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Effect of Customer Service Management Capabilities on the Performance of Nzoia Sugar Company

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Abstract:

Firms increasingly operate in a dynamic environment and for them to remain competitive they have to develop organizational capabilities and know-how that enable them to deal with core organizational problems. This study therefore, seeks to evaluate the effects of organizational capabilities on firm performance in Nzoia Sugar Company Limited. The purpose of this study was to determine the effect of Customer Service Management capabilities on the performance of Nzoia Sugar Company. The study is based on the Resource Based View Theory. A case study and survey designs were employed in this research. The study targeted a total of 1,403 employees comprising of 790 Unionisable employees, 422 Supervisory level employees, 182 middle level management and nine top level management. Data collection instruments comprised of questionnaires and interview schedules. Data was collected and analysed using descriptive and inferential statistics. The results are presented in form of frequency tables and pie charts. The findings of this study shall be useful to the policy makers, strategists and the researcher in making informed conclusions and recommendations. The study reveals that customer service management is good except training of staff on customer relations is low. Among the recommendations is for the company to enhance its training activities in areas of marketing and information technology and improving managerial skills of the key personnel.

Keywords: customer, service, performance, firm, customer service

1. Introduction

For more than a decade research has attempted to untangle the relationship between organization capabilities and the firm's performance. Early results uncovered a paradox in the in the relationship (Loveman1994, Strassman1990) that has subsequently been explained by both substantive and methodological considerations (Balls, 1996). This research seeks to demonstrate a positive relationship between organization capabilities i.e. capabilities in customer management, Technological capability, marketing capabilities, Customer service relationship capability and management capabilities and the performance of the Nzoia Sugar Company. Although this research provides evidence of a general relationship between organizational capabilities and performance of the firm our knowledge of the specific factors remains quite limited. Large sample of statistical evidence demonstrate that majority of the productivity benefits are attributed to organization capability investment (Brynjolfsen and Hitt, 1995). These results imply the existence of a set of Organizational characteristics that are positively correlated with all organizational Capabilities and performance of the firm.

A variety of organizational capabilities, practices and processes complement each other; however, we expect systems practices and competencies working in a relationship to enable greater business value generation (Milgrom and Roberts, 1990). Firm performance refers to organization effectiveness in terms of its financial and Operational performance (Saraf *et al.*, 2000). Previous research has used a number of Indicators to measure firm performance is finance, efficiency, marketing, technology. Information technology are valuable organization resources that can be used to improve internal communication, enhance product design, quality, reduce design cycle, lower production cost etc. However, the Information technology resources cannot create sustained firm performance by themselves (Rai *et al.*, 2006). Among other factors organizational capabilities are the most liked mediators to a sustainable firm. The sugar sector's current stage is primarily as a result of destructive political economy that has seen competition, mismanagement, lack of political goodwill ruins the sector

(Wanyande, 2005). There is therefore an urgent need for Nzoia Sugar Company to heavily invest in core capabilities to assist boost the performance during this period characterized by High competition coming as a result of the importation of cheap sugar. The organization should also invest heavily in technological capability to assist in production of sugar cheaply so as to be able to compete with cheaply produced sugar on the global market.

1.1. Customer Service Management and Firm performance

Customer relationship management is an important issue in marketing in order to gain customer loyalty, improve customer retention rates as well as increase profits of the firm. Customer Relationship management refers to management approach that seeks to create, develop and enhance relationships with carefully targeted customers in order to maximize customer value and corporate profitability (Banker *et al.*, 2000). Following the resource based view of the firm, strategic CRM is conceptualized as an endogenously determined function of the organizations ability to harness and orchestrate lower order capabilities that comprise physical assets, IT infrastructure and organizational capabilities such as human analytics and business architecture. There is a significant relationship between superior CRM capability and firm performance. CRM is increasingly important to firms as they seek to improve their profits through longer term relationships with customers.

