Operational Excellence Strategy and Organizational Performance of Automobile Marketing Firms in Rivers State

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Abstract: The aim of this study is to examine the degree of application of operational excellence strategy in organizational performance of automobile marketing firms in Rivers State of Nigeria. The population of the study was 197 automobile marketing firms, from which a sample of 132 was drawn based on the Taro Yemen’s formula. The simple random sampling technique was employed to select 264 respondents from 132 automobile marketing firms in Rivers State of Nigeria. The data were gathered through a questionnaire survey on 264 respondents. 200 copies of questionnaires were received useful, obtaining a 79.4 percent response rate. The simple regression statistics and analysis of variance were used to test the hypothesis. The results illustrate that operational excellence strategy has a strong, positive and significant influence on customer satisfaction. The study therefore, concludes that operational excellence strategy significantly influences performance of automobile marketing firms in Rivers State. The study recommends that automobile marketing firms should position strategically, operational excellence strategies as driver of organizational performance to enable firms to be efficient and thus capable of delivering superior value and reliable products at reduced cost with minimal inconveniences.

Keywords: Automobile marketing firms, Customer satisfaction, Operational excellence, Organizational performance.

INTRODUCTION

In recent times, a lot of performance and that it plays a far-reaching role to promote any business performance because it is a circular utensil which can assertively transform The way business operates in the highly competitive business arena. This is because; the accomplishment of any organizational goal in the business world depends generally on the capacity of studies have accumulated to distinguish the interactions between operational excellence strategies and performance (Cumano & Nebeoka, 2016, Curkovic et al., 2016, Asieh, 2016, Jianhan et al., 2009). Firms are sincerely knowledgeable of the effect of operational
excellence on their firms to deliberately outperform their rivals. Outsmarting rivals depends on the capacity of a firm to deliver superior offerings in the market, the capacity to ceaselessly enhance the quality of the product and also the ability to adopt strategies that will empower the firm to gain competitive advantage in the target market.

The automobile dealers in Nigeria engage in stiff competitive warfare in order to remain afloat and be relevant in the business world. Due to features and uniqueness that are identical to automobiles, customers rely on value, efficiency, excellent service, fuel economy, product leadership for their purchase decisions (Adefulu, 2015). Given the competitiveness of the business environment, achieving performance depends largely on the viability of key competitive weapons at the disposal of a firm in the automobile sector. The competitive weapons are often translated into operational excellence strategies. Operational excellence strategy is the means of providing customers with reliable products or services at competitive prices and delivered with minimal difficulty or inconveniences. Kotler and Armstrong (2014) posit that, operational excellence is a strategy used by firms to provide customers with superior value by leading its industry in price and convenience.

A handful of research has been carried out on the automobile marketing industry as this topical area of marketing has been investigated from distinct perspectives (Cumano & Nebeoka, 2016, Curkovic et al., 2016, Asieh, 2016, Jianhan et al., 2009), it was discovered that firms in this industry grapple with grouse competition on how to outwit one another. This study is an extension of the scholarly inquiries on operational excellence strategies and performance. Against this background, this study assesses operational excellence strategies of automobile marketing firms in Rivers State of Nigeria to achieve positive organizational performance using competitive advantage theory of competition (CATC).

LITERATURE REVIEW AND HYPOTHESES

Theoretical Foundation
This study is specifically anchored on Competitive advantage Theory of competition.

