EFFECT OF MARKET ORIENTATION STRATEGIES ON PERFOMANCE OF COMMERCIAL BANKS IN KENYA, A CASE OF KISUMU COUNTY

BY

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A RESEARCH REPORT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

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ABSTRACT

Banking is an essential service in an economy. The stability of a country's economy is closely related to the soundness of its banking system. Literature links bank performance with market orientation strategies. Strategy must match a firm's strength to its competitive environment. It is not clear why banks operating in the same environment with almost equivalent asset baserecord more profits while others make losses. This calls for an evaluation of themarketing strategies involved. The purpose of this research therefore was to study the effect of market orientation strategies on performance of commercial banks in Kisumu. Specific objectives of the study were to determine the relationship between customer-oriented, competitor-oriented and product-oriented strategy against performance of commercial banks in Kisumu. The study was guided by a conceptual framework where the dependent variable was performance of commercial banks while the independent variables were market orientation strategies. The study adopted both descriptive and correlation design. The population was 78 employees which included three representatives from each of the 26 banks in Kisumu. Saturated sampling was utilized. The study utilized both primary and secondary data. Primary data was collected using questionnaires while secondary data was obtained through review of published financial statements. Experts' opinion was used to test for reliability and validity. Descriptive analysis of the study revealed that customer-oriented and product-orientedstrategies were positively correlated to performance and significant while competitor-orientedstrategy was negatively correlated to performance and not significant. Regression results revealed that customer orientation (β_1=0.551, $p<0.05$) and product orientation (β_3=0.381, $p<0.05$) were positive and significant predictors of performance while competitor orientation (β_3=-0.216, $p<0.05$) was negative and significant predictor of performance. The three market orientation variables accounted for 46.3% of the variations in performance. The study concludes that a positive relationship exists between customer-oriented, product-oriented strategies and performance while the inverse exists between competitor-oriented strategy and performance. The study recommends the adoption of customer-oriented and product-orientedstrategies as they are considered to positively influence performance; further, competitor-oriented strategyshould be discouraged as it influences performance negatively. Future researchers can adopt other methodologies in the same area of research.

CHAPTER ONE

INTRODUCTION

This chapter highlights the background of the study, statement of the problem, the objectives of the study and the conceptual framework.

1.1 Background of the study

Market orientation has attracted a lot of interest with both academics and practitioners overview Deshpande (1999). Many studies have shown that market orientation is very critical to organizations because it has a positive impact on performance. However, several studies have indicated that the relation between a firm's market orientation and its success is sometimes weak and that moderating variables need to be considered when evaluating market orientation with performance. Banking is an essential service in an economy. While it is a common understanding that banking is not "The Economy", it is evident that the stability of a country's economy is closely related to the soundness of its banking system which can be sustained through a strict regulation and supervision in order to monitor and control business risks, operational risks, market risks and legal risks Calleja,(2008).

Market orientation as defined states that it is an "organizational culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and thus, continuous superior performance for the business" (Narver and Slater, 1990). (Kohli & Jaworski 1990) defines it as "Market orientation is the organisation-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organisation-wide responsiveness to it".

Market orientation is as a form of organizational culture where employees are committed to continuously create superior customer value, or as a sequence of marketing activities that lead to better performance. Years of research have concluded that market oriented companies perform better than companies that are less market oriented. They focus on adapting their products and services to the needs and expectations of their customers instead of those who are product oriented and focus on developing a product or service that is then marketed and hopefully sold (Grönroos, 2006). To achieve this customer focus, a firm with a high degree of market orientation cultivates a set of shared values and beliefs about putting the customer first and reaps results in form of a defendable competitive advantage, decreased costs and increased profits

The role of market orientation on firm performance, whether facilitative or causative, warrants further investigation (Deshpande, Farley, and Webster 1993). The popular notion has been that a proper execution of market orientation brings about superior performance; however, this assumption increasingly is met with skepticism. For example, Deshpande, Farley, and Webster (1993) suggested that, conceivably, the most important manifestation of market orientation may be the success of innovations en route to the success of an organization.

Market orientation theorists such as Kohli and Jaworski (1990), Narver and Slater (1990), Ruekert (1992), Gainer and Pandanyi (2005), Carr and Lopez (2007) have argued that market orientation traces its origins from the marketing concept and has consequences to overall business strategy. The marketing concept is concerned with customer-orientation, competition-orientation, innovation and profit as an inducement for creating satisfied customers (Narver and Slater, 1994; Hunt and Morgan, 1995).

The importance of market orientation is acknowledged for its assumed association with organizational performance, the discordant findings on the nature of the market orientation-performance relationship have somewhat limited its strategic value for managers. Although Narver and Slater (1990), Ruekert (1992), and Slater and Narver (1994a) find a positive relationship, Hart and Dia- mantopoulos (1993) report no significant relationship, and Greenley (1995) and Jaworski and Kohli (1993) encounter mixed results. Accordingly, if the inclusion of the dimensions of market orientation construct can contribute to identifying empirical regularities or reconciling irregularities in the supposed market orientation-performance relationship, the level of confidence in market orientation would be advanced from a strategic standpoint

Literature links bank performance with market orientation strategies and if a strategy is to achieve set objectives then it must match the firm's strength to its competitive environment (Sagimo, 2002). However, despite the fact that these same banks continue to record increased profits some banks make more profits than others or rather some even go as far as making losses. This probes the question as to why these banks which operate in the same environment with almost equivalent asset base make more profits than their competitors. These calls for the choice of the right strategy and the implementation of that strategy given that the operating environment is the same. This research therefore has been designed to study the effect of market orientation strategies on performance of commercial banks in Kisumu.

1.1.1 Different views on market orientation

Art Schalk 2008, "Market orientation and banking" proposed two views with regards to market orientation. He said that it is fair to say that papers about market orientation by Kohli and Jaworski (1990) and Narver and Slater (1990) have established the concept of market orientation into the academic of business research. The first paper, by Kohli and Jaworski (1990), viewed market orientation as the implementation of the marketing concept. The model they proposed was built on the results of interviews with 62 managers in both marketing- and non-marketing positions in US companies. A main finding was that profitability is a consequence of market orientation but not a component of it. Later Jaworski and Kohli (1993) published another paper where the goal was to review and measure the antecedents that lead to market orientation and the consequences of it for the company. Figure 1 shows the interaction between intelligence generation, dissemination and responsiveness. Intelligence gathering simply meant gathering information about customers, competitors and the market place.

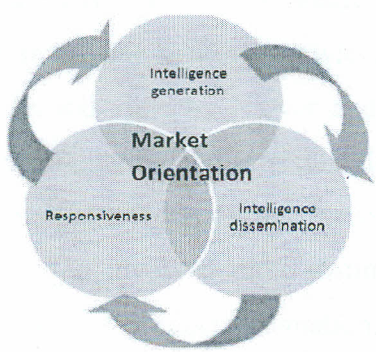

Figure 1:1 Kohli and Jaworski's view on market orientation. Source: Kohli and Jaworski (1990)

The second paper by Narver and Slater (1990), defined market orientation as three behavioral components, customer orientation, competitor orientation, and inter-functional coordination, and two decision criteria, long-term focus and profitability. They interviewed managers in 113 strategic business units in one corporation and they viewed market orientation as an organization culture. Narver and Slater argued that market-oriented firms focus not only customers but equally much on competitors. Figure 2 below shows the interaction between the three behavioral components; customer orientation, competitor orientation and inter-functional coordination.