In recent years many have invested heavily in Information Technology assets to better manage their interactions with customers before during and after purchase (Bohling *et al.*, 2006). Although market for CRM software and support is strong (Maoz *et al.*, 2007). There remains considerable skepticism on the part of business commentators and academics as to its ultimate value to the corporation and customers. Surveys of IT executives in the business press report that CRM is an over typed technology (Blight and Turk 2004) and some academics claim the concept is fundamentally flawed because CRM ignores the reality that many customers do not want to engage in relationships (Dahanar *et al.*, 2008). CRM represents a strategy for creating value for both the firm and its customers through the appropriate use of data technology and customer knowledge (Payne and Frow, 2005). This strategy requires focus training and investments in new technology and software to aid in the development of value adding CRM systems (Day Van Deh Bulte, 2001). Hence CRM brings together people, technology and organizational capabilities to ensure connectivity between the company, its customers and collaborating firms.

2. Methods

2.1. Research Design

This study was guided by a describe study survey research design to understand the phenomena through the meanings that people assign to them and it aims at understanding the context (Walsham, 1997) of organizational capabilities on firm performance in the Nzoia Sugar Company Limited. There are two main advantages of using case study approach: Its ability to let the subject unfold naturally, to refine concepts and frames of reference while studying the phenomena and it enables the researcher to understand and capture the dynamics of the process of change (Galliers, 1992). According to Irani, Ezingard, Grieve and Race (1999), case studies have strong tradition of description and theory building because of their inductive characteristics. Therefore, this survey design is preferred as it is used to describe and conceptualize organizational capabilities and how it affects firm performance in the Nzoia Sugar Company Limited.

2.2. Location of Study

This study was carried out in Nzoia Sugar Company Limited located in Bungoma County. Bungoma County is one of the former districts of Western province. It borders Mt. Elgon to the north-west, Trans-Nzoia County to the east and Busia County to the west and south-west. It also borders the Republic Educational of Uganda to the north-western point at Lwakhakha border point. Bungoma lies between latitude 0 degrees 253 North and 35 degrees to the East. It covers an area of 2068.5 square Kilometers with a population of about 1.4 million people. The main economic activity is agriculture. The District is endowed with factories for instance Pan African Paper Mills at Webuye, Nzoia Sugar Factory, British American Tobacco at Malakisi and Mastermind. More than 50 per cent of the labour force in the district is engaged in agriculture and livestock activities, which is dominated by small scale farming. The County has good land and soil suitable for maize and sugarcane farming. The County has nine sub-counties currently at the time of carrying out the study (see Appendix 7).

2.3. Target Population

The study targeted a total of 1,403 employees comprising of 790 Unionisable employees, 422 Supervisory level employees, 182 middle level management and nine top level management (Nzoia Sugar Company Limited, 2013).

2.4. Sampling Procedures and Sample Size

Stratified sampling technique was being used to categorize top level management, middle level management and unionisable employees. The simple random sampling was being used to select 210 employees so that each and every one in the target population has an equal chance of inclusion from the target populations of 1403 employees. This was done so that the study did not miss any parameters that are vital to the research. The sample size of employees was determined by use of Kombo and Tromp (2006) recommendation that a sample size of 10% to 30% is representative enough for the study population. Therefore, the sample size of employees will be determined on the basis of 15% recommended by Kombo and

Tromp (2006): Number of employees: - $15/100 \times 1403 = 210$ employees. The 9-top level management was selected using purposive sampling because this technique allows the researcher to use cases that have the required information with respect to the objectives of the study (Mugenda & Mugenda, 2003), (see Table 1).

Strata	Population	Sample Size
Top Level Management	09	02
Supervisory Level Employees	422	63
Middle level Management	182	27
Unionisable Employees	790	118
Total	1,403	210

Table 1: A Sample Frame

2.5. Methods of Data Collection

The study used both the questionnaire and interview schedules for data collection.