Competitive Advantage Theory of Competition (CATC)
This theory was propounded by Barney in 1991. According to this theory when a firm has a resource or specific assortment of resources that are rare among competitors, it has the potential for producing a comparative advantage for that firm. A competitive advantage in resource assortment that is, its core competencies enables it to produce a market offering that, relative to entrant offering by competitors; is perceived by some segments to have superior value and or can be produced at lower cost. Sheth (2002) notes that, distinctiveness in the product offering or low cost are tied directly to the distinctiveness in the inputs and resources used to produce the product. The quality and cost of a product depend on the particular ingredients used and the way in which they are mixed. A comparative advantage in resources then, can translate into a position of competitive advantage in the marketplace and superior
financial performance. Ideally, a firm prefers a competitive position where its competitive advantage in resources produces superior value at lower cost. For example the Japanese automobile companies had this position throughout the 1970s and into the 1980s in the United States because their more efficient and effective manufacturing processes produced higher quality products at lower cost. The role of management in the firm is to recognize and understand current strategies, create new strategies, select preferred strategies, implement and manage those selected and modify them through time. Strategies that yield results are maintained (Hunt & Morgan, 2001). The rationale for recognition and understanding of strategies is that sometimes a firm’s strategies emerge or are implicit (Mintzberg, 2010). When such cases arise, it is important for firms to recognize and understand their emergent or implicit strategies.

Operational Excellence Strategies

Operational excellence entails having superior performance in one or more of the following operations: performance objectives; quality, cost, flexibility and speed. It is a marketing strategy employed by firms to offer cost effective and quality services to customers to remain a force in the industry. As explained by Treacy and Wiersema (2005) operational excellence is a strategy approach for the production and delivery of products and services. It takes place when every employee can see the flow of value to the customer and fixes it before it breaks down. It ensures reduction in costs and optimization of the processes to provide customers with reliable products or services at competitive prices delivered with minimal difficulty or inconvenience.

Operational excellence is the means of providing customers with reliable products or services at competitive prices and delivered with minimal difficulty or inconvenience (French, 1995; Gubman, 1995; Treacy & Wiersema, 1995). Zineldin & Philipson (2007), opined that operational excellence is strategy used by firms to provide goods and services with zero defects. The idea behind the operational excellence is that the companies focus on the price and convenience where the companies normally fight the lowest price in the industry.

Kotter and Armstrong (2014) opined that the companies that apply this strategy provide customers with superior value by leading its industry in price and convenience. According to them, this strategy work to reduce costs and create a lean and efficient value-delivery system. It works to serve customers who need reliable and good-quality products or services, but who want the products or services easily and at reduced prices.

Process-based capabilities relate to the activities that transform inputs into outputs such as process selection or design, planning and control and project management. System-based capabilities involve a broad engagement of the entire operating system, for example supply chain management and quality management systems. Organization based capabilities are developed at the strategy formulation level and involve decisions such as new product or technology deployment, facility location and so on.
Operational excellence is driven by both process and system-based capabilities. Process-based capabilities transform inputs to outputs while system-based capabilities engage the entire operating system. The objective of a firm is to design and operate processes which give the firm an ability to produce at an advantage compared to competing firms thus enabling the firm to offer superior customer value (Dilworth, 1998). To create a cutting edge competence, process-based capabilities must be effectively and efficiently utilized.

Chase (2004) noted that, the quality of a product is directly related to the value created. Therefore, process-based capabilities enable a firm to achieve operations with competitive factors of both quality and cost while system-based capabilities relate to the coordination of the process-based capabilities thereby enabling the firm to achieve operations with competitive factors such as flexibility and delivery speed. These capabilities must be galvanized to become more efficient and more effective than those of competitors for the firm to attain a competitive advantage. Kotler and Armstrong (2014) noted that, companies pursuing this strategy, focus on delivering their products or services to customers at competitive prices with less inconvenience, and they build their business around this objective while remaining distinct from other organizations with different goals.

**Organizational Performance**
Performance is central to success in today’s fast moving competitive markets, and measuring organizational performance is critical to managing it effectively. Performance is a measure of how efficiently and effectively managers use, available resources to satisfy customer and achieve organizational goals. Performance increases in direct proportion to increase in efficiency and effectiveness. Performance focuses on the measurement of the aggregate effectiveness and efficiency of the organization. It is a recognized standard that ascertain operational efficiency and external performance of marketing activities as regards automobile dealers (Owonte, 2016). The goal of performance management is to achieve key outcomes and objectives to optimize individual, group or organizational performance. More specifically it focuses on measuring, managing and analyzing organizational performance to maximize effectiveness and optimize Return on Investment (ROI) of marketing. Three elements play a crucial role in managing organizational performance, these include data, analysis and metric (Hooley et al., 2012). This study adopts customer satisfaction as the measure of organizational performance.

