many small businesses are struggling to get their businesses online. The owner-manager of the small firm should, therefore, consider various E-commerce adoption strategies to make their businesses competitive in the online arena. Before developing an E-commerce strategy, the manager should consider what their online engagement would mean for their underlying business model. Mahadevan (2000) wrote in the California management Review outlining the general principles of designing a business model for E-commerce. The most important aspect is for the owner-manager to determine the role they wish to play in the online economy. The type of product or service they offer and ways to capture revenue streams in the online business model while at the same time creating value for their customers and suppliers.

A study in Spain by Perez-Arostegui, Benitez-Amado, and Tamayo-Torres (2012) on 230 firms to analyse the impact of ICT on organizational competence showed a positive and direct relationship between flexible IT infrastructures integrated with firm strategy and quality performance thus creating competitive advantage. However, Stienfield (2002) in the *Journal of Interactive Advertising* cautioned businesses to avoid channel conflict. Channel conflict is a situation where opening an online storefront increases the market size, and results in the loss of traffic to the brick and mortar store since customers will prefer to stay at home and shop online (To & Ngai, 2006). He advises that business should use E-commerce strategies to cultivate synergies with the traditional business operations. The online marketing, sales, and procurement activities can be integrated with the physical ones to create synergies.

The more the businesses integrated E-commerce into their operations, the more sophisticated it becomes and the better its performance. Taylor and Murphy (2004) illustrated their findings as follows: SMEs starts with the use of email where they gain efficiency in both internal and external communications. They then graduate to implementing a static website to gain a place in the worldwide market and gain access to worldwide suppliers. The next stage is incorporating E-commerce into their websites to make it easy for customers to order and make payments online. This maximizes speed and accessibility while reducing the associated costs. From E-commerce implementation, the business moves deeper into e-business where the supply chain is integrated to make manufacturing and delivery seamless while minimizing waste all through the supply chain. The highest level of E-commerce integration is to achieve a transformed organization with open information systems for customers and partners. This presents the organization with an opportunity to create new business models with a basis of the efficient networking between individuals and other organizations (Taylor & Murphy, 2004).

A study on SMEs in Nairobi by Mutua, Oteyo, and Njeru (2013), indicates that over 80% of all the respondent firms had no specific e-commerce strategy for their businesses; this explained the low levels of adoption. According to this study, small businesses had a substantial level of use of internet tools compared to larger enterprises, 22% having dynamic and active websites, 31% static websites, 4% online sales, and 43% had no websites. For E-commerce to succeed, the business should have various payment solutions available to the customer (Adeyeye, 2008). The introduction and spread of PayBill, Lipa Na Mpesa, Airtel Money, Orange Money, and PayPal

have played a major part in making it easy for MSEs to accept small payments at a manageable transaction cost.

Businesses can now transact safely even without secure websites or the need for complex payment systems integration. There is still a serious lack of credit card payment solution integrations into the available E-commerce platforms resulting in a limit to market expansion across the borders to enable the local MSEs to play in the global arena as reported by Mercer (2005) in Tanzania. Safaricom is helping small business integrate technology into their operations through their Biashara Smart initiative together with Kenya Commercial Bank. In this plan targeted at SMEs, at a small annual fee, a business can get a bank account, domain name, hosting and access to business emails. They also get affordable rates for calls, text, and data to run their small businesses with ease. These integrated financial and communications services open up the world for Kenyan small businesses in a way that has never been experienced before (Business Daily, 2014).

2.3.2 Social Media Integration

Social media include online media platforms and the online applications used to facilitate interactions, collaborations, and sharing of digital content. It has various forms and can include videos, pictures, podcasts, wikis, rating, social blogs, weblogs, microblogging, and social bookmarking. As the use of these media increases at an exponential rate, businesses and governmental organizations are joining individual users to use them as a communication tool. Organizations mainly use the social media for marketing and advertising purposes. It has made integrating marketing activities easier and with much less cost and effort (Khan & Maqsood, 2011). This is advantageous to MSEs, which have limited marketing budgets, yet desires to compete with larger businesses. These activities have a significant impact on business performance (Kim & Ko, 2010).

There is a significant increase in global usage of the social media tools in daily business operations around the world. Start-up, small, medium and even large corporations are increasing their levels of social media usage to conduct business and to enhance performance (Rugova & Prenaj, 2016). Even though there is an expansive use of social media in business organizations, not much is known about its impact on performance. By establishing a direct relationship between social media and business performance, MSEs will be better encouraged to reap the benefits of integrating social media into their daily business operations (Wetzstein, Leitner, Rosenberg,

Dustdar, & Leymann, 2011). The past decade has seen internet users rise significantly, especially among the youth; 65% of adult Americans use the internet from 7% in 2005 (Perrin, 2015) creating the opportunity for businesses and customers to interconnect online and minimize physical contact.

Social commerce, a prominent subset of E-commerce encourages participation and interactions of customers the rating, buying and sharing products through social groups. Such involvement can occur within the E-commerce site or on a third-party site (Kim & Park, 2013). With the increase in the importance of reviews and ratings, linking social networking sites to business sites helps the business understand customer preferences, hence improved performance that can increase conversion of a visitor to a paying customer due to increased trust. Integrating social media into customer relationship management increases the rate at which customer issues are resolved. A study done by Smits and Mogos (2013) found that enterprises that use the social media experienced a significant enhancement in their business capability that therefore led to improved process performance in business.

Internet penetration in Kenya over the last few years due to reduced data charges has created a large pool of internet customers hence, the increase in the small business operated and marketed from social media sites like Facebook (Chaturvedi, 2017). Even though most of these businesses are informal, there are MSEs and large businesses that actively use the social media to market their businesses, share information and engage clients closely on a regular basis with relevant information and offers. Many small formal and informal businesses have joined groups on Facebook, Google Groups, and Twitter to market their wares and many are succeeding. A popular group for all types of products and services is Wanasoko on Facebook where even brick and mortar shops are advertising their products. Most companies and government departments now have social media accounts from where they respond to customer complaints and instantly respond to inquiries. This creates customer value that is not just limited to one transaction, but the total customer lifetime value and the profits associated with it in the long term. Using social media helps an organization acquire, maintain, and maximize the intangible asset also known as the customer just like other mainstream assets (Blattberg, Getz, & Thomas, 2001).

2.3.3 Customer Relationship Management

According to Sin, Tse, Yau, Chow, Lee, and Lau (2005), Customer Relationship Management (CRM) is a comprehensive strategy and process organizations use to identify, acquire, maintain

and cultivate their gainful clientele. As a business strategy, CRM aims at creating value for the enterprise and customers by initiating and maintaining healthy customer relationships. CRM is a core strategy that uses a marketing information system and the organization's IT infrastructure. CRM is crucial in creating customer knowledge when the organisation uses information technology properly; its readiness depends on the technological resources available within the organization and which are oriented towards the implementation of CRM into the business. Gronroos (1991) describes relationship marketing as a process of building long-term cooperative relationships with an organization's clients to bring about an improvement in business performance. Gronroos continues to underline this by stating that relationship marketing has the main purpose of establishing, maintaining, and enhancing meaningful relationships with customers and relevant partners." According to Dutu and Hălmăjan (2011), CRM can be used in a limited perspective at the business level as a database or for electronic marketing, and at the strategic level to create value for both the clients and the stockholders. CRM, therefore, employs IT systems to centre on specific customer relationship and to create a strategy to enable the organization maintain a long-term connection with all the clients.

According to Zablah, Bellenger and Johnston (2004), CRM strategy has five conceptualizations namely philosophy, strategy, capability, technological instruments, and process. The strategic aspect has CRM differentiating the organization's customers on the basis of loyalty and profitability to manage them and allocate resources according to customer value selectively. When considered as a technological instrument, CRM requires the integration of IT into every customer-related process to help in collecting, storing, analysing, and disseminating customer knowledge. This increases the enterprise's ability to quickly respond to individual customer needs. It is easy to integrate marketing data with the collected customer data for targeted marketing purposes. As a capability, CRM enables the business to develop and effectively manage relationships with individual customers. (Dutu & Hălmăjan, 2011).

Much of the studies on CRM implementation have focused on its alleged failure to deliver or the enabling and disabling conditions influencing CRM performance. A study by Sweat (2002) reported a failure rate of between 25 and 80%. A study by Iriana and Buttle (2006) found that organizations that promote the atmosphere of innovation and risk-taking created better environments for employees to act in the best interest of customers hence experiencing better outcomes for their CRM efforts. Very little, however, has been published on the influence of CRM

on business performance. Jayachandran, Sharma, Kaufman, and Raman (2005), in a US study, found that companies with relational information management processes tend to experience better customer satisfaction and customer retention. When the CRM has front office functions like marketing, service, and sales, the performance of the business shows improvements. A study by Reinartz, Krafft, and Hoyer (2004) in contrast, found a negative relationship between CRM integration and firm performance. They found that the more sophisticated the CRM implemented, the worse the company performs.