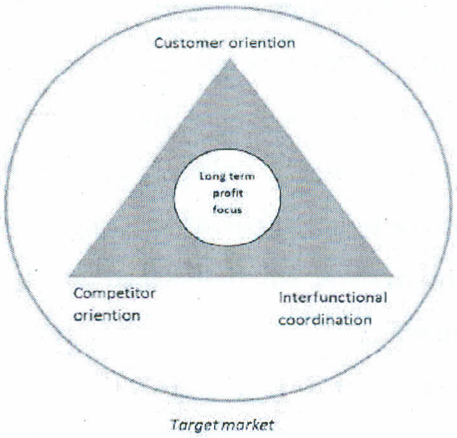

Figure 1:2 Narver and Slater's view on market orientation. Source: Narver and Slater (1990).

According to Narver and Slater, continuous innovation is implicit in each of these components. If there is no innovation and continuous data generation, employees will not have the right prerequisites to offer that extra service to the customer.

Art Schalk, (2008), adds that the two views on strategic orientation were quite similar and complementary and very useful to anyone seeking knowledge on market orientation. However, for this study we adopted the second view by Narver and Slater, (1990) that emphasizes on customer orientation, competitor orientation and inter functional coordination which conformed to the three key dimensions of market orientation that were discussed by Gatignon and Xuereb (1997). They said market orientation involved three distinct orientations: these are customer orientation, competitor orientation and product orientation. These three dimensions form the basis of this research with regards to measuring and evaluating market orientation strategies.

1.2 Statement of the Problem

Banking institutions act as financial intermediaries by accepting money on deposit from one group of people who may want it back on demand or at a short notice, and lend it to the other group of people for some time. According to the business dictionary, a bank is a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly by loaning or indirectly through capital markets. A bank links together customers that have capital deficits and customers with capital surpluses. Since liberalization of Kenya's financial sector in the early 1990s the banking industry has played a dominant role in the financial sector, particularly with regards to mobilization of savings and provision of credit. We have experienced a great influx of banks into the Kenyan market not to mention growth, expansion and extension of services of the existing banks to untapped areas. Banking has proved to be a booming business. Banks have continued to record exorbitant profits over the years ranging from 4 billion to 16 billion Profit after Tax (PAT) per year. These is highly accredited to the type of strategies adopted and how well they are implemented with regards to meeting the organization's goals and objectives or vision for future development and course of action taken to achieve it.

If a strategy is to achieve set objectives then it must match the firm's strength to its competitive environment Sagimo, (2002). However, despite the fact that these same banks continue to record increased profits, some make more profits than others or rather some even go as far as making losses. This raises a great concern and we are left to wonder why these banks which operate in the same environment with almost equivalent asset base make more profits than their competitors. This calls for the choice of the right marketing orientation strategy and the implementation of that strategy given that the operating environment is the same. This research therefore has been designed to study the effect of market orientation strategies on performance of commercial banks in Kisumu.

1.3 Objectives of the Study

The general objective of this study was to determine the effect of market orientation strategies on performance of commercial banks in Kisumu.

Specific objectives were:

i. To determine the relationship between customer orientation strategy and performance of commercial banks in Kisumu
ii. To determine the relationship between competitor orientation strategy and performance of commercial banks in Kisumu
iii. To determine the relationship between product orientation strategy and performance of commercial banks in Kisumu

1.4 Research Questions

i. What is the relationship between customer orientation strategy and performance of commercial banks in Kisumu
ii. What is the relationship between competitor orientation strategy and performance of commercial banks in Kisumu.
iii. What is the relationship between product orientation strategy and performance of commercial banks in Kisumu.

1.5 Scope of the study

The study was geographically limited to the 26 commercial banks in kisumu County. It focused on the three key people in the branch who are: the Branch manager, the Operations manager and the customer service manager.

The study focused on the three key dimensions of market orientation that involved customer orientation, competitor orientation and product orientation as adapted from Gatignon and Xuereb (1997). Performance was measured in terms of profit after tax (PAT).

1.6 Justification of the study

The objectives of this study were designed to find a solution the vast range of return on total assets recorded in the banking sector today despite the availability of almost equivalent resources. Therefore, this study is use full because it will contribute greatly to policy formulation that may lead to improved performance of organizations in the finance sector which will in turn boost our economy. The result will also be used to contribute to the academic world. Findings of the study will be used to add information to existing literature

The researcher chose Kisumu as the area of study because of convenience of data collection and proximity to the researcher.

1.7 Conceptual framework

This section focuses on the relationship between market orientation strategies and performance. The independent variable for the study was market orientation strategies. The key dimensions of market orientation strategies that the researcher adapted from Gatignon and Xuereb (1997) includes three distinct orientations: (1) *customer orientation,* an organization's commitment to integrate customer preferences into the product development and marketing process; (2) *competitor orientation,* an organization's commitment to integrate competitor intelligence into the product development and marketing process; and (3) *product orientation,* an organization's commitment to integrate technology and innovation into product development and marketing process.

A conceptual framework suggesting the relationship between the variables discussed in the foregoing section was proposed in the figure below

INDEPENDENT VARIABLES DEPENDENT VARIABLES

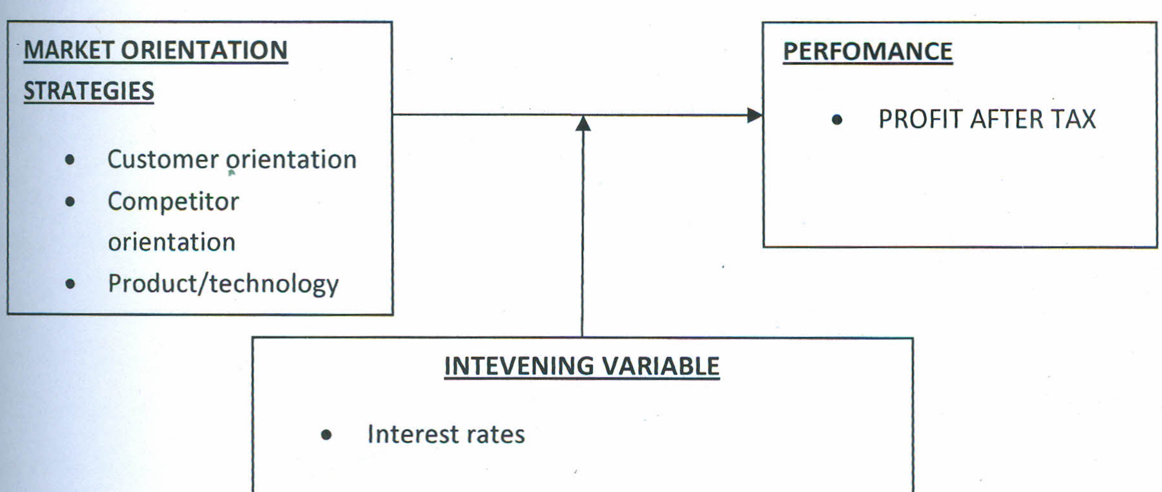

Fig 1.3. Relationship between strategic orientation and performance Source: Adapted from Gatignon and Xuereb (1997)

The dependent variable in this research is organization performance that was measured in terms of profit after tax (PAT). According to the business dictionary (PAT) is the amount earned by a business after all taxation related expenses have been deducted. The profit after tax is often a better assessment of what a business is really earning and hence can use in its operations than its total revenues. It is the best known measure of success in an enterprise.