**Customer Satisfaction**
The success of any marketing program is the recognition of the sovereignty of the consumer. That the consumer is “King” is evident if we consider how marketing activities revolves around attempts to satisfy consumers needs and wants. it is as a matter of fact in the satisfaction of consumer needs that the marketer justifies his existence. If he is to meet these needs, he must find out all that there is to know about the consumers (Kalu, 2012). In a competitive marketplace where business competes for customers, customer satisfaction is seen as a major differentiator and an increasingly key element of company’s strategy (Gitman & Mc Daniel,
Kotler & Armstrong (2013) defined customer satisfaction as the extent to which customer perceived a product or service performance matches a buyer’s expectation. Hansemak and Albinson (2004) defined customer satisfaction “as an overall attitude of customers towards a service provider or an overall emotional reaction to the difference between customers expectation and what they receive towards the fulfillment of some needs, desire or goals “ it is an evaluation of how products and services delivered by a company meet or surpass their anticipation. Customer satisfaction is the total percentage of customers who reported an experience with a, its products and service rating exceeds specified satisfaction needs or goals (Farri et. al., 2010).

The objective of all marketing effort should be to maximize customer satisfaction. Satisfaction is a measure of difference between perceived service cost and expected service benefit. Fornnell (1992) said satisfaction is an overall retrospective judgment about how far expectation with regard to service has been fulfilled in used situation. Oliver (1997) defined it as the customer’s fulfillment response. Satisfaction is conceptualized in the literature as an attitude like judgments after a purchase, or an interaction with a service provider (Gitman & Mc Daniel, 2005). Satisfaction is influenced by customer emotional response, their attribution, expectation, perception of quality and product and service features (Zeithaml & Bitmer, 2000).

European Integration studies (2011) defined customer satisfaction “as increasing clients” wish to purchase new items or repurchase the goods and services of the company”. So, customer satisfaction measures is based on percentage of customers who, when surveyed was satisfied with the company’s products and would highly recommend these products to friends, family or colleagues. Apart from being extremely important to the business in its own right, we believe that this measure indicates how the customer experience affects future sales and revenue. To retain a satisfied customer, companies must get it right in achieving a 100% satisfaction for every one of their customers.

However, in conducting research Company usually ask customers whether their products or services meet their expectations. Thus, the important factors behind satisfaction are the expectation of customers. In this vein, customers rate their experience as dissatisfying when their expectations are not met. The records of customers’ satisfaction provide a leading indication of customers and loyalty data. The data are among the rottenly collected indicators of market perceptions in two fold;

i. The collection, analysis and dissemination of these data within the organization emits a message about the importance of tending to customers and ensuring that they have a positively experience with the products and services of the company (Farriet et al., 2010).

ii. Market share and sales is an important indicator to measure how well a company is performing currently. Customer satisfaction is the best indicator to know how a company’s customer will make future purchases. Therefore, for firms to effectively manage customer satisfaction, they need reliable and representative measures of customer satisfaction.
Customer satisfaction is an ideal concept and the real manifestation of the level of satisfaction will vary from one customer to the other.

The level of satisfaction depends on a number of both physical and psychological variables which correlates with satisfaction behavior characteristics, such as referrals rate and repeat purchases. The state of satisfaction can also vary depending on other available options the customer may have and other goods and services against which the customer compares the organizations products or services (Horsfall, 2018).

Schiffman and Kanum (2014) defined customer satisfaction “as the individual’s perception of the performance of a product or service in relation to his or her expectations. However, a well-developed competitive marketing strategies will enable automobile firms achieve and sustain their dominant leadership position by delivering “extraordinary levels of distinctive value to carefully selected customer group. According to Treacy and Wiersema (2006) to be success in distinguishing themselves from the competition, organizations must have a precise understanding of the products or services they deliver and a clear definition of the target market. These distinctive attribute, they say must be understood at all levels in the organization not only by executives, but also by frontline employees as to achieve customer satisfaction which will impact on performance.