Knowledge collected by technology systems includes the buying history, customer connections, expectations, needs, and purchasing activities (Day, 2000). In the E-commerce environment, it is easier to use the collected information to define the offering, when and how to do it and at how much. For the firm to retain its competitive advantage, it should have a customer-related knowledge, customer satisfaction, and an acceptable level of customer service (Shaon & Rahman, 2015). The target of companies is to establish strong customer knowledge to help the firm construct and effectively manage customer relationships now and in the long run. Developing and consistently refreshing the information and knowledge is essential in controlling the customer. It is therefore assumed that a firm with higher customer knowledge will experience better performance in customer satisfaction hence market expansion.

2.3.4 Internet Marketing Strategies

Internet Marketing is the art and science of products and services promotion over the various digital networks over the internet. The extraordinary growth of the internet seen in the last couple of decades has occasioned its increased use for marketing. Singh (2002) noted that internet marketing took about seven years to spread and achieve a 25% market penetration; comparatively the telephone and television took much longer, 35 years and 26 years respectively from inception to reach the same market penetration. Internet marketing is very cost friendly and effective, therefore benefiting the MSEs globally and reaching a wider range of customers at reduced costs (Ashworth, Schmidt, Pioch, & Hallsworth, 2006). According to Maguire, Koh, and Magrys (2007), internet marketing involves definition the optimum mix of online marketing strategies that appeals to the target market and translates into sales. It is both an art and science since it involves creativity, research, and analysis in choosing the right strategy and measuring the success of the marketing campaigns. The businesses that have linked embraced internet marketing reap the benefits of easily lining with and communicating with the target market and stakeholders.

The increased access to information, reduced cost, and improved communications have all led to increased sales turnover for businesses that have adopted this as a part of their E-commerce strategy (Smith & Chaffey, 2005). Business with substantial online presence through their websites, social media interactions, as well as, email marketing channels are better placed to access the market and grow their sales compared to those sticking to the traditional marketing methods (Shemi & Magembe, 2002). A study on 112 traditional and 26 internet-based small businesses in Taiwan found that the owner-managers of traditional small firms emphasize sales, product planning, and customer relationships. Whereas the owners of the internet-based small firms focus on product schedules, sales forecast, sales control, and market research. This research suggests that the traditional marketing tenets are still needed in the new age of cyber environment. The internet-based firms have to apply innovative marketing techniques to compete effectively in the ever-changing business environment (Siu, 2002).

MSEs have various internet marketing channels to reach the target market and measure the efficiency of the strategies. Business can use social media marketing methods like pay per click and impressions on Facebook, Snapchat, Pinterest, Twitter, Instagram, and LinkedIn among others. Social media marketing is cost effective and easy to use in targeting the market and communicate product and services. This has allowed developing loyalty and an extensive customer base (Pan & Crotts, 2012). The other online marketing channel is email marketing; when used correctly, it has the potential to strengthen the relationship with clients. By collecting customer emails, and using an email marketing tool like ChimpMail or Aweber, even a small business can afford to reach vast numbers of clients free up to about 2,000 emails before having to pay. With email marketing, it is possible to track conversions, offer information in newsletters about new products, deals and encourage customer loyalty.

A study on a leading US retailer targeting its 925,000 email subscribers with both regular emails and Facebook adverts reported that those who receive adverts were 22% more likely to make a purchase (Cohen, 2014). Pay-per-click advertising is another way to reach target market segments without much effort. Apart from Facebook Ads, MSEs can use Google AdWords, Yahoo Ads or Bing Ads to promote services, deals and build brand awareness. An effective combination of CRM data and email or Facebook targeting makes a powerful targeting reach (Cohen, 2014). Both large companies and MSEs have the option to use search engine optimisation (SEO) as a marketing strategy for E-commerce websites. A good SEO strategy and implementation bring

about higher search engine page rankings by optimising both on-page and off-page features of an E-commerce website. A highly ranked site is easy to find and has more site visits, and it has nothing to do with the size of the business.

A study by Kithinji (2014) on the impact of internet marketing on the performance of SMEs in Nairobi reported that 60% of respondents said it affected their profitability to a greater extent. Of the respondents, 51.3% said internet marketing greatly influenced customer loyalty. Social media was the most applied form of internet marketing with 76.3% agreeing to this. Those who applied email marketing were only 32.5%. According to this study, internet marketing allows MSEs to communicate their products and services effectively for improved market performance and to better track sales. Another study by Mwangi (2012) on the influence of internet marketing on customer service found that MSEs had improved business performance, but were constrained by their environment in adopting internet marketing technology. Njuguna (2012), in yet another study, says that the importance of internet marketing to MSEs performance is yet to be fully exploited. However, studies on large firms like Safaricom and supermarkets points to improved sales turnover and customer relations (Njuguna, 2012).

2.4 Summary of literature and Research Gaps

In this chapter, we see an in-depth literary analysis of the influence of E-commerce strategies on performance among MSEs. The literature shows a substantial impact of E-commerce on the performance of small companies. The marketplace is changing, and more companies are realizing the necessity of implementing IT into their business operations and weaving it into their corporate strategies. It is also clear that E-commerce does not change the business, but is a complementary tool that supports the overall strategy to enhance business performance. Even though previous studies have investigated these influences (Ang & Buttle, 2006; Kabuba, 2014; Adenwala, 2014), particular studies on the security industry firms in Nairobi County is still scarce. To the best knowledge of the researcher, no study has been done on the security industry players at the Micro and Small Enterprise level within Kenya. There is considerable research on varying aspects of E-commerce in developing countries including Kenya. However, there is an emerging gap in the studies that have been conducted in the past. Most of them have focused on factors influencing the adoption of e-commerce in SMEs (Shemi, 2012; Wanjau, Macharia, and Ayodo 2012; Ochola, 2013) and barriers/obstacles facing e-commerce businesses (Kinuthia & Akinnusi, 2014).

Other researchers have focused on the impact of e-commerce in commercial banks in Kenya (Magutu, Onger, & Mwangi, 2009), and factors affecting adoption of E-commerce in the tourism industry (Wanjau et al., 2012). From these previous studies, it is apparent that most research has concentrated mostly on adoption and barriers to the adoption of E-commerce. However, research on the performance of online companies and traditional companies with E-commerce strategies seems to be lacking. Another gap is the limited research on the supply end of the business, most studies have focused on the demand end laying more emphasis on the customer, this study will focus on the business end, their challenges, benefits, and effects of performance.

This study, therefore, sought to contribute new insights and fill this knowledge gap by investigating the influences of E-commerce strategies on business performance. Results from this study are aimed at motivating the management of MSEs to overcome the barriers of adopting E-commerce so that they can realize the benefits of E-commerce in their business strategies. For this reason, some authors, including Ismail, Mokhtar, Ali, and Rahman, (2014) have highlighted the need for further research on the impact of E-commerce adoption on firm performance. From this literature review, four (4) hypotheses were formulated from the four (4) identified variables. These variables are (i) E-commerce integration, (ii) Social Media Integration, (iii) Customer Relationship Management, (iv) Internet Marketing Strategies.