2.6. Questionnaires for Employees

Questionnaires are useful instrument of collecting the primary data since the respondents can read and then give responses to each item and they can reach a large number of subjects (Orodho, 2004). Questionnaires were used to capture data from the employees. This instrument was used in the study because it is convenient to administer when handling a large group of respondents. They are confidential, save on time, no bias cover wide area (Mugenda, Mugenda, 1999). The questionnaire is an instrument used both closed and open-ended questions in its structure (see Appendix 2). The questionnaire contained items on performance appraisal, benefits of performance appraisal, methods of performance appraisal and how performance appraisal affects performance of employees. The respondents' responses were scored based on the five-point Likert scale as illustrated: strongly agreed (5), agree (4), not sure (3), disagree (2), strongly disagree (1).

2.7. Interview Schedules for Departmental Heads and Managers

Interview schedule is an interview with pre-coded question to produce quick, cheap and easy qualitative data which is high in reliability but low in validity (Chitika, 2012). The interview schedule was administered to the departmental heads and managers containing questions on the performance appraisal and employee productivity. The interview schedules made it possible to obtain data required to meet specific objectives of the study (Mugenda and Mugenda, 1999). It also helps to standardize the interview such that the interviewer can ask the same questions in the same manner. According to Drew, Hardman and Hart (1996), the advantage of the interview techniques is that it enables the participants to enlighten the researcher about unfamiliar aspects of the setting and situation

3. Validity and Reliability of Research Instruments

3.1. Validity

According to Mugenda and Mugenda (2002) validity refers to the accuracy and meaningfulness of inferences made based on results obtained. It is asking a relevant question framed in the least way. White (2005) describes validity as the agreement between the researcher's conclusion and the actual reality. The research adopted the content validity to measure the validity of the instruments to be used. Content validity enables data being collected to be reliable in representing the specific content of a particular concept. Supervisors and the research experts in the Department of Business Management and Economics evaluated the applicability and appropriateness of the content, clarity and adequacy of the research instrument from a research perspective. Borg and Gall (1985) points out that validity of an instrument is improved through expert judgment. Validity was also checked during piloting to ensure all the items to be in the main study are functioning. Moreover, to ensure validity of the instruments, content validity was established (Cozby, 1977) from the pretest and re-test method that was done before the actual research. The pre-test retest was done in an area within the study location. This area was avoided during the actual research undertaking.

3.2. Reliability

According to Mugenda and Mugenda (1999), reliability of an instrument is a measure of the extent to which a research instrument yields consistent results or data after repeated trials in the study. The consistency of questionnaire was established through test re-test method where research tools were administered twice to the same people under identical conditions, this procedure revealed the questions that are vague that can lead to respondents interpreting them differently hence adjustments accordingly. Reliability measures the relevance and correctness of the instruments (Mugenda and Mugenda, 2002). After piloting, the internal consistence procedure was used to determine the reliability of the instruments. This was determined from scores obtained from a single test administered to a sample of subject. A score obtained in one item will be correlated with scores obtained from other items in the instrument. Finally, Cronbach Alpha Reliability coefficient value was computed to determine how items correlate among themselves. The threshold value acceptable in this study will be

0.7 and higher according to Fraenkel and Wallen (2000) and Mugenda and Mugenda (2003). On the basis of the results of piloting process, the instruments were then being retained or duly modified to meet performance standards before being used for data collection.

3.3. Data Collection Procedure

The researcher obtained a research permit and a research authorization letter from the National Council for Science Technology and Innovation before embarking on data collection process as dictated by ethics. The instruments were administered through personal visits to the Nzoia Sugar Company Limited. The questionnaires were administered in the presence of the researcher after agreeing on the dates and then collected personally or using research assistants. The researcher took time to explain any issues arising from the questionnaires.

4. Data Presentation, Interpretation and Discussion

4.1. Background Information of the Respondents

The background information of the respondents includes sex, age, education and number of years worked for the company. The results were as discussed below

4.2. Sex of the Respondents

The first part of the background information from the respondents was their sex. The results revealed that 62.2 % of the respondents were male while the remaining 37.8% were female.

4.3. Age of the Respondents

The second part established the age of the respondents. The results 20% of the respondents were aged between 18 to 24 years, 3.7% were aged between 25 to 34 years, 22.8% were between 35 to 47 years while the remaining 25.6% were 48 years and above. The results reveal that majority of the respondents were aged between 18 to 47 years.

4.4. Education

The other information was on the educational background of the respondents. The results showed that 14.8% of the respondents had O-level, 9.3% had certificate level, 46.3% had diploma while the remaining 29.6% had bachelor's degree. Majority of the respondents had diploma qualification and bachelor's degree.

4.5. Years Worked

The other question aimed at getting the years of experience of the respondents. The results revealed that 10% had worked for less than one year, 16.7% had worked for one year, 15.6% for two years, 41.7% for three years while the remaining 16.1% had worked for four and above years.

4.6. Test of Normality of Study Sample

The study further had to establish if the variables under study were normally distributed or not. The normality test compares the shape of the study sample distribution to the shape of a normal curve. The study therefore used Shapiro Wilk (W) test to establish out if the variables were normally distributed because our sample is between 3 to 2000 and thus, the test is most recommended. If the p-value is less than 0.05, we would conclude that the data came from a normally distributed population.

4.7. Customer Service Management Capabilities on the Performance of Nzoia Sugar Company

Capabilities are defined as complex bundles of skills and accumulated knowledge that enable firms to coordinate activities and make use of assets. The employees were asked questions on some aspects of customer service management

The descriptive statistics were done and the results were as follows; From the results, 47.2% of the respondent agreed that there is repeat purchase among customers, while 27.8% strongly agreed. The results further showed that 17.8% of the respondents agreed that Customers' needs are given priority while the remaining 61.1% strongly agreed. The findings indicate that 19.4% agree that their company experiences high customer retention while 28.9% strongly agreed. However, 19.4% were not sure with the statement. Further, the findings revealed that 42.2% agree that Customer needs are given priority while 34.4% strongly agreed. The results further indicated that 35% agreed that company products are packaged according to different customer needs while 58.9% strongly agreed. The results indicate that 17.8% agree customer information is treated with confidentially while 65 % strongly agreed. Only 10.6% were not sure. From the results, 35% agree that their organizations staff are taken through training and seminars on customer relationship management at least once a year while 45 % strongly agreed. Lastly, the findings indicate that 27.8% of respondents were not sure customer whether service Management is the main competitive advantage for the organization, 5% agreed while the remaining 65.5% strongly agreed.

Correlation results of customer service management capability and firm performance. From the results above customer care management capabilities had a statistically significant positive effect on firm performance. The study used the correlation r (beta, β) to test the research hypothesis. The test criteria were set such that the study rejects the null hypothesis if the value of beta is either a positive or negative effect if the value of beta i.e. $\beta_1 \neq 0$. The results in the above table show that 54.9% of the firm performance can be explained by customer care management capabilities ($r^2 = 0.549$) and the relationship followed a simple regression model of the nature $P = \alpha + \beta_1 CCC + e$ where P is the firm performance, α is the constant intercept of which in our case is 2.461 and beta $\beta_1 = 0.689$, which at times is referred to as the slope coefficient, CCC is customer care management capabilities and e is the standard error term.

5. Discussions Conclusions and Recommendations

5.1. Customer Service Management Capability

Customer service Management has been seen as crucial organizations capability to enhance competitive advantage. This study has drawn attention on the importance of Customer Service Management at Nzoia Sugar Company. The most important attributes as discussed by the Managing Director are use of Mobile phones emails and personal visits to communicate with customers, prompt response to customers problems, suggestions and complaints, active response to customers enquiries of our services. The results indicated that Customer Service Management was the most important factor the organization needed to succeed. A positive significant relationship was found between the customer service management and perceived financial performance. This findings suggest that Nzoia Sugar Company should particularly emphasize on the best Customer Service Management attributes eg communication with customers and response to customer needs

5.2. Conclusion and Recommendations

From the analysis of qualitative information the senior managers indicated that customer services still required improvement through training staff on use of modern technology. The marketing department was efficient though it also requires training on modern technology in marketing the products and retaining customers. The study therefore recommends resources to be put in training of staff in all departments of the organization with emphasis on IT. Further research to assess the customer perceptions on the various goods and services provided by the company will enable the company to make decisions that will improve its performance

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