Operational Excellence Strategies and Organizational Performance
The current business climate is very complex, with varying demands from different stakeholders thereby heightening firms’ efforts to understand, respond and change to the various economic, social and ideological challenges in their environment (Seyed & Markus, 2013). Firms, are therefore, exploring all strategic parameters to exhibit high degree of efficiency, effectiveness and cost reduction and firms must seek continuous improvement in the objects that define their areas of operation to remain competitive in their environment (Ozumba, 2010; Edgeman & Eskildsen, 2014).

The excellence developed according to modern sustainability movements, refers to a significant increase in performance across various aspects including operations (Edgeman & Eskildsen, 2014). Today, this term describes approaches that are designed to achieve outstanding production and delivery systems with excellent technical and social aspect. Due to the current needs to respond to multiple market demands simultaneously, this concept has been shifted to exploit world-class production and delivery systems in which both technical aspects and social aspects are essential (Assen, 2011). As a result of this development, many scholars have delved into this area to unravel the relationship if any, between operational excellence and performance.

Sutton (2012) defined operational excellence as “focusing strategically on maximizing the value that organization delivers to customers, through strong leadership, the power of people, the use of industry best practice and the application of value-added technologies. This is the
bedrock of excellence in service delivery and strategic customer-focused service delivery. Sutton (2012) observed that companies that leverage operational excellence as a strategic competitive advantage tool, recognizes that the effectiveness of their operation plays a central role in creating and sustaining customer satisfaction and loyalty.

Sheth (2002) posit that, operational excellence is the key to success in determining the loyalty of customer where most companies have forgotten while focusing too much on the IT. This is because the product line is standardized, and limited, with highly reliable products with emphasis on zero defects (Asiegbu (2009). Numerous studies have identified operational excellence to have a positive relationship with organizational performance. For example, Barney (1991) identified a positive link between firm’s resources and sustained competitive advantage.

Ma (2000) in a study of service industries, revealed the existence of a relationship between competitive advantage and operational excellence. Some other studies by Lumpkin (2002) analyzed the relationship between the two variables. This study also found a positive association between operational excellence and organizational performance. On the other hand, the study of Sutton revealed the impact of operational excellence towards competitive advantage through the strategy development of an organization. Sutton (2012) observed that, operational excellence enables sustained delivery of high-quality, cost-effective services and capabilities that provide exceptional customer value. Companies that leverage operational excellence as a strategic competitive advantage tool recognize that the effectiveness of their operation plays a central role in creating and sustaining customer satisfaction and loyalty.

Day (1994) posit that, having superior operational capabilities increase the efficiency in the delivery system as well as reducing the operations cost to achieve competitive advantage (Prithwiraj, 2008). The reduction in operational cost has been found to have a direct positive impact on profit. Firms that strive towards reduction of operation cost have gained competitive advantage in their respective industries. The variability in service firms degrades the performance of service delivery system which also results in operation inefficiency (Assen, 2011; Seong & Junsuk, 2008).

Mei (2008) asserts that, operational performance using the dimensions of cost reduction, increased productivity, quality improvement; increased customer satisfaction, improved internal procedures, improved employee morale have shown to be positively associated with performance. Evans and Dean (2003) found that, operational excellence is used especially in improving new product development so that it can have positive association with organizational performance across industries.

**Empirical Reviews**
Cusumano and Nobeoka (2016) investigated the strategy structure and performance in product development in the automobile industry in Japan. The basic framework used to compare the
studies examined variables related to product strategy, project structure of organization and project as well as product performance. The study adopted least square to analyze the data of 120 automobile producers. The evidence to date indicates that Japanese automobile producers have demonstrated the highest levels of productivity in development as well as overall sales growth, and have used particular structures and processes to achieve this. The evidence from the study does not clearly indicate what the precise relationships are between development productivity and quality or economic returns. The study concluded that more precise models as well as empirical research that connect a firms competitive positioning and product strategy with development structure management and technology be done with this performance measures.