2.5 Conceptual Framework

Independent Variables

Dependent variable

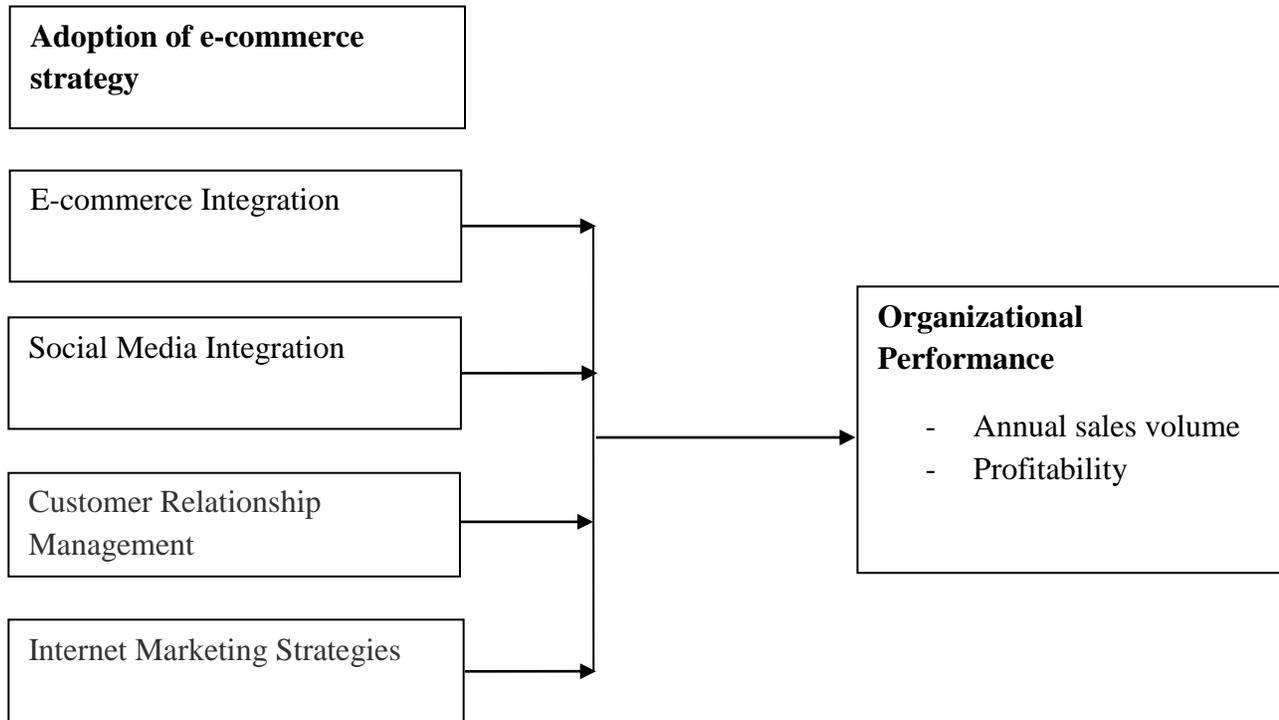


Figure 2.1: Conceptual Framework

The conceptual model above demonstrates the relationship between E-commerce strategy adoption and organization performance in MSEs in Kenyan private security firms. Based on the literature review, this project has developed a conceptual framework with the dependent variable as firm performance. The independent variables include E-commerce integration, Social Media integration, Customer Relationship Management, and Internet Marketing Strategies. The independent variables were measured based on the movement in sales volume and profitability.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers the design of the research and study methodology. It describes the research design and reason for its selection at the beginning then the sampling strategy and selection criteria. The chapter concludes with a description of the data types, data collection tools and techniques, and lays out the methods the data was analysed and presented.

3.2 Research design

Nachmias and Nachmias (1996) describe research design as the study outline that enables the investigator to arrive at the solutions to the problems that had been identified and guides in each research stage. According to Yin (2003), a scientific research can be designed either as an exploratory, descriptive, or explanatory research to suit different purposes. The researcher continues to say that a descriptive study has the main goal of developing a clear description of various patterns.

This study adopted both a quantitative (for structured questions) and qualitative (for unstructured questions) and in particular a descriptive survey research design. This is because a descriptive design helped indicate trends in attitudes and behaviours, which enabled the taking of a broad view of the research findings. This research design was considered appropriate because it saved time, was relatively less expensive and the amount of quality information yielded was expected to be valid while the interviewer's biasedness was reduced because participants were expected to complete identically worded measures (Ader, Millenbergh, & Hand, 2008).

3.3 Target Population

A population is a whole set of individuals, objects or case with the desired observable characteristics (Mugenda & Mugenda, 2003). Grooves, Fowler, Couper, Lepkowski, Singer, and Tourangeau (2009), on the other hand, demarcate a population as "an objective list of the population from which the researcher can make his or her selection." Given this, the target population for this study consisted of 83 MSEs including security firms, security products retailers, consultants, and installers operating from Nairobi County and which were members of Protective & Security Association of Kenya (PROSAK).

Table 3.1: Population of the study

| Strata | Population |
|-----------------------------|-------------------|
| Security Firms | 30 |
| Security Products Retailers | 20 |
| Installers | 18 |
| Consultants | 15 |
| Number | 83 |

Source (PROSAK, 2017)

3.4 Data collection instruments

According to Chaleunvong (2009), data collection techniques allow the researcher to systematically collect data about the study subject including the settings they occur in. Data collection for this study was done using written questionnaires. Also referred to as a self-administered questionnaire, a written questionnaire is a data collection tool with written questions for the respondent to answer in a written form. In situations where questionnaires were challenging to use, the researcher used interviews to collect data.

3.5 Data collection procedure

According to Mugenda and Mugenda, (1999) questionnaires enable the researcher to accumulate data with ease and help in obtaining important data from many respondents. The researcher prepared the questionnaires and administered them to the owners/CEO/marketing managers of selected firms. The questionnaires were hand-delivered to the respondents then collected later; this was backed up with Google Forms for those who would prefer to fill and submit them online. Both open-ended and close-ended questions were included in the collection of the necessary data for this study. Close-Ended questions were aimed at capturing quantitative data while the open-ended questions aimed at collecting qualitative data. The researcher also used secondary data from a diverse source of documents and electronically stored information. Questionnaires were convenient because they were cost effective and quicker to administer. They are highly convenient

for the respondents too, since they could fill them at their free time when their workload was manageable (Ader, Millenbergh, & Hand, 2008).

3.5.1 Reliability

Reliability is the degree to which an instrument gives the same outcome when the conditions remain constant. The questionnaire were pre-tested through a pilot approach with ten respondents from across the population before undertaking the necessary review. The use of pre-testing enabled the researcher to define the potential of the data collection instrument to collect the required data and their reliability, validity, and consistency. For Cronbach's alpha, a measure of 0.7 is the most common measure of internal consistency, that is the reliability, it was considered for this study to determine if the questions in the questionnaire were reliable.

3.5.2 Validity

According to Cook and Campbell (1979), validity is the best available approximation to the truth or falsity of a given inference, proposition or conclusion. Wong and Aspinwall (2005) clarify that it is not assessed numerically, but can only be subjectively judged by the researchers. Therefore, to ensure the validity of the test scores, the questionnaires were subjected to peer review from both colleagues and the supervisor to red flag any errors that may occur in the research instruments to ensure validity.

3.6 Data analysis and presentation

Data from the questionnaires were initially checked to ensure consistency and completeness. Those found to have been filled correctly were coded. The data was analysed using descriptive statistics, which were used to present summarised quantitative descriptions in a manageable form allowing for simpler interpretation of the data. They included distribution, central tendency, and dispersion. A narrative summary of the closed and open questions was made and included tables, percentages, mean scores, and cross-tabulation. The analysed data was then presented and interpreted through graphs, charts, frequency tables and regression analysis. The software used for primary quantitative data was Statistical Package for Social Sciences (SPSS); the data was cleaned and verified, then transferred to Microsoft Office Excel and Microsoft Office Word.

Inferential statistics was applied to establish the interactions among study variables and the following regression model used:

$$Y = a_0 + a_1X_1 + a_2X_2 + a_3X_3 + a_4X_4 + e$$

Where:

Y = Performance of private security firms

X_1 = Enterprises integration

X_2 = Social Media Integration

X_3 = Customer Relationship Management

X_4 = Internet Marketing Strategies

a_0 = Constant

$a_1, a_2, a_3, \& a_4$: Coefficients

e = *error term*

3.7 Ethical considerations

The researcher sought permission to conduct this study, and the researcher gave full disclosure of the study objectives and how the research process was to be conducted. The data collected from primary and secondary sources was treated with confidentiality. The respondents were assured that this study was meant purely for academic purposes and that their opinions were to be treated with confidentiality and integrity.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter presents and discusses the findings of the study based on the data collected. The chapter consists of two sections. Analysis of response rate, descriptive statistics, and inferential analysis. Primary data was collected using questionnaires, which were designed, based on the variables of the study. The data analysis and its presentation sought to conclusively address the following research questions: (i) what was the influence of E-commerce integration on the performance of security firms in the MSE sector. (ii) What was the influence of social media integration on the performance of security firms in the MSE sector? (iii) What was the influence of customer relationship management on the performance of security firms in the MSE sector? (iv) what was the influence of internet marketing strategies on the performance of security firms in the MSE sector?

4.2 Analysis of Response rate and descriptive statistics

From the data collected, out of the 83 questionnaires administered, 49 were filled and returned.

$$\text{Response Rate} = \frac{\text{Number of Respondents}}{\text{Number of Questionnaires}} = \frac{49}{83} = 59.03\% \approx 59\%$$

This represents a response rate of 59%. Babbie (2010) argues that a response rate of 60% is “good” for reaching conclusions on a particular study. Therefore, this response rate was considered satisfactory. In addition, two interviews were undertaken and the results were used in triangulation as well as making conclusions for the study.