Profit after Tax = (Total Revenue – Total Expenses) – Taxation

CHAPTER TWO

LITERATURE REVIEW

This chapter contains an overview of both theoretical and empirical literature.

2.1 THEORITICAL LITERATURE

2.1.1 Market Orientation strategies

A firm invests its resources in activities that reflect its strategic orientation. Three major strategic orientations can be identified from the list of factors which determine the success or failure of new products: the firm's consumer orientation and its competitive orientation—often covered jointly under the label of market orientation-and the firm's technological orientation. While inter functional coordination has been considered as part of the market orientation concept (Narver and Slater 1990), we follow the organizational behavior literature and define this construct next as an influential aspect of the organizational structure (Thompson 1967) which is necessary for obtaining full benefit from a proper strategic orientation mix.

While the basic marketing concept has advocated a market orientation strategy (Levitt 1960), a recent stream of research has been successful in defining, measuring and developing a theory of market orientation (Day 1990, 1994, Narver and Slater 1990, Slater and Narver 1994, Kohli and Jaworski 1990, Kohli, Jaworski and Kumar 1993). A firm's market orientation reflects the strategic directions implemented by a firm in order to create the proper behaviors for the continuous superior performance of the business (Narver and Slater 1990).

Gatignon and Xuereb's (1997) conceptualization defines market orientation as a multidimensional construct that captures an organization's relative emphasis in understanding and managing the environmental forces acting on it. These forces include (1) upstream suppliers of product inputs, including intellectual capital and innovations; (2) downstream customers; and (3) current and potential competitors. This multidimensional orientation construct accommodates the firm's orientation toward the variety of external forces that likely affect its performance (e.g., Kohli and Jaworski 1990; Porter 1991; Slater and Narver 1995) and the tension between supply side and demand-side marketing that exists in dynamic, complex, or high-tech markets (e.g., Moore 1995; Shanklin and Ryans 1984).

Consistent with Day and Nedungadi (1994), we expect that managers and firms tend to place greater emphasis on certain elements of the environment to the exclusion of others. Thus, though the external orientations— product, customer, and competitor—examined in this study are components of a firm's market orientation, they are also distinct behavioral dimensions that likely exert independent effects on firm performance.

According to Porter (1991), firm performance is determined by industry structure and the firm's strategic position in the industry; strategic position, in turn, is primarily a function of business strategy (i.e., product differentiation or cost leadership) and scope, which is a function of the number of product markets served and the degree of vertical integration.

Market orientation strategy is a form of organizational culture where employees are committed to continuously create superior customer value, or as a sequence of marketing activities that lead to better performance. Research concludes that market oriented companies perform better than companies that are less market oriented (Jaworski and Kohli, 1993; Narver and Slater, 1994). They focus on adapting their products and services to the needs and expectations of their customers instead of those who are product oriented and focus on developing a product or service that is then marketed and hopefully sold (Grönroos, 2006). To achieve this customer focus, a firm with a high degree of market orientation cultivates a set of shared values and beliefs about putting the customer first and reaps results in form of a defendable competitive advantage, decreased costs and increased profits (Desphandé, 1999).

Market orientation has been widely accepted by scholars as the implementation of the marketing concept, as an organizational culture, or as a mix of those two (Greenley, 1995; Han, Kom and Srivastave, 1998). Others scholars argued that market oriented behavior in marketing new solutions leads to better performance, has positive effects on customer satisfaction and loyalty as well as innovation, employee satisfaction and cooperation (Twaites and Lynch, 1992, Deshpandé, Farely and Webster, 1993; Gatignon and Xuereb, 1997; Rapp, Schillewaert and Wei Hao, 2008).

The researcher adapted Narver and Slater (1990), definition of market orientation as three behavioral components, customer orientation, competitor orientation, and inter-functional coordination, and two decision criteria, long-term focus and profitability. They interviewed managers in 113 strategic business units in one corporation and they viewed market orientation as an organization culture. Narver and Slater argued that market-oriented firms focus not only customers but equally much on competitors. Additionally, they place emphasis on interfunctional coordination that is meant to create unison between all functions in the organization and become part of the organizational culture.

2.1.2 Performance and profitability

Organizational performance is the measure of standard or prescribed indicators of effectiveness, efficiency, and environmental responsibility such as, cycle time, productivity, waste reduction, and regulatory compliance. Performance also refers to the metrics relating to how a particular request is handled, or the act of performing; of doing something successfully; using knowledge as distinguished from merely possessing it. It is the outcome of all of the organization's operations and strategies (Aaltonen and Ikåvalko, 2002). It is also the extent to which an individual meets the expectations regarding how he should function or behave in a particular context, situation, job or circumstance.

It is acknowledged that performance is a multidimensional construct, consisting of two broad measures: judgmental performance (e.g. customer service loyalty) and objective performance (e.g. ROA) (Guo, 2002; Agarwal *et al.*, 2003).

Longer term performance has been chosen for two reasons: firstly because that is what the customers of "retail" products such as unit trusts might be expected to be looking at, particularly in view of the charging arrangements which make shorter term investment unwise. Secondly, one of the attractions of looking at "real" products rather than theoretical studies is the question of how administrative costs contribute to the results. As with any method of analysis designed to measure business performance, there are limitations and imperfections associated with the use of financial ratios, particularly the use of very few ratios in isolation (Denton and White, 2000).

Profitability

Profitability is taken to be the function of an organization's ability to achieve its financial goals and objectives (West and Farr 1990). John Lawrence (2009) explains that if a significant difference exists between quoted profits and actual profits, then there is need for improvement. He defines profitability as the ability to achieve more revenues than expenses. He adds therefore, that maximizing revenues may not automatically mean maximizing profits when expenses are not considered.

Anne Hawkins and Clive Turner (2009), define profitability as a rate of return on an investment. The investopedia defines profitability as a financial benefit that is realized when the amount of revenue gained from a business activity exceeds the costs incurred. Nick Wreden (2007) explains that profitability offers more than brand survival and it represents a metric that is relevant and understandable to everyone from the post room worker to an international investor.

Profitability can be calculated with standardized commonly accepted formulas, making it a universal bench for determining success or failure. Therefore chief executive officers and chief finance officers must raise the importance of profitability in strategy (Nick Wreden 2007).

The long man dictionary defines profitability as a state of making progress, a benefit and accession of good gain or variable return especially in financial matters, education or character development. Profitability is also the ability of a firm to generate net income on a consistent basis.

2.1.4 Market Orientation and Organizational Performance

Previous research typically has predicted a positive relationship between strategic orientation and performance on the assumption that a market orientation provides a firm with better understanding of its environment and customers, which ultimately leads to enhanced customer satisfaction and overall good performance. Empirical studies offer results that suggest a positive relation between market orientation and managers' perceptions of overall firm performance (Jaworski and Kohli 1993), managers' perceptions of financial performance (Pelham and Wilson 1996; Slater and Narver 1994), managers' perceptions of sales growth (Slater and Narver 1994), and managers' perceptions of new product performance (Atuahene-Gima 1995, 1996; Pelham and Wilson 1996; Slater and Narver 1994).