Curkovic et al. (2016) studied the competitive dimensions of quality performance in the automotive supply industry, a theoretically relevant set of quality variables was identified from the literature. The result of a factor analyses shows that quality is two dimensional construct in the automotive supply industry. The core dimensions of quality are product quality: which is primarily focused on design superiority and performance of the physical product and service quality which comprises both pre and post-sale service? The study reveals that both product quality and service quality are related to overall firm performance, regardless of whether asset based, investment base, or market based measures are used.

Asieh (2016) examined the impact of competitive strategies on corporate innovation of automobile industries in Iran. The study involved a questionnaire-based survey of managers from two major automobile manufacturers SAIPA and Iran Khodo in Iran. A total of 286 useable copies of questionnaire were received from the two manufacturers. These were subjected to series of correlational and regression analyses. The results revealed that Porter’s competitive strategies had a significant influence on corporate innovation.

Jianhan et al. (2009), examined the impact of competitive strategies on the performance of automobile industry in china. Data for the study were collected through primary source. The analytical tool used in the study was content analysis while regression was used to test the hypothesis. It was discovered that Chinese market has a great demand for foreign cars, and a great many automobile companies are competing for their market share there.

Based on the review of literature, the following research model was developed:
METHODOLOGY

The population of this study consists of customers of 197 automobile dealers registered with the Ministry of Commerce and Industry in Rivers State of Nigeria 2017/2018 edition. To extract a sample size from the entire population, a sample size determination formula by Taro Yamene was used because the total number of automobile marketing firms is known. It is stated as follows:

\[
n = \frac{N}{1 + N(e)^2}
\]

\[
N = \text{Population}
\]

\[
e = \text{Level of Significance}
\]

\[
= \frac{1}{1 + N(0.05)^2}
\]

\[
= \frac{1 + 197 (0.05)^2}{197}
\]

\[
= \frac{1 + 197 (0.0025)}{197}
\]

\[
= \frac{1.49}{197}
\]

\[
= 132
\]
This study focused on customers of 132 automobile dealers in Rivers State of Nigeria. Two customers who must have had a buying relationship with the automobile marketing firms for at least 15 years were selected proportionately from each of the identified dealers because of their direct involvement in purchase related issues. On the whole, information from the customers of the 132 dealers showed a total of 264 customers of automobile organizations Rivers State of Nigeria. 264 copies of questionnaire were subsequently distributed to respondents. Of the 264 copies of questionnaire that were distributed to the respondents, 252 copies were returned, yielding a response rate of 95.4 percent. The remaining 12 copies produced and distributed were not returned and were unaccounted for. However, the return rate of 95.4% is considered high and outstanding considering a minimum return rate of 70% as suggested by Kothari (2011). Additionally, of the 252 copies of the questionnaire returned, the usable copies numbered 200 leading to a response rate of 79.4%. However, 20.6% (52 copies) was not used due to wrong filling, missing and incomplete information in the demographic profile. The collected data were analyses with the regression analysis and one analysis of variance (Anova), with the aid of the Statistical Package for Social Sciences (SPSS) version 22.0.

**Empirical Specification of Model**

Operational excellence Strategies are estimated as a function of customer satisfaction,. This is expressed in the form of an equation as follows:

\[ y = f (X_1) \]  

Equation (1.1)

Where

\[ Y = \text{Customer satisfaction} \]

\[ X_1 = \text{Operational excellence strategies} \]

Therefore \[ y = a_0 + b_1 x_1 + e_t \]  

Equation (1.2)

Where

\[ y = \text{Customers Satisfaction} \]

\[ a_0 = \text{Intercept (constant)} \]

\[ b_1 = \text{level of influence of operational excellence strategies on customer satisfaction} \]

The above estimated equation is a linear function which was used in testing the model separately and jointly.