Demographics

According to Hambrick and Mason (1984), the idiosyncrasies of managers influence their understanding and reactions to their organizational environment. These characteristics include gender, age, educational level attained, and tenure of service in the organization. The inclusion of these variables in this discussion helped cater for the upper-echelon approach to management where, individual-level characteristics could influence responses.

4.2.1 Gender of the respondent

Data was collected on the respondent's gender and the analysis done. From the data collected, 45 (91.8%) were male, while four (8.2%) were female. While, male managers had a tendency of overestimating (being too positive of) the organization's performance compared to the female managers (Beyer, 1990), statistical evidence on the overall effect of variances in administration and opinions on gender differences in performance is still inadequate and diverse (World Bank, 2012). The predominance of male respondents is also explained by the highly physical nature of the security job.

4.2.2 Age of the respondent

Table 4.2: Age of the respondent

| | | Age category | | | |
|-------|----------|--------------|----------|----------------|---------------------|
| | | Frequency | Per cent | Valid Per cent | Cumulative Per cent |
| Valid | 18-25 | 2 | 4.1 | 4.1 | 4.1 |
| | 26-30 | 4 | 8.2 | 8.2 | 12.2 |
| | 31-35 | 12 | 24.5 | 24.5 | 36.7 |
| | 36-40 | 23 | 46.9 | 46.9 | 83.7 |
| | Above 40 | 8 | 16.3 | 16.3 | 100.0 |
| | Total | 49 | 100.0 | 100.0 | |

Source: Survey Data, (2018)

A majority (46.9%) of those surveyed were in the age group of 36-40. Those between 31 and 35 were (24.5% and those above 40 years of age were 16.3%. The age variable was considered in terms of an ordinal scale. Though not covered comprehensively delved into in this study, the age variable has had mixed results for most past studies (Joshi & Roh, 2009 ; Ilmakunnas, Maliranta, & Vainiomäki, 2004) noted a negative relationship between age diversity and organizational performance, while others have noted that there is no relationship at all (Bantel & Jackson, 1989) and yet others have noted a strong positive relationship (Kilduff, Angelmar, & Mehra, 2000) however (Kunze, Boehm, & Bruch, 2013) posit that the respondents' age component is crucial in most aspects of running a business. It informs the management style, expertise, risk affinity and even the extent to which they embrace technology.

4.2.3 Highest Education level of the respondent

Mathieu and Zajac (1990) suggest that the more educated managers tend to be more critical of their organizations, and hence have lower chances of over-estimating the performance of the with which organizations they

Table 4.3: Highest Level of education

| | | Highest Level of education | | | |
|-------|---------------|-----------------------------------|----------|----------------|---------------------|
| | | Frequency | Per cent | Valid Per cent | Cumulative Per cent |
| Valid | Primary | 1 | 2.0 | 2.0 | 2.0 |
| | Secondary | 7 | 14.3 | 14.3 | 16.3 |
| | Diploma | 26 | 53.1 | 53.1 | 69.4 |
| | Undergraduate | 9 | 18.4 | 18.4 | 87.8 |
| | Postgraduate | 6 | 12.2 | 12.2 | 100.0 |
| | Total | 49 | 100.0 | 100.0 | |

Source: Survey Data, (2018)

The research further sought the education level of the respondents. The Analysis is shown in Table 4.2 above indicating 26 of the respondents (53.1%) had a diploma; another 9 (18.4%) had an undergraduate degree, with the remaining possessing primary, secondary, and postgraduate qualifications at one, seven, and six respondents respectively. These results differ from those of Bowen, Morara and Mureithi (2009) who recorded a lower educational level for the MSEs, partly because this study focused on the upper-echelon of managers who were relatively more educated. Based on the argument by (Mathieu and Zajac (1990), data was not expected to be skewed since a majority (over 80% had more than a secondary school level education) of these individuals were considered highly educated and rational therefore. Nakata (2007) in tandem with Ericsson and Li (2012) posited that education levels largely influenced the success of SMEs with respect to profits and growth. However, this study differed from Ericsson and Li (2012) in that the latter research was skewed towards studying key internal and external critical success factors in a heterogenous population of SMEs within a specific municipality, unlike this study which had a homogenous approach.

4.2.4 Position of the respondent in the firm

Power distance has been linked positively to perceptions on organizational performance with most senior managers evaluating or perceiving their positions as critical to the vision and mission of the organisation hence placing more premium on what they do (Bowman & Ambrosini, 1997) .

The study focused on the top management from the MSEs and the responses categorized as shown. Out of all the respondents, 35 (71.4%) were the owners of the businesses, 3(6.1%) represented the CEOs, and 11(22.4%) responded as marketing managers.

4.2.5 Classification of the business

A majority of the companies from the study (55.1%) fell within the small business category of 10-49 employees following the description of micro and small enterprises (European Foundation, 2011). This differs from the position taken by past studies (Mead & Liedholm, 1998; Liedholm, 2001) which argued that the 10-49 category has the least percentage (2%) compared to other categories. This is largely because, the security sector is comparably the most labour intensive (Business Sweden, 2017) by providing low-expertise guarding services (Economic and Social Research Council, 2005). The remaining 44.9% of the businesses surveyed were in the micro business category with 1- nine employees. The profile of all these employees was not enquired into nor studied. Though past research reflects that most of these employees tend to be relatives or family members inclusive of working proprietors (Mead & Liedholm, 1998), who are largely volunteers or unpaid (Liedholm, 2001), but contribute to slightly over 25% of the GDP of the country (Kamunge, Njeru, & Tirimba, 2014).

Table 4.4: Number of Years in Operation

| | | Number of Years in Operation | | | |
|-------|----------|------------------------------|----------|----------------|---------------------|
| | | Frequency | Per cent | Valid Per cent | Cumulative Per cent |
| Valid | Below 3 | 8 | 16.3 | 16.3 | 16.3 |
| | 3-5 | 12 | 24.5 | 24.5 | 40.8 |
| | 5-10 | 22 | 44.9 | 44.9 | 85.7 |
| | Above 10 | 7 | 14.3 | 14.3 | 100.0 |
| | Total | 49 | 100.0 | 100.0 | |

Source: Survey Data, (2018)

Moreover, most of the MSEs (44.9%) as shown in Table 4.4 above, had been in business for between 5-10 years, 24.5% of the MSEs had been in operation for between 3-5 years. Eight of the responding businesses (16.3%) had been in operation for less than three years, with a smaller number (14.3%) having operated for more than 10 years. This was important to know the survival rate of the enterprises. A series of future repetitive panel studies could be more definitive in indicating the survival rates of these security firms to determine how any were able to grow beyond the challenging first few months (Bowen, Morara, & Mureithi, 2009) or five year horizon (Ifekwem & Adedamola, 2016 ; Lobel, 2014).

4.2.6 Level of IT skills in the firm

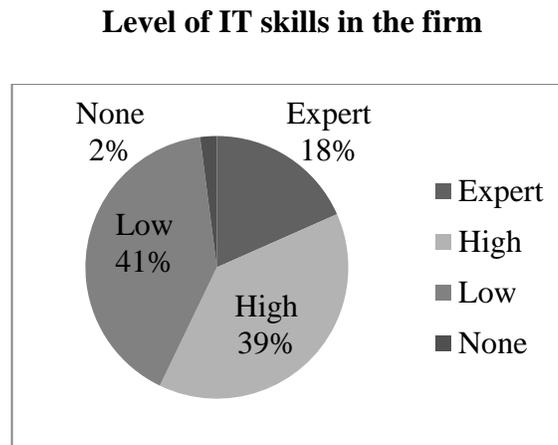


Figure 4.2: Level of IT skills in the firm

Source: Survey Data, (2018)

From the analysis in Figure 4.1 above 20 (40.8%) of the respondents had a low level of IT skills in their business partly informed by their low level of education as well as low rate of access to training in IT. Whereas, a close number (38.8%) reported to have a high level of IT skills. Nine (18.4%) of the respondents had a high level of IT skills (inferring that roughly 57.2% of the respondents could provide some form of basic maintenance IT support to the firms they worked for) whereas 2% had no IT skills (and could most likely resort to outsourcing or engaging an IT maintenance vendor).

4.2.7 Internet Access

This question sought to determine the level of internet access in the workplace. MSEs that had internet access coupled with a positive attitude towards technology were better positioned to adopt new technologies (Perez-Arostegui *et al.* 2012). This study revealed that 91.8% of the respondents use the internet, whereas 8.2% did not utilize the internet. Such high usage by the 91.8% was also presumed to infer user acceptance of IT.

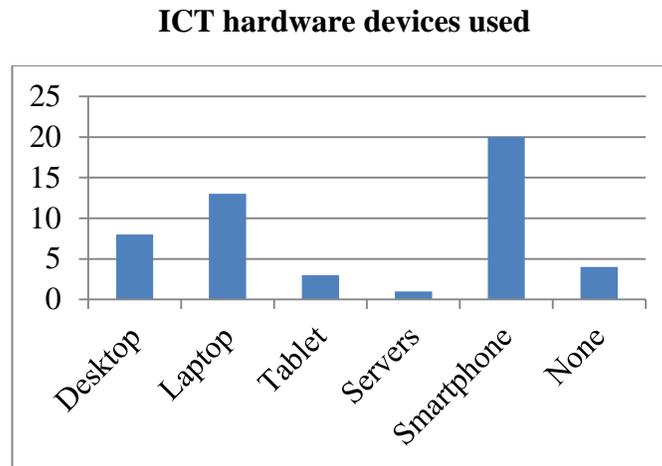


Figure 4.3: ICT hardware devices used

Source: Survey Data, (2018)

A majority of the respondents 20 (40.8%) used smartphones as the main ICT hardware in their businesses. Thirteen (26.5%) of the respondents used laptops. One respondent (2%) and four (8.2%) said they use a server and no ICT devices respectively.

It is evident from the study that most of the respondents access the internet through 3G; this represents 21 (42.9%). Ten (20.4%) of the respondents reported to access the internet via fibre optic connections. Seven (14.3%) said they access the internet from the cyber café, five (10.2%) had 4G connection, four (8.2%) has a broadband connection, whereas respondents two (4.1%) said they do not access the internet.

From the study, it was established that 29 (59.2%) of the respondents accessed the internet from their smartphones and 11 (22.4%) accessing the internet through the personal computers. A further five respondents representing 10.2% accessed the internet from the cyber café whereas two (4.1%) did not have access to the internet.

According to a report by UNDP on MSMEs in Kenya (UNDP, 2015), even though ICT plays a crucial role in many sectors and has improved the business operations in many businesses in Kenya, MSEs still employ low or inadequate technology in their operations. Crucial management tools are still inaccessible to many hence the large number that use smartphones for internal processes and management. Moreover, most of these management tools are for external use such as access to market information.

4.2.8 E-commerce Integration

This query sought to establish the extent of E-commerce integration in the MSEs. Out of the 49 respondents, 29 representing 59.2% had a website whereas the remaining 20 that represented 40.8% said they do not have a website. This agrees with a research done on US small businesses (Soderlund, 2016) that showed 46 per cent of the respondents had no websites while 54 per cent had a website of some kind. Those without a website said a website had no relevance to their business while others said they could not afford the cost. Still others said they use their social media profiles for the business online presence.

Table 4.5: Integrate E-commerce into website

We integrate E-commerce into website

| | | Frequency | Per cent | Valid Per cent | Cumulative Per cent |
|-------|----------------|-----------|----------|----------------|---------------------|
| Valid | Disagree | 17 | 34.7 | 34.7 | 34.7 |
| | Neutral | 5 | 10.2 | 10.2 | 44.9 |
| | Agree | 13 | 26.5 | 26.5 | 71.4 |
| | Strongly Agree | 14 | 28.6 | 28.6 | 100.0 |
| | Total | 49 | 100.0 | 100.0 | |

Source: Survey Data, (2018)

As indicated by Table 4.5 above, 14 (28.6%) respondents strongly agreed that they integrate E-commerce into their websites. Another 13 (26.5%) agreed. However, 17 (34.7%) disagreed with the remaining five (10.2%) respondents remaining neutral. This integration rate is, however, higher than that of small companies surveyed by SurePayroll (Sophy, 2016) where only 26 per cent of the respondents had an e-commerce-enabled website. However, though not precisely mentioned, the SurePayroll study was most probably based on small businesses in the USA considering that the company has its headquarters in Florida and mostly studies trends in the USA.

Kalei, Wambugu and Muturi (2016), have posited that money transfer systems (MPESA mainly) remain a critical factor in business success for small businesses in Kenya. In this study, a majority 38 (77.6%) of MSEs in the security sector accepted online payments. This was largely through MPESA due to its wide coverage market dominance and the fact that it is more convenient and safer to make a receive money via mobile money transfer. The remaining 11 (22.4%) said they do not accept such online payments, a majority of whom were in the small business category.

4.2.9 Social media usage

From the survey, it was revealed that the MSEs have put a lot of emphasis on using the social media for both communication and marketing purposes. The study found out that 39 respondents representing 79.6% of the total audience had at least one social media account. The remaining 20.4% reported that they do not have any. Basri (2016) agrees with this strong position by affirming that the social had four significant impacts on SMEs including offering a marketing platform for the Information Age, offering an avenue and forum for increased sales, giving an innovative edge to SMEs in a bid to reduce expenditures/cost and increase profitability, and creating a benchmark of direct client communication in modern PR.

Table 4.6: The major business social media accounts in use

| The major business social media accounts in use | | | | | |
|--|-----------|-----------|----------|----------------|---------------------|
| | | Frequency | Per cent | Valid Per cent | Cumulative Per cent |
| Valid | Facebook | 12 | 24.5 | 24.5 | 24.5 |
| | Twitter | 4 | 8.2 | 8.2 | 32.7 |
| | LinkedIn | 1 | 2.0 | 2.0 | 34.7 |
| | Snapchat | 4 | 8.2 | 8.2 | 42.9 |
| | WhatsApp | 15 | 30.6 | 30.6 | 73.5 |
| | None | 10 | 20.4 | 20.4 | 93.9 |
| | Instagram | 3 | 6.1 | 6.1 | 100.0 |
| | Total | 49 | 100.0 | 100.0 | |

Source: Survey Data, (2018)

Table 4.5 shows that most of the respondents (30.6%) use WhatsApp more than the other social media accounts for business purposes. This was followed closely by Facebook with 12 (24.5%) of the respondents. Slightly more than 20% had no business social media account. The respondents were asked if they regularly use the company social media accounts and they responded as follows: 22 (44.9%) agreed with the statement with another 22.4% strongly agreeing. Nine respondents representing 18.4% disagreed whereas 14.3% remained neutral.

Table 4.7: Regularly communicate with clients on social media

| We regularly communicate with current/prospective clients on social media | | | | | |
|--|----------------|-----------|----------|----------------|---------------------|
| | | Frequency | Per cent | Valid Per cent | Cumulative Per cent |
| Valid | Disagree | 2 | 4.1 | 4.1 | 4.1 |
| | Neutral | 9 | 18.4 | 18.4 | 22.4 |
| | Agree | 14 | 28.6 | 28.6 | 51.0 |
| | Strongly Agree | 24 | 49.0 | 49.0 | 100.0 |
| | Total | 49 | 100.0 | 100.0 | |

Source: Survey Data, (2018)

When asked if they regularly communicate with clients on social media, 24 (49%) said they strongly agree with another 14 (28.6%) agreeing. Nine respondents representing 18.4% remained neutral, whereas two (4.1%) disagreed.

Table 4.8: Use social media to market our products/services

| We use social media to market our products/services | | | | | |
|--|-------------------|-----------|----------|----------------|---------------------|
| | | Frequency | Per cent | Valid Per cent | Cumulative Per cent |
| Valid | Strongly Disagree | 2 | 4.1 | 4.1 | 4.1 |
| | Disagree | 9 | 18.4 | 18.4 | 22.4 |
| | Neutral | 8 | 16.3 | 16.3 | 38.8 |
| | Agree | 17 | 34.7 | 34.7 | 73.5 |
| | Strongly Agree | 13 | 26.5 | 26.5 | 100.0 |
| | Total | 49 | 100.0 | 100.0 | |

Source: Survey Data, (2018)

A statement was put across to the respondents if they use the social media to market their products and services and the response was as follows: seventeen (34.7%) agreed, 13 (26.5%) strongly agreed, eight (16.3%) remained neutral while nine (18.4%) disagreed. Two respondents strongly disagreed with the statement.

4.2.10 Customer Relationship Management

The respondents were surveyed on the use of CRM in their enterprises, 33 (67.3%) respondents reported having some kind of CRM system in their business and the remaining 16 (32.7%) responded to the negative.

Table 4.9: Use data to identify customers with potentially high lifetime value

We use data from various sources to identify customers with potentially high lifetime value

| | | Frequency | Per cent | Valid Per cent | Cumulative Per cent |
|-------|----------------|-----------|----------|----------------|---------------------|
| Valid | Disagree | 6 | 12.2 | 12.2 | 12.2 |
| | Neutral | 7 | 14.3 | 14.3 | 26.5 |
| | Agree | 26 | 53.1 | 53.1 | 79.6 |
| | Strongly Agree | 10 | 20.4 | 20.4 | 100.0 |
| | Total | 49 | 100.0 | 100.0 | |

Source: Survey Data, (2018)

Most of the respondents 26 (53.1%) agreed to this with another ten (20.4%) strongly agreeing. Seven (14.3%) remained neutral while six (12.2%) respondents disagreed with this statement.

Table 4.10: Integrating customer information into CRM

We integrate customer information collected through various channels (e-mail, phone, personal communication) into the CRM

| | | Frequency | Per cent | Valid Per cent | Cumulative Per cent |
|-------|-------------------|-----------|----------|----------------|---------------------|
| Valid | Strongly Disagree | 1 | 2.0 | 2.0 | 2.0 |
| | Disagree | 4 | 8.2 | 8.2 | 10.2 |
| | Neutral | 13 | 26.5 | 26.5 | 36.7 |
| | Agree | 19 | 38.8 | 38.8 | 75.5 |
| | Strongly Agree | 12 | 24.5 | 24.5 | 100.0 |
| | Total | 49 | 100.0 | 100.0 | |

Source: Survey Data, (2018)

From the Table 4.9, 19 (38.8%) respondents agreed that they integrate customer information into CRM, 12 (24.5%) strongly agreed while 13 (26.5%) remained neutral. Four respondents disagreed and one strongly disagreed.

4.2.11 Internet Marketing

On the companies' application of internet marketing strategies, the respondents were asked if they had an internet marketing strategy and if they implemented it. The response to this question was

26 (53.1%) had and implemented an internet marketing strategy, whereas the remaining 23 (46.9%) did not have a strategy.

Table 4.11: Internet marketing channels used

We advertise and identify new customers using the following channel

| | Frequency | Per cent | Valid Per cent | Cumulative Per cent |
|-----------------|-----------|----------|----------------|---------------------|
| Valid AdWords | 4 | 8.2 | 8.2 | 8.2 |
| Facebook Ads | 8 | 16.3 | 16.3 | 24.5 |
| LinkedIn | 2 | 4.1 | 4.1 | 28.6 |
| Twitter | 4 | 8.2 | 8.2 | 36.7 |
| Instagram | 2 | 4.1 | 4.1 | 40.8 |
| SEO | 3 | 6.1 | 6.1 | 46.9 |
| Email Marketing | 3 | 6.1 | 6.1 | 53.1 |
| WhatsApp | 19 | 38.8 | 38.8 | 91.8 |
| None | 4 | 8.2 | 8.2 | 100.0 |
| Total | 49 | 100.0 | 100.0 | |

Source: Survey Data, (2018)

A majority of the MSEs 19 (38.8%) were found to use WhatsApp for marketing purposes more than the other channels. This was followed by Facebook that constituted eight (16.3%) of the respondents. Those who used AdWords and no channel were four (8.2%) each with the rest thinly spread across the other marketing channels.

The respondents were asked if they use internet marketing and the related analytics to monitor and measure marketing results. Most of the respondents 18 (36.7%) disagreed, 12 (24.5%) agreed while those who remained neutral were 10 (20.4%). Seven respondents (14.3%) strongly agreed and the remaining two (4.1%) strongly disagreed.

4.2.12 Business performance

The respondents were asked to rate the benefits of E-commerce on their businesses based on reduced operating and administrative costs, better customer service, increased sale, improved marketing, and enhanced profitability. The responses are as shown below.

Benefit: Reduction in operating and administrative costs

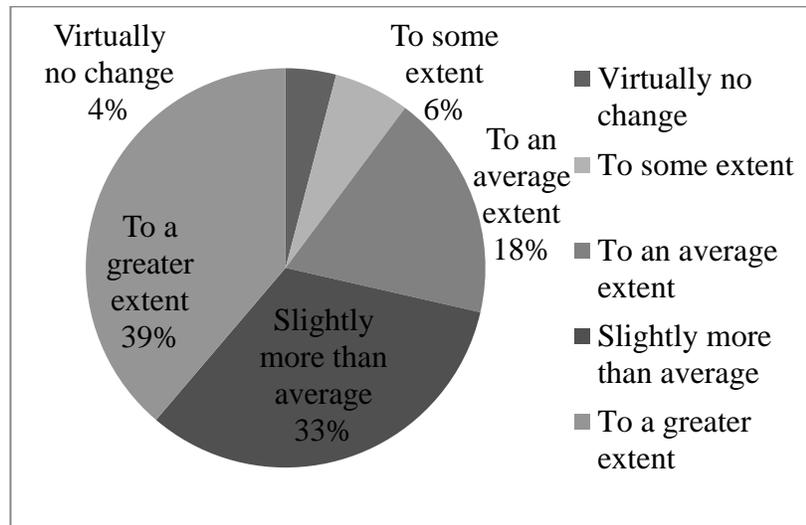


Figure 4.4: Benefit: Reduction in operating and administrative costs

Source: Survey Data, (2018)

Out of the 49 respondents, 19 (38.8%) benefited to a greater extent, whereas 16 (7%) slightly more than average and another 9 to an average extent. Five (6.1%) benefited to some extent while two (4.1%) saw no change in reduction of costs.

Benefit: Better customer service

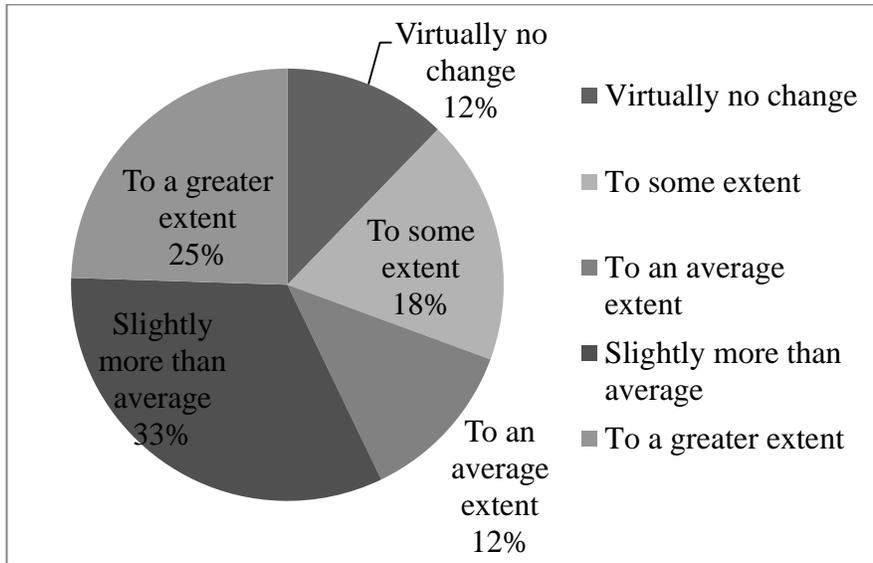


Figure 4.5: Benefit: Better customer service

Source: Survey Data, (2018)

A majority of the respondents 16 (32.7%) had a slightly more than average benefit in customer service, with 12 (24.5%) saying they had the benefit to a greater extent. Six respondents representing 12.2% said they had the benefit to an average extent, nine (18.4%) to some extent, while six said there was no change.

Table 4.12: Benefit: Increased sales

| | | Frequency | Percent |
|-------|----------------------------|-----------|---------|
| Valid | Virtually no change | 2 | 4.1 |
| | To some extent | 4 | 8.2 |
| | To an average extent | 8 | 16.3 |
| | Slightly more than average | 14 | 28.6 |
| | To a greater extent | 21 | 42.9 |
| | Total | 49 | 100.0 |

Source: Survey Data, (2018)

From the Table 4.12, 21 (42.9%) respondents had increased sales to a greater extent while 14 (28.6%) to slightly more than average. There were eight (16.3%) who said they benefited to some extent while eight (16.3%) benefited to an average extent.

Table 4.13: Benefit: Improved marketing

| | | Frequency | Per cent |
|-------|----------------------------|-----------|----------|
| Valid | Virtually no change | 2 | 4.1 |
| | To some extent | 7 | 14.3 |
| | To an average extent | 8 | 16.3 |
| | Slightly more than average | 12 | 24.5 |
| | To a greater extent | 20 | 40.8 |
| | Total | 49 | 100.0 |

Source: Survey Data, (2018)

A majority of the respondents (20) representing 40.8% benefited to a greater extent while 12 (24.5%) benefited slightly more than average. Eight respondents benefited to an average extent while seven said they benefited to some extent. The remaining two (4.1%) saw no change.

From the study, 21(42.9%) respondents had slightly more than average benefit in increased profitability, with 19 (38.8%) saying they benefited to a greater extent. Another five (10.2%) said they benefited to an average extent and remaining four respondents benefited to some extent.

4.3 Inferential analysis

4.3.1 Impact of E-commerce strategies on MSEs profitability

To establish the strength and direction of the relationship between E-commerce integration and performance (profitability) of the MSEs in the private security industry in Nairobi County, a Pearson's coefficient of correlation analysis was carried out using SPSS.

Table 4.14 below shows that all the predictor variables had a positive correlation with the dependent variable, which in this case was firm profitability. They also had a positive association among themselves at the significance level of 0.05 hence their inclusion in the analysis. There was a strong positive relationship between integrating E-commerce into the firm and profitability ($r=0.622$), regular communication with current and prospective clients on social media ($r=0.79$),

integrating customer information collected from various channels into a customer relationship management ($r=0.866$), and a moderate positive relationship with using internet marketing to market products and services($r=0.575$).

Table 4.14: Correlations of the independent variables and business profitability

| | | Correlations | | | | |
|-------------|---|--|--------------------------------------|---|---|---|
| | | Benefits of E-commerce to your company: Enhanced profitability | We integrate E-commerce into website | We regularly communicate with current/prospective clients on social media | We integrate customer information collected through various channels (e-mail, phone, personal communication) into the CRM | We use internet marketing to advertise products or services |
| Pearson | Benefits of E-commerce to your company: Enhanced profitability | 1.000 | .622 | .790 | .866 | .575 |
| Correlation | We integrate E-commerce into website | .622 | 1.000 | .255 | .269 | .418 |
| | We regularly communicate with current/prospective clients on social media | .790 | .255 | 1.000 | .369 | .250 |
| | We integrate customer information collected through various channels (e-mail, phone, personal communication) into the CRM | .866 | .269 | .369 | 1.000 | .286 |
| | We use internet marketing to advertise products or services | .575 | .418 | .250 | .286 | 1.000 |

N=49

Source: Survey Data, (2018)

This analysis shows that E-commerce integration has a 0.622 chance of improving the profitability of the MSEs, the more the business integrates E-commerce into the operations, the better the opportunities for growth of profits due to reduced operational and administrative costs. E-commerce enables a business to automate most routine tasks, hence reduced need for employees and increased efficiency (Taylor & Murphy, 2004).

From Table 4.14, there is a strong positive correlation between regular communication with the prospective and current customers on social media and profitability. This indicates that the social media channels have opened up communication, therefore making it easier for customer issues to be sorted fast and in the right way. Businesses can market indirectly and directly cost effectively, hence the potential for increased profits. This means that companies that integrate social media into their customer service, marketing and business communication activities have a higher chance of increasing their profits due to access to a wider market, faster response to customers, and a cheaper way to market.

Respondents who used some form of customer relationship management saw an increase in their profitability. Companies do not have to use sophisticated CRM software to be effective. MSEs with little financial capabilities and limited IT skills have been known to use simple tools like Microsoft Excel to manage small numbers of customers. This may be tedious, but whatever system a business uses, integrating customer information makes it easier to manage communications. Most of the respondents (67%) said they have some form of CRM in their business. In contrast study on Australian companies (Ang & Buttle, 2006) found that less than 40% of companies actively used CRM applications, and of those which used, most were for customer retention and only a bit for customer acquisition.

Internet marketing has been shown to significantly influence business profitability. The increased customer reach and the ability to customize the campaign to fit any budget has made it possible for even the very small business to market their products and services. A study on SMEs in Nairobi (Kithinji, 2014) found that 75% of respondents agreed they benefited significantly from using internet marketing and that this increased their firm's visibility which results in increased profitability.

4.3.2 ANOVA (Analysis of Variance) business profitability

Table 4.15: ANOVA for business profitability

| ANOVA ^a | | | | | | |
|--------------------|------------|----------------|----|-------------|-------|-------------------|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 10.340 | 4 | 2.585 | 3.845 | .009 ^b |
| | Residual | 29.578 | 44 | .672 | | |
| | Total | 39.918 | 48 | | | |

Source: Survey Data, (2018)

Since the significance value of the F statistic is higher than one (3.845), there is a relationship between at least one of the variables with performance of MSEs. Additionally, the f-test is less than 0.05 ($p < 0.09$), and the degree of freedom is at four, this indicates that the regression model statistically significantly predicts the outcome variables E-commerce integration, social media integration, CRM integration, and internet marketing and explain the variation in the dependent variable which for this study is Performance. This consequently answers the study questions that E-commerce integration, social media integration, CRM integration and internet marketing all have a significant positive effect on the performance of MSEs in the private security businesses.

Table 4.16: Coefficients: enhanced profitability

| Coefficients ^a | | | | | | |
|---|-----------------------------|------------|---------------------------|-------|------|--|
| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | |
| | B | Std. Error | Beta | | | |
| 1 (Constant) | 1.926 | .680 | | 2.832 | .007 | |
| We integrate E-commerce into website | .205 | .037 | .279 | 1.909 | .043 | |
| We regularly communicate with current/prospective clients on social media | .012 | .045 | .012 | .086 | .032 | |
| We integrate customer information collected through various channels (e-mail, phone, personal communication) into the CRM | .102 | .033 | .111 | .768 | .047 | |
| We use internet marketing to advertise products or services | .237 | .042 | .264 | 1.800 | .039 | |

a. Dependent Variable: Benefits of E-commerce to your company: Enhanced profitability

Source: Survey Data, (2018)

From the regression results in Table 4.16 above, the multiple linear regression model appears as

$$Y = 1.926 + 0.279X_1 + 0.012X_2 + 0.111X_3 + 0.264X_4$$

This equation indicates that all the independent variables of the study have a positive coefficient. Therefore, there is a positive relationship between the independent variables E-commerce strategy adoption (E-commerce integration, social media integration, CRM integration, and internet marketing) and profitability of MSEs.

4.3.3 Impact of E-commerce strategies on MSEs sales volume

Table 4.17: Correlations: Sales volume

| | | Correlations | | | | |
|---------------------|---|---|--------------------------------------|---|---|---|
| | | Benefits of E-commerce to your company: Increased sales | We integrate E-commerce into website | We regularly communicate with current/prospective clients on social media | We integrate customer information collected through various channels (e-mail, phone, personal communication) into the CRM | We use internet marketing to advertise products or services |
| Pearson Correlation | Benefits of E-commerce to your company: Increased sales | 1.000 | .429 | .661 | .520 | .867 |
| | We integrate E-commerce into website | .429 | 1.000 | .455 | .569 | .418 |
| | We regularly communicate with current/prospective clients on social media | .661 | .455 | 1.000 | .369 | .450 |
| | We integrate customer information collected through various channels (e-mail, phone, personal communication) into the CRM | .520 | .569 | .369 | 1.000 | .786 |
| | We use internet marketing to advertise products or services | .867 | .418 | .450 | .786 | 1.000 |

Source: Survey Data, (2018)

As shown in Table 4.17, there is a significantly strong positive relationship between the independent variables of the study and the performance of MSEs, in this case, sales volume. E-commerce integration had a moderate positive relationship ($r= 0.429$) with the dependent variable sales performance. This agrees with studies done in Europe (Perez-Arostegui, Benitez-Amado, & Tamayo-Torres, 2012) that found out that the more a firm increases its IT integration, the better it performed in all aspects of the business.

Regular communication on social media with current and prospective customers showed a strong positive relationship ($r=0.661$). Previous studies (Kumar & George, 2007) have found a similar positive relationship and concluded that maintaining communications with customers and

prospective ones builds customer value, not just for the current transaction but for repeat and referral business hence the strong relationship in this study.

Integrating customer information into CRM had a moderate positive relationship ($r=0.520$) with the sales performance. A US study (Jayachandran, et al. 2005) found that organizations that used CRM stood a better chance of achieving better customer satisfaction than those that did not. An MSE may not have sophisticated CRM applications, but any system used can serve some of the purposes for efficient customer maintenance for increased customer satisfaction that results in increased sales.

Using internet marketing to market products and services had the strongest relationship ($r=0.867$) with sales performance. To support these findings, a US study on a retail chain (Cohen, 2014) reported that customers who received an email marketing coupled with Facebook adverts were 22% more inclined to purchase than those who did not. This shows just how powerful internet marketing is for both small and large businesses.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This study sought to find out the effect of E-commerce strategy adoption on the performance of MSEs within the private security in Nairobi County. This chapter presents the findings summary, conclusions, recommendations, and suggestions for further research.

5.2 Summary

The main objective of this study was to determine the effect of E-commerce strategy adoption on the performance of MSEs in the private security sector in Nairobi County. The study tested the impact of four E-commerce strategies on several performance indicators in the target MSEs. The study targeted the whole population of 83 members of PROSAK. Out of the 83 questionnaires administered, 49 were duly filled and returned indicating a 59% response rate.

On increased sales volume, it was found that E-commerce strategy adoption affected MSEs to a great extent with 71.5% finding it significant to their business sales growth. The study also tested the impact of E-commerce on customer service where 57.2% of the respondents reporting that they had a significant improvement in customer service. The other major indicator was profitability in which the respondents had a strong positive response, 81.7% of the respondents said they had seen increased profitability from using various E-commerce strategies in their businesses. When asked about the impact of E-commerce strategies on improved marketing, 65.3% said they had seen significant improvement compared to when they only used traditional methods alone.

Of the 49 respondents, 59.2% commonly accessed the internet from their smartphones, and a similar number had a self-hosted website or one hosted as a subdomain on another website on free hosting. A majority of those surveyed (46.9%) were in the age group 36-40 followed by the age group 31-35 at 24.5%. More than half of the respondents (53.1%) had a diploma as the highest academic achievement followed by undergraduate degree at 18.4%. Since most MSEs are owner-managed, this study found that 71.4% of the respondents were owners. The business classification was almost equal, with 55.1% falling in the small category and 44.9% falling in the micro business category. Most of the MSEs (44.9%) had weathered the storm and made it to between 5-10 years with 24.5% having operated for between 3-5 years.

On E-commerce integration, (28.6%) strongly agreed while 26.5% agreeing that they integrate E-commerce into their websites. Most (77.6%) of the respondents said they accept online payments. The study found out that 79.6% of the respondents had at least one social media account many saying they use WhatsApp (30.6%) followed closely by Facebook at 24.5%. A total of 49% strongly agreed that they communicated with clients on social media with 28.6% agreeing. On the issue of marketing on social media, 34.7% strongly agreed, where 16.3% agreed. A moderate number (38.8%) agreed that they integrate customer information from various sources while 24.5% strongly agreed. The majority (53.1%) said they do not have an internet marketing strategy, even though 38.8% say they market on WhatsApp, 16.3% use Facebook while others use AdWords, and Email marketing among other channels. Likewise, most (36.7%) of the respondents did not measure their internet marketing campaigns, only 14.3% strongly agreed while 4.1% agreed that they monitor and measure their marketing efforts. From the results of this study, there was a significant impact of all the four E-commerce strategies on both profitability and sales of MSEs in the private security sector in Nairobi County.

5.3 Conclusion

This study found that MSEs that implemented E-commerce strategies in their businesses had significant improvement in profitability, sales volume, and had better customer service. The firms reported that they experienced improved customer relations using social media and CRM systems that ensured efficiency and reduced cost. The study also found out that the businesses had an increased sales performance and increase in customers when they used internet marketing strategies. They experienced reduced marketing costs and better access to targeted customer groups by using various internet marketing channels. The MSEs that had a higher E-commerce integration had reduced business costs, faster order processing, better internal and external communication, and improved overall business performance.

The study found that E-commerce strategy adoption had a positive impact on the performance of MSEs operating within the private security in Nairobi County. It, therefore, concludes that adopting E-commerce strategies into MSEs leads to improved business performance specifically profitability, sales volume, and customer service.

5.4 Recommendations

There is a need for the government and relevant business associations to conduct capacity building training and E-commerce awareness programs. This will go a long way in enlightening both small and large businesses on the benefits to be gained and to build their confidence in the highly competitive market. By supporting the MSEs with training and capacity building, the government will reduce the mortality rate of businesses and positively affect revenue collection in the process due to increased business profitability and the creation of employment opportunities.

Since the globe has gone digital in almost every aspect, it is crucial that businesses, small and large invest in training their staff in ICT and in purchasing IT equipment and applications. Since most MSEs use smartphones, they can use the vast amount of mobile apps for various business purposes for free or at minimal prices. This has the benefit of reducing workload, lowering operating costs while increasing profitability. Even a business with limited financial resources will be able to compete with the large business by implementing E-commerce strategies.

5.5 Suggestion for Further Research

There is a need for further research on the effect of E-commerce on brand performance as a way to increase business performance in general. There is a need for studies on measuring online marketing efforts on business performance. This study could also be done in other business sectors or in other counties. It can also be done across the whole country to establish whether these variables affect the performance of MSEs in other less busy counties.

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APPENDICES

APPENDIX 1: LETTER OF INTRODUCTION

Dear Sir/Madam, -----

RE: Request to participate in the research study

I am a master's student in the School of Business, Kenyatta University. I am in my research year focusing on "E-commerce strategy adoption and performance of Micro and Small Enterprises: A study on private security firms in Nairobi County, Kenya."

Please assist me in gathering enough information to present a representative finding on the influence of E-commerce strategy adoption on firm performance among the MSEs in the security sector by completing the attached questionnaire. Your participation is voluntary, and the questionnaire is completely anonymous.

If you are interested in the results from this study, you are welcome to request a copy of the final report by supplying your name and email address. Any queries regarding the questionnaire or the overall study can be directed to the undersigned. Please be assured that this information is sought for research purposes only and your responses will be strictly confidential. No individual responses will be identified as such, and the identity of persons responding will not be published or released to anyone. All information will be used for academic purposes only.

Herein attached is a research clearance permit from the National Commission for Science, Technology, and Innovation.

Thank you very much for helping with this important study.

Sincerely,

Harold Anyang Mobile: +254-710400205

- viii) We accept payments online via credit cards, MPESA, PayPal, etc. Yes [] No []
- ix) I have never heard of E-commerce Yes [] No []
- x) Customers can place orders through your website Yes [] No []
- xi) Offering demos and simulations of product/services Yes [] No []

Using the scale below, please indicate the extent to which you agree or disagree with the statement, where: **1 = strongly disagree; 2 = Disagree; 3 = Neither disagree no agree; 4 = Agree; 5 = Strongly agree**

2. Level of E-commerce integration in your company?

| E-commerce applications | 1 | 2 | 3 | 4 | 5 |
|---|----------|----------|----------|----------|----------|
| We integrate E-commerce into website | | | | | |
| Internal/external email communications | | | | | |
| Publishes information like products and brochures on web page | | | | | |

SECTION C: Social Media Integration

1. Does your business have at least one social media account?
2. If yes, which ones?
3. How well is social media integrated into your E-commerce strategy?

| Statement | 1 | 2 | 3 | 4 | 5 |
|---|----------|----------|----------|----------|----------|
| We regularly use major social media networks | | | | | |
| Our website is linked with our social media accounts | | | | | |
| We tailor our products according to social media influences | | | | | |
| We regularly communicate with current/prospective clients on social media | | | | | |
| We use social media to market our products/services | | | | | |

| | | | | | |
|--|--|--|--|--|--|
| We have seen a rise in sales since we began using the social media | | | | | |
|--|--|--|--|--|--|

SECTION D: Customer Relationship Management (CRM)

- Does your company have a CRM system?
- How well do your company use CRM?

| Statement | 1 | 2 | 3 | 4 | 5 |
|--|---|---|---|---|---|
| We integrate CRM into website | | | | | |
| We integrate customer information collected through various channels (e-mail, phone, personal communication) | | | | | |
| We use data from various sources to identify customers with potentially high lifetime value | | | | | |
| We employ chatbots (robots) to manage customer inquiries | | | | | |
| We use website instant chat to talk with customers | | | | | |
| We have an increased customer service response accuracy | | | | | |
| Our customer numbers have increased due to usage of CRM | | | | | |
| Our service costs have gone down | | | | | |

SECTION E: Internet Marketing Strategies

How does your company use internet marketing channels to reach your customer?

- Does your company have and implement an internet marketing strategy?
- We advertise and identify new customers using the following channel:

AdWords [] Facebook Ads [] LinkedIn [] Twitter [] Instagram []
 SEO [] Email Marketing [] None [] Other:

- Indicate the extent to which you have applied each of the following Internet Marketing in your firm operations

| Statement | 1 | 2 | 3 | 4 | 5 |
|---------------------------------------|---|---|---|---|---|
| Advertisement of products or services | | | | | |

| | | | | | |
|--|--|--|--|--|--|
| Improving products or Services using client feedback | | | | | |
| Focusing on target Customers | | | | | |
| Monitoring and Measuring of results | | | | | |
| Other uses of internet marketing | | | | | |

SECTION F: Enterprise Performance Outcomes

Please provide your rating against each of the items listed below to indicate your enterprise's experience/progress over the last three years. The rating scale varies from 1 to 5 where;

1 = virtually no change; 2 = to some extent; 3 = to an average extent; 4 = slightly more than average; 5 = to a greater extent.

Has E-commerce adoption had any positive effect on your company's performance in the following categories?

| Statement | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Reduction in operating and administrative costs | | | | | |
| Better customer service | | | | | |
| Increased sales | | | | | |
| Improved marketing | | | | | |
| Enhanced profitability | | | | | |