At the same time, several analysts do not support a direct, positive relationship between performance and market orientation, suggesting that a contingency framework maybe appropriate for explicating the relation. For example, in two analyses that use objective measures of performance as the dependent variable, market orientation is not related to a firm's actual market share (Jaworski and Kohli 1993) or actual net income growth (Han, Kim, and Srivastava 1998).

Using perceptual measures of perfomance, Atuahene-Gima (1996) reports no direct effect for market orientation on perceived product market performance; Pelham and Wilson (1996) report no direct effect for market orientation on perceived market share or perceived growth in market share; and, using a sample of commodity businesses, Narver and Slater (1990) report a negative coefficient for market orientation and a positive coefficient for market orientation squared, which suggests a curvilinear relationship between market orientation and perceived financial performance.

Empirical results also support a contingency framework for explaining the relationship between firm performance and distinct customer, competitor, and product orientations. Using a component wise approach to explore the relationship between performance and market orientation, Han, Kim, and Srivastava (1998) report that technical turbulence moderates the relationship between objective innovation performance and customer and competitor orientation. Gatignon and Xuereb (1997) report that demand uncertainty moderates the relationship between perceived innovation success and each of three strategic orientations, customer, competitor, and product.

To summarize, though there is reason to believe that the strength of the relationship between performance and each of the market orientation dimensions may vary depending on industry characteristics, customer characteristics, or the type of performance measure used, the literature generally supports the proposition that market-driven and innovative firms will outperform their competitors (Day 1994; Gatignon and Xuereb 1997; Jaworski and Kohli 1993; Narver and Slater 1990; Slater and Narver 1994; Tushman and Anderson 1986). Thus, we hypothesize that firm performance will have a positive association with each of the three market orientation variables.

2.2 EMPIRICAL LITERATURE

In 1997, Hubert and Jean sought to understand which of three different strategic orientations of the firm (customer, competitive, and technological) is more appropriate, when, and why it is so in the context of developing product innovations. They proposed a structural model of the impact of the strategic orientation of the firm on the performance of a new product. The results provide evidence for best practices as follows: (1) A firm wishing to develop an innovation superior to the competition must have a strong technological orientation; (2) a competitive orientation in high-growth markets is useful because it enables firms to develop innovations with lower costs, which is a critical element of success; (3) firms should be consumer- and technology-oriented in markets in which demand is relatively uncertain-together, these orientations lead to products that perform better, and the firm will be able to market innovations better, thereby achieving a superior level of performance; and (4) a competitive orientation is useful to market innovations when demand is not too uncertain but should be de-emphasized in highly uncertain markets.

Gloria L Gee and Daniel Z Ding (2005), "Market Orientation, Competitive strategy and firm performance" sought to investigate the mediating effects of a firm's competitive strategy in the market orientation-performance relationship. Based on a sample of 371 manufacturing firms in China, evidence was found that the three dimensions of market orientation exert different effects on competitive strategy and performance. Among them, customer orientation had the strongest association with competitive strategy and market performance. This lends credence to a componentwise approach on the study of the relationship between market orientation and performance. The results of structural equation analyses indicate that the mediating effect of competitive strategy is mainly revealed in innovation strategy, the most vital factor in creating superior value for the company in the emerging market.

Jin K. Han, Namwoon Kim, & Rajendra K. Srivastava in the study Market Orientation and Organizational Performance: Is Innovation a Missing Link? Pointed out that in the recent years a market-oriented corporate culture increasingly has been considered a key element of superior corporate performance. Although organizational innovativeness is believed to be a potential mediator of this market orientation-corporate performance relationship, much of the evidence to date remains anecdotal or speculative. In that context, the authors presented a systematic framework to test the postulated "market orientation- innovation-performance" chain. To this end, the direct causality assumption of market orientation on organizational performance was examined with Narver and Slater's (1990) market orientation framework. Moreover, the authors took a componentwise approach and examined how the three core components of market orientation (customer orientation, competitor orientation, and inter functional coordination) affected the two core components of organizational innovativeness (technical versus administrative) en route to affecting corporate performance. Using banking industry data, the authors empirically tested and substantiated innovation's mediating role in the market orientation-corporate performance relationship.

Albert M., and Nora, L(2003) in the study "Market orientation and business economic performance, A mediated model" revealed that previous studies had found that market orientation significantly predicted economic performance. They attempted to provide a necessarily partial model for how this impact takes place using innovation degree, innovation performance and customer loyalty as intermediate variables. The study targeted the insurance industry in the European Union. The sample accounted for 22 percent of the companies and 17 percent of the insurance premiums in that market. The results suggested that the addition of these variables improved predictions of objective economic performance 52 percent over what is explained by market orientation alone. Furthermore, the study found that the effects of market orientation on economic performance are completely channeled (mediated) through these variables, particularly through innovation degree and innovation performance. Based on the results the paper provided guidelines for improving the market share, premium growth and profitability of European Union insurance firms.

Greenly (1995), in the study "why should time be considered in market orientation research?" concluded that market orientation might not be an appropriate organizational strategy for turbulent markets, where customers have limited power and technological change is rapid. Narver and Slater (1990) found a positive relationship between market orientation and business profitability where a market orientation is primarily concerned with learning from various forms of contact with customers and competitors in the market (Day, 1994; Slater and Narver, 2000). Further the authors extended their original study by considering the influence of entrepreneurial orientation on profitability. An entrepreneurial orientation encompasses such behaviors as innovativeness, risk taking and competitiveness which may enhance the prospects for developing a breakthrough product or identifying an unserved market segment (Lumpkin and Dess, 1996; Slater and Narver, 2000).

Kamalesh Kumar, (2011)." Market Orientation And Performance: Does Organizational Strategy Matter?" He used a survey of 159 hospitals to test the relationship between market orientation and firm performance for low cost and differentiation strategies. Hospitals pursuing a differentiation strategy had stronger market orientation than those pursuing a cost leadership strategy. He concluded that market orientation had a more positive impact on the performance of organizations pursuing a differentiation strategy than on those pursuing a cost leadership strategy. In the cost leader group, the inter-functional coordination component of market orientation significantly affected firm performance, while in the differentiator group the customer orientation and competitor orientation components of market orientation had significant impact on performance.

John C. Narver and Stanley F. Slater, (1998) in the study" Creating a Market Orientation" Argued that a market orientation is a business culture in which all employees are committed to the continuous creation of superior value for customers. However, businesses report limited success in developing such a culture. One approach to create a market orientation, the approach taken by most businesses, is the "programmatic" approach, an a priori approach in which a business uses education programs and organizational changes to attempt to implant the desired norm of continuously creating superior value for customers. A second approach is the "market-back" approach, an experiential approach in which a business continuously learns from its day-to-day efforts to create and maintain superior value for customers and thereby continuously develops and adapts its customer-value skills, resources, and procedures. Theory suggests that both approaches contribute to increasing a market orientation. It also suggests that when the a priori education of the programmatic approach is sharply focused on providing a foundation for the experiential learning, the combined effect of the two learning strategies is the largest. The implication is that the two strategies must be tailored and managed as a coordinated joint strategy for creating a market orientation.

Art Schalk December (2008), "Market orientation and banking". This paper studied the effects of market orientation (MO) on business performance in an Icelandic financial organization, with a specific focus on the shape of organizational culture. The research subject was one of Iceland´s commercial banks. The study objectives were to measure the shape of this bank´s organizational culture and the level of its market orientation. The measurement instrument was based on the Denison Model of Organizational Culture Survey (DOCS). According to the results, the level of the banks organizational culture scored a 3.62 on a 5-point scale where 1 meant "weak" and 5 meant "strong". The bank´s shape of organizational culture is strong in the sub-dimension "strategic direction and intent" but weak in the sub-dimension "coordination and integration". The bank has a strong external focus combined with a focus on stability. The "adaptability" dimension in the DOCS was of special interest, as it measured the level of market orientation (MO). On this dimension, the bank scored a 3.57 on a 5-point scale and had a weak positive relation with five out of six performance indicators, and a moderately strong relation with employee satisfaction. The results further showed that the bank is very profit-oriented, which might explain its low score on some dimensions. The results from this study are in line with the results from other Icelandic studies that have used DOCS to measure the shape of organizational culture.

Mohammed Abdulai Mahmoud (2011),"Market Orientation and Business Performance among SMEs in Ghana." The effect of market orientation on business performance has been extensively researched over the past two decades with authors generally agreeing on its positive outcome. It appears however that previous studies placed much emphasis on its applications in large scale organizations. Only recently have researchers begun to publish articles on the patterns of market orientation in small and medium scale organizations (SMEs) (Blankson et al., 2006; Keskin, 2006). Even so, it seems that researchers are yet to reach a common ground on the appropriateness of this management toolkit to SMEs. This study argued that it is in this sector that firms need to be more customer focus, monitor competitive trends, and respond appropriately to market intelligence in order to survive given evidence of their financial, technical and other constraints. Following an adoption of two popular scales in the literature, the study investigated the market orientation-performance link among Ghanaian SMEs using a survey to collect data on 191 firms. Results showed that the development of market orientation in this sector rests more on the attitude of owners/ managers and, more importantly, the repeatedly reported performance implication of market orientation did not elude Ghanaian SMEs. More specifically, market orientation leads to superior performance under ceaseless competitive conditions. Conclusions were drawn; the limitations and directions for further investigations of the construct were provided.

Ayanga *et al* (2012) studied " the effect of strategic orientation on performance of banking institutions" where they used prospectors, analyzers, defenders and reactors as the main dimensions of strategic orientation. They utilized data from 21 banks in Kisumu county. Data analysis was carried out using both descriptive and inferential statistics. The findings were that firms adopting prospector strategy performed better than those that adopted other forms of strategy. The study also showed that there was positive correlation between strategic orientation and performance that conformed to earlier studies with other scholars.

Zahra and Pearce (1990) carried out a comprehensive study aiming to evaluate the research evidence for the Miles- Snow typology based on an analysis of 17 empirical studies. According to Zahra and Pearce (1990), results from a high number of studies strongly supported Miles and Snow's proposition that four types of different strategies exist in different environments. The hypothesis that reactors will be outperformed by the outer three types seems to have been strongly supported albeit the moderate courage it has received in the studies analyzed. Most of the studies analyzed by Zahra and Pearce (1990) have concentrated heavily on classifying the firms under analysis into different groups based solely on the entrepreneurial problems, paying little attention to the other two dimensions, i.e., the administrative and engineering problems. However, Miles and Snow (1978) have posited that the performance of the firms will be dependent on the alignment among the solutions adopted for each type of problem.

Smith, *et al.*, (1986) applied a multidimensional (cluster analysis) approach, gathering data on a number of dimensions to verify the extent to which four clusters resembling Miles and Snow's typology would emerge. Secondly, they tested the relationship between organizational performance and strategy type, as well as the relationship of these two variables with organizational size. A sample of 47 electronic manufacturing firms provided data for this study collected through structured interviews with CEOs and other top level managers. The result indicated a support for the typology. Thus, firms identified as having prospector strategies presented the following characteristics: "an unstable customer base, a changing product mix, a competitive edge in innovation, a "creating change" approach to their e base and an aggressive attitude towards growth. Furthermore, this group is managed primarily by research and development personnel who are relatively young, less tenure and who have been recruited from outside of the organization. On most measures this clusters of firms appear to be following a prospector strategy" (Smith, et al., 1986: pp.46) The cluster of companies identified as analyzer had traits that resemble Miles and Snow's model demonstrating a balanced blend of products variety and diversity; top level managers equally divided among marketing, research and development and combinations of high and low scores on other dimensions.

Ford and Schellenberg (1982) examined three major frameworks frequently used to conceptualize organization performance (OP); the goal approach (Etzioni, 1964) sought definition based upon explicit goal or goals which can be implied from the behavior of organizational members. The system resource approach (Govindarajan, 1992) provided a framework to assess OP in terms of the key internal and external factors upon which the organization depends for survival. The constituency approach views the organization as existing to benefit numerous constituencies, both internal and external to the organization, with OP assessment focused on fulfillment of constituent needs (Govindarajan and Fisher, 1992). Regardless of the framework chosen to conceptualize OP, it is apparent that OP is a complex and multidimensional phenomena. Operationalizing such a complex is inherently difficult. Even when focusing on economic dimensions of OP, researchers frequently encounter difficulty in obtaining accurate measures.

Parnell and Wright (1993) addressed the relationship between strategy and performance in a volatile, dynamic and growing industry –catalogue and mail-order houses. Their approach was based on the self-typing questionnaire developed by Canant, et al. The final sample included 104 respondents (CEOs) and results supported the expected relationship, i.e. reactors were outperformed by the three other types and prospectors were the best performing companies in terms of sales growth in the sample. Analysis on the other hand produced higher returns on assets than the other strategic types. However, this was a one-industry study and the expected relationships may differ for other industries.

CHAPTER THREE

METHODOLOGY

This chapter highlights the design, population, sample and sampling techniques as well as the mode of analysis and data presentations.

3.1 Research Design

The study used both descriptive survey and correlation design. The study sought to ascertain the effect of market orientation strategies on performance of commercial banks in Kisumu. This involves ascertaining the strength of this relationship with regards to performance. Further it involves identifying variables under market orientation and their effect on performance i.e high, average low returns. Kinner and Taylor (1998) state that a study aimed at determining who, what, when, where and how of a phenomenon is a descriptive study.

Descriptive studies are usually the best methods for collecting information that will demonstrate relationships and describe the world as it exists. These types of studies are often done before an experiment to know what specific things to manipulate and include in an experiment. Bickman and Rog (1998) suggest that descriptive studies can answer questions such as "what is" or "what was."

3.2 Study Area

The study was conducted in Kisumu town since it was considered to be one of the commercial hubs with an established Central bank branch, making it a financial town. Kisumu is a port city in Kisumu County, Kenya at 1,131 m (3,711 ft), with a population of 409,928 (2009 census). Its geographical coordinates are 0^0 60' 0'' South, 34^0 45' 0'' East. It is the third largest city in Kenya, the principal city of western Kenya and the headquarters of Kisumu County. It has a municipal charter but no city charter. It is the largest city in Nyanza region and second most important city after Kampala in the greater Lake Victoria basin.

Kisumu town has two major streets. i.e Oginga Odinga street which is the major street and Kenyatta Avenue. Most banks in kisumu are located along these two streets which form the central business district of Kisumu County.

3.3 Target Population

The population was 78 employees which included three representatives from each of the 26 banks who include: the Branch Managers, the operations managers and the customer service officers/executives. These categories of respondents were considered due to their direct link with bank's market orientation and performance.

3.4 Sampling Technique

Due to small size of the population, this study employed saturated sampling because it targeted 78 employees who included branch managers, operations managers and customer service officers from the 26 banks. The researcher was convinced that this method would enable him to gather the required information. The banks are also centralized within a specific area which provided the researcher ease and convenience of movement to access data.

3.5 Data Collection Techniques

This involves the sources of data, the collection procedures and reliability and validity test for data collection instruments.

3.5.1 Sources of Data.

The study examined both the primary and secondary data. Primary data was collected by way of questionnaires. Secondary data was collected by gathering information from published financial statements. The published financial statements were acquired from the newspapers, internet and from notice boards pinned at the premises of the respective banks.

3.5.2 Data collection Procedure

Data was collected using questionnaires. Each item in the questionnaire is developed to address a specific objective, research question or hypothesis of the study. (Olive and Abel Mugenda, 2003, Page 71). Questionnaires were divided into two categories i.e. section A and B. Section A captured general information about the bank. Section B specifically captured the three dimensions of market orientation adopted in this study. Questionnaires were circulated in the various 26 branches respectively. Questionnaires were collected either at the first interaction or on later dates convenient for the subjects

Basically the respondents, the branch manager, operations manager and the customer service officers, play the key role in strategy implementation in the branch. The branch manager's duty is to ensure that the branch is generating as much revenue as possible for the growth of the organization and ensure that matters concerning the branch are addressed. The operation manager and his/her team are there to take care of the costs and the risks involved in all revenue generating activities in the bank. The customer service officer is responsible for ensuring that customers on board get quality service and value for their money hence promoting a good reputation that is essential towards ensuring the banks sustainability. They also participate in sales and marketing and once a while go out to promote the banks products. In summary all these three categories of respondents are very essential in overall banks performance and it was evident that their views played an important role towards facilitating this study.

3.5 Reliability and Validity Test for data Collection instrument

Reliability is a measure of the degree to which a research yields consistent results or data after repeated periods. Reliability was tested using Cronbach's alpha coeffeciebt 0.781. A split half method on six respondents was drawn from two commercial banks in Kericho County and the results proved that data was considered to be reliable as reliability values exceeded the prescribed threshold of 0.70 (Nunally, 1978). Validity was tested using an expert's opinion in the field of strategic management.

3.6 Data Analysis

Data was analyzed using both descriptive i.e. measures of central location and dispersions and inferential techniques i.e. Pearson product moment correlation analysis.

3.7 Data Presentation

The findings were presented in form of tables which were appropriately interpreted and discussed.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

This chapter highlights the results and the discussion of the findings.

4.1 Results

Table 4.1: Descriptive Statistics

	ownership	Opened in Kisumu	Other branches in Kisumu	How many	Rank among others	Position held	Customer base	Increasing customer base
N Valid	78	65	78	60	66	76	78	78
Missing	0	13	0	18	12	2	0	0
Mean	1.8077	5.0769	1.8077	1.875	3.0714	3.3750	3.6923	2.7692
Mode	2.00	6.00	2.00	1.0	2.00	5.00	5.00	3.00

The table 4.1 above showed the general information. However, it is uncommon to obtain data sets without some missing data (Coakes, 2006). Missing data usually occurs when a respondent fails to answer one or more survey questions .From the table, responses were to be received from the entire sample size (78 responses). However, there were some respondents who did not respond to some questions. With regards to the date that the respective branches were first opened in Kisumu, 13 respondents did not respond. On how many branches there are in Kisumu, only 60 people responded. With reference to the ranking, only 66 responses were received and lastly, only 76 responses were received with regards to positioning according to branch ranking. The missing responses were however disregarded in the final analysis.

From the responses received, it was evident that most of the banks in Kisumu are privately owned and that most of them ventured into Kisumu between 2005 – 2009. From the responses, these banks seem to have other branches elsewhere; this also indicates that they are branches of their respective main branches. These responses were however received majorly from the customer service officers within the individual banks. From the analysis, most of the banks within Kisumu have a customer base of less than 5000. These customers are sourced from various approaches ranging from referrals from other customers, sourcing from sales agents and through walk in customers.

4.2 Diagnostic test on customer oriented strategy

Customer orientation was the first objective that the study looked into. Before the study looked at the relationship between it and performance, a diagnostic test was performed on the variables/ responses that were received from the respondents as shown below:-

Table 4.2 Customer oriented statistics

	Frequently meets customer	In-house research dept	Ability to detect product preferences	Annual surveys	Performance target	Clear goals	Optimal adoption of customer view	Customer is right	Commitments to customers	Customer involvement	Banking system friendly	Services valuable	Measure customer satisfaction
Mean	4.1538	4.307	4.0000	4.192	4.3077	4.43	4.038	4.1538	4.2308	4.2308	4.115	4.153	4.4231
Mode	4.00	4.00	4.00	4.00	5.00	5.00	4.00	5.00	5.00	5.00	4.00	5.00	5.00
Skewness	-2.441	.074	.000	-.166	-1.825	-.829	-1.652	-.701	-.466	-.430	-1.62	-1.480	-1.513

The table 2, above shows the variables that measured the aspect of customer orientated strategy that measured the aspect of customer orientated strategy as well as the skewness. Skewness was one way of measuring the normality of the variable distribution. Normal distribution is usually around "0". The variables that are not normally distributed but on the left of "0" are negative where as those on the right are positive. The results (brackets showing the direction of skew) indicates that Majority of the respondents agreed that the respective banks frequently meets with the customers to determine their current/future needs (-), have an in-house market research department (+), have the ability to detect changes in the customers' product preferences (normal) as well as performing at least an annual survey to gauge customers' perception (-). Majority also did agree that the banks have adopted customer views from the customer suggestion box (-) and adopted it as one of the strategies of improving on service (-) as well as having a banking system that is friendly to the customers (-). The strong agreement was also recorded on issues related to commitments to customers (-), involvement of customers in product development (-), creating services that are of value to customers (-) as well as measuring the customers' satisfaction (-).

With regards to the banks having performance targets on customer satisfaction on every employee (-), clear goals aimed at effectively meeting the customers' needs (-), as well as adopting the slogan "the customer is right" (-), majority strongly agreed.

4.3 Diagnostic test on competitor orientation

This formed the second objective.

Table 4.3. Competitor orientation Statistics

	Study rival action	Scan periphery	React to changes	Be ahead	Structured products	Continuous experimentation	Maintain relationship	Target opportunities
Mean	3.8846	3.9231	3.8077	4.2692	4.0769	3.8846	4.1923	4.0385
Mode	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Kurtosis	1.129	.589	-1.078	7.047	-1.095	-.435	5.485	1.502
Std. Error of Kurtosis	.887	.887	.887	.887	.887	.887	.887	.887

The table 4.3 above indicates the mode, the mean as well as the kurtosis. Kurtosis was also used to measure the normality of the variables but with regards to the thickness of the normality tail. Kurtosis of a normal distribution is usually 3. A kurtosis of less than 3 is referred to as Leptokurtic (thin tail) whereas a kurtosis of more than 3 is referred to as Platykurtic (thick tail). The responses indicated that study of rival action, scanning periphery, reacting to changes, structured products, continuous experimentation as well as target opportunities were all Leptokurtic while being ahead and maintaining relationships were Platykurtic. From the responses above, most of the respondents agreed that the various banks do study the rival actions, scan the periphery of the market, react to changes advanced by the competition and are always ahead of the competition. The responses also agreed that banks try to structure their products to outdo what the competitors are offering, encourage continuous experimentation to get better market trends, proactively create and maintain relationship with customers as well as target opportunities that ensures competitive advantage.

4.4 Diagnostic test for product orientation

This formed the third objective. The initial diagnostic tests were tabled below:-

Table 4.4 Product oriented Statistics

	Market research	Test to see	Customer perception	Technological advancement	Superior technology	Units share resources
Mean	4.0385	3.6923	3.7308	3.9231	3.8462	4.0000
Mode	4.00	4.00	4.00	4.00	4.00	4.00
Skewness	-1.385	-.828	-1.085	-.475	-1.203	-.782

From the above table 4, most of the respondents agreed that banks do carry out market research, carry out tests to see what customers think of new ideas, evaluates customers' perceptions of goods and services as well as embracing technological advancements. The same respondents also agree that the individual bank's systems are technically superior and that the various service units share resources and work closely to ensure satisfaction of customer needs. With regards to skewness, all the variables were negatively skewed.

4.5 Choice of variable to include in the regression analysis

Because the independent variables had many parameters asked within a single variable, the research considered the mean of all the parameters and a selection was done on the parameter with the highest mean. These were used as proxies for the respective independent variable. With respect to customer orientation, clear goals were chosen as a proxy for customer orientation. This is because it had a mean of 4.423. The same methodology was undertaken for competitor orientation as well as product orientation and as a consequence, the urge to always be ahead of the competition (mean of 4.2692) as well as carrying out market research (mean of 4.0385) was undertaken as proxies respectively.

4.6 Correlation coefficient analysis

This measures the linear association between the dependent and the independent variables. It looks at the degree to which the variables move in a straight line. The Pearson's correlation coefficient was used and the results were tabled below:-

Table 4.6 Correlations

		Profits	Customer	Competitor	Product
Profits	Pearson Correlation	1	.674**	-.240	.546**
	Sig. (2-tailed)		.000	.037	.004
Customer	Pearson Correlation	.674**	1	.393*	.546**
	Sig. (2-tailed)	.000		.047	.004
Competitor	Pearson Correlation	-.240	.393*	1	.629**
	Sig. (2-tailed)	.037	.047		.001
Product	Pearson Correlation	.546**	.546**	.629**	1
	Sig. (2-tailed)	.004	.004	.001	

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

From the table 4.6 above, the variables appear both on the vertical as well as on the horizontal axis. The values on the leading diagonal are "1". There is always a strong association if the correlation coefficient is greater than 50%. If the sign of the correlation coefficient is negative (-), it then implies that the variables have a negative association i.e. they move in opposite direction. If the coefficient is positive, it implies that the variables move in the same direction. The analysis indicates that there is a strong and significant positive correlation between customer orientation, product orientation and profits, given that the degree of association is 0.674(Probability of 0.000) and 0.546 (Probability of 0.04) respectively. The significance come about because the probabilities were all less than 0.05 (5%).

However, the correlation between profits and competitor orientation was a weak insignificant positive correlation given that the value of the correlation coefficient is 0.240 i.e. less than 50% and the probability value at 0.237(greater than 0.05).

4.7 Regression analysis

Regression analysis is a statistical tool for the investigation of relationships between variables. It generates an equation to describe the statistical relationship between one or more independent variables and the dependent variable. The results were tabled as below:-

Table 4.7 Regression Model Summary

					Change Statistics					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.726[a]	.528	.463	1.28308	.528	8.187	3	22	.001	2.688

a. Predictors: (Constant), customer, competitor, product

b. Dependent Variable: profits

From the above table 4.6, overall correlation coefficient (R) is 0.726 meaning that the three independent variable move/ associate with the dependent variable on a degree of 72.6%. Meanwhile, the coefficient of determination (R-squared) is 0.528 meaning that the independent variables explain 52.8% of the dependent variable. This can further be explained that the remaining 47.2% could be as a result of an error term or other variables that are not part of the included three independent variables. The F- change (which is also known as "the goodness of fit") is at 8.187 with a significant F- change at 0.001. This is very significant both at 1% as well as at 5%, meaning that the independent variables best explains the true population.

Table 4.8 Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	-3.806	1.780		-2.139	.044		
Customers	1.372	.437	.551	3.140	.005	.698	1.432
Competition	-.433	.378	-.216	-1.143	.265	.601	1.663
Product	.668	.363	.381	1.839	.079	.500	2.002

a. Dependent Variable: performance

From the table 4.7 above, the constant is -3.806 meaning that in exclusion of the other variables (the bank's inability to incorporate the three independent variables), profits will go down by -3.806. It is significant at 5% level. The other variables namely clear goals; being ahead and market research have coefficients of 0.551, -0.216 and 0.381 respectively. However, it is only the coefficient of clear goals that is significant at both 1% and 5% in the determination of profits. The positive sign before it shows that at clear goals are increased, profitability also will increase.

With regards to competition, the sign is negative meaning that as it is increased by 1 unit, profitability decreases by 0.216. However, it is not significant at 1%, 5% or 10% respectively.

With regards to product orientation, it is positive meaning that as it is increased by 1 unit, profitability will also increase by a magnitude of 0.668. It is significant at 10% level.

Usually, primary data suffers from high degree of multicollinearity. Multicollinearity refers to a situation where two or more variables are highly correlated making it difficult to isolate the effect of one of the variables upon the dependent variable. A higher degree of Multicollinearity may have an adverse effect on the regression results and its presence can be depicted by high estimated standard errors and high R-squared. The rule of thumb, serious multicollinearity exists when the Variance Inflation Factor (VIF) is above 10. According to the table above, it can be concluded that there is no serious multicollinearity.

4.8 Analysis of Variance

Table 4.9 Analysis of variance (ANOVA)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	40.435	3	13.478	8.187	.001[a]
	Residual	36.219	22	1.646		
	Total	76.654	25			

a. Predictors: (Constant), product, customer, competition

b. Dependent Variable: profits

The table 8 above represents the Analysis of Variance (ANOVA) is a statistical method used to test differences between two or more means. From this table, it is measured by the F-statistics. The value of the F-statistic is 8.187. It is significant at both 1% and 5% level, meaning that the variables used are a good measure of the true population.

4.9 DISCUSSIONS

4.9.1 Objective one: Relationship between customer - oriented strategy and performance of commercial banks in Kisumu.

From the regression analysis results, there is a significant positive relationship between customer oriented strategy and the performance of the commercial banks in Kisumu. The results indicate that a unit change in customer oriented strategy leads to a change in performance by 55.1%. It is also significant at 5% level. The finding that customer oriented strategy is positively correlated with performance and has a positive influence on performance concurs with the results of Kamalesh Kumar, (2011)." Market Orientation and Performance that concluded that market orientation has a positive impact on performance.

Though Kamlesh's study covered market orientation as a whole and used survey design the present study preferred to go further and analyze the specific variables that form market orientation and adopted a correlation design.

The findings further concur with those of Art, (2008) in his study "Market orientation and banking" where he studied the effects of market orientation (MO) on business performance in an Icelandic financial organization, with a specific focus on the shape of organizational culture. The measurement instrument was based on the Denison Model of Organizational Culture Survey (DOCS). According to the results, the level of the banks organizational culture scored a 3.62 on a 5-point scale where 1 meant "weak" and 5 meant "strong" in relation to market orientation adoption.

Though this study concentrated on organizational culture as a measure of market orientation and adopted Denison Model of Organizational Culture Survey (DOCS) as measurement instrument, the present study concentrated on product orientation as one of the dimensions used to measure market orientation and adopted correlation design as a technique of measurement.

The findings also concur with Gloria L Gee and Daniel Z Ding (2005), "Market Orientation, Competitive strategy and firm performance" sought to investigate the mediating effects of a firm's competitive strategy in the market orientation-performance relationship. Based on a sample of 371 manufacturing firms in China, evidence was found that the three dimensions of market orientation exert different effects on competitive strategy and performance.

Though this study went further and formed a structural equation analyses that indicated that the mediating effect of competitive strategy was mainly revealed in innovation strategy, the most vital factor in creating superior value for the company in the emerging market, the present study focused on customer orientation as one of the variables that measure market orientation which gave results of existence of a positive relationship.

4.9.2 Objective two: The relationship between competitor - oriented strategy and performance of commercial banks in Kisumu.

The regression results indicate that there is a negative relationship between competitor- oriented strategy and performance of commercial banks in Kisumu. The results show that for a unit change in competitor oriented strategy leads to a decline in performance by 0.216%.

The finding that there exists inverse relationship between competitor orientation and performance contradicts those of Hubert et al, (1997) in their study that sought to understand which of three different strategic orientations of the firm (customer, competitive, and technological) is more appropriate, when, and why it is so in the context of developing product innovations. They proposed a structural model of the impact of the strategic orientation of the firm on the performance of a new product. The results provide evidence for best practices as follows: (1) A firm wishing to develop an innovation superior to the competition must have a strong technological orientation; (2) a competitive orientation in high-growth markets is useful because it enables firms to develop innovations with lower costs, which is a critical element of success; (3) firms should be consumer- and technology-oriented in markets in which demand is relatively uncertain-together, these orientations lead to products that perform better, and the firm will be able to market innovations better, thereby achieving a superior level of performance; and (4) a competitive orientation is useful to market innovations when demand is not too uncertain but should be de-emphasized in highly uncertain markets.

Though this study sought to understand which of the three orientations is more appropriate in the context of developing product innovations, the present study sought to gauge the level of influence of the three orientations on organizational performance. Further, this study adopted a structural model while the current study adopted a regression model.

The results also contradicts those of Gloria L Gee and Daniel Z Ding (2005), "Market Orientation, Competitive strategy and firm performance" that sought to investigate the mediating effects of a firm's competitive strategy in the market orientation-performance relationship. Based on a sample of 371 manufacturing firms in China, evidence was found that the three dimensions of market orientation exert different effects on competitive strategy and performance. Among them, customer orientation had the strongest association with competitive strategy and market performance. This lent credence to a componentwise approach on the study of the relationship between market orientation and performance. The results of structural equation analyses indicated that the mediating effect of competitive strategy is mainly revealed in innovation strategy, the most vital factor in creating superior value for the company in the emerging market.

Though this study specifically sought to investigate the mediating effects of a firm's competitive strategy in market orientation and concluded a positive relationship the present adopted competitive strategy as one of the dimensions for market orientation and concluded a negative relationship.

The study further contradicts with Jin, K. H. N. & Rajendra K. S. (1998) in the study Market Orientation and Organizational Performance: Is Innovation a Missing Link? Pointed out that in the recent years a market-oriented corporate culture increasingly has been considered a key element of corporate performance. Although organizational innovativeness is believed to be a potential mediator of this market orientation-corporate performance relationship, much of the evidence to date remains anecdotal or speculative. In that context, the authors presented a systematic framework to test the postulated "market orientation- innovation-performance" chain. To this end, the direct causality assumption of market orientation on organizational performance was examined with Narver and Slater's (1990) market orientation framework. Moreover, the authors took a component wise approach and examined how the three core components of market orientation (customer orientation, competitor orientation and inter functional coordination) affected the two core components of organizational innovativeness (technical versus administrative) en route to affecting corporate performance. Using banking industry data, the authors empirically tested and substantiated innovation's mediating role in the market orientation-corporate performance relationship

Though this study focused more on the mediating role between market orientation and performance and used Narver and Slater's (1990) market orientation framework the present study concentrated only the three dimensions i.e. product, competitor and customer, it adopted a correlation design and both of them show a positive relationship between market orientation and performance.

4.9.3 Objective three: To determine the relationship between products - oriented strategy and performance of commercial banks in Kisumu.

The regression results indicate that there is a positive relationship between product oriented strategies is positively related to performance of commercial banks in Kisumu. A unit change in products- oriented strategy leads to 38.1% change in performance. The result also indicates that product oriented strategy is significant at 10% level. The results support the findings by Gloria L Gee and Daniel Z Ding (2005), which confirmed a positive correlation between market orientation and performance. It also evidenced that the three dimensions of market orientation exert different effects on competitive strategy and performance that highly supports the present study that shows different effects of the three components of market orientation on performance. Both studies used correlation design.

The findings concur with Mohammed Abdulai Mahmoud (2011),"Market Orientation and Business Performance among SMEs in Ghana." That focused on Small and medium sized economies. The study argued that it is in this sector that firms need to be more customer focus, monitor competitive trends, and respond appropriately to market intelligence in order to survive given evidence of their financial, technical and other constraints. Following an adoption of two popular scales in the literature, the study investigated the market orientation-performance link among Ghanaian SMEs using a survey to collect data on 191 firms. Results showed that the development of market orientation in this sector rested more on the attitude of owners/ managers and, more importantly, the repeatedly reported performance implication of market orientation did not elude Ghanaian SMEs. More specifically, market orientation leads to superior performance under ceaseless competitive conditions.

Though this study focused on market orientation and business performance among SMEs in Ghana and employed survey design, the present study concentrated on the banking sector in kisumu which resulted to the same conclusion that market orientation and performance are positively related. The present study correlation design

The findings that there exist positive correlation between product orientation, customer orientation and performance supports the findings by Ayanga *et al* (2012) that studied " the effect of strategic orientation on performance of banking institutions" where they revealed that firms adopting prospector strategy performed better than those that adopted other forms of strategy. The study also showed that there was positive correlation between strategic orientation and performance. Despite, the findings that there exist a negative correlation between competitor orientation and performance contradicts the findings by Ayanga *et al* (2012)

Though this study used prospectors, analyzers, defenders