**ANALYSIS**

**Effect of Operational Excellence on Customer Satisfaction**

\( H_0: \) There is no significant effect of operational excellence on customer satisfaction of automobile marketing firms in Rivers State of Nigeria.
Table 1: Effect of Operational Excellence on Customer Satisfaction (N=200).

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.872</td>
<td>.764</td>
<td>.703</td>
<td>45343</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Operational excellence

b. Dependent Variable: Customer satisfaction

Source: Researchers Computation (2020).

The sum of customer satisfaction was regressed with the sum of operational excellence strategies. The value of R is 0.872. The R value of 0.764% represents the correlation between operational excellence strategy and customer satisfaction. It represents a very strong correlation between operational excellence strategy and customer satisfaction. The R2 is 0.764. This means that 76% of the change in customer satisfaction is spelt out by the independent variable. It shows that operational excellence strategy makes a contribution of 76% to every change in customer satisfaction, while 24% of the changes are not spelt out. Since for hypothesis one, the significant is .000 which is less than 0.05; there is a significant effect of operational excellence strategy on customer satisfaction.

Table 2: One way ANOVA for the difference in mean between operational excellence and customer satisfaction (N=200).

<table>
<thead>
<tr>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>77.074</td>
<td>1</td>
<td>77.074</td>
<td>374.879</td>
</tr>
<tr>
<td>With in Groups</td>
<td>23.849</td>
<td>199 206</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100.94</td>
<td>200</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. dependent variable: Customer satisfaction

b. Predictor: Operational excellence Strategy

Source: Researchers Computation (2020).

The sufficiency of the model can also be explained by the value 374.879(F-ratio), at p < 0.05. This implies that there is proof to extrapolate that operational excellence strategy is linearly related to customer satisfaction. This proposes that the model is measured to be fit and that operational excellence strategy has substantial influence on customer satisfaction.

DISCUSSIONS

The statistical test on operational excellence strategy and customer satisfaction established that there is a significant relationship between operational excellence strategy and customer satisfaction. This implies that 92% of automobile marketing firms record excellent performance in quality, speed and flexibility, 71.5% adopts operational excellence strategy as a necessary technique for achieving competitive advantage, 77.5% provides customers with reliable products at competitive prices with minimal difficulty or inconveniences and 80.5% delivers value by efficiently and consistently providing standard offerings to customers. This is because
operational excellence strategy, according to the respondents works to reduce costs and create a lean and efficient value delivery system.

The concept of operational excellence as measured in this study dealt with issues bordering on operational excellence as a positive driver of organizational performance. It becomes clear that operational excellence makes organizations efficient and thus capable of delivering reliable outcome. From our findings, we understand that when operational excellence is properly regulated and positively handled, it rubs on positively on customer satisfaction. Our finding agrees and supports the findings of Lumpkin et al. (2002) who found a significant relationship between operational excellence and performance and Mahdi and Almsafir (2014) who also found a positive association between operational excellence and organizational performance.

The researcher developed a business implication framework of marketing strategies which comprised operational excellence, customer service and product quality, and organizational performance. This study contributed to this framework and the theory development in marketing strategies and organizational performance through applying theory across operational excellence strategy and customer satisfaction. Thus, this study reinforced the establishment of competitive advantage theory of competition for exploring operational excellence strategy phenomenon.

CONCLUSION AND RECOMMENDATION
The study was on the operational excellence strategy and organizational performance of automobile marketing firms in Rivers State of Nigeria. The results of this study showed that operational excellence strategy influenced customer satisfaction of automobile marketing firms. The results implies that when operational excellence strategy is adequately implemented and improved upon, it will enhance customers satisfaction and more specifically, long term organizational performance of the automobile marketing firms. Based on the findings of this study, it is therefore, concluded that operational excellence strategy significantly influences organizational performance of automobile marketing firms in River State of Nigeria, and recommends that automobile marketing firms should position strategically operational excellence as a driver of organizational performance to enable organizations to be efficient and thus capable of delivering superior value and reliable products at reduced cost with minimal inconveniences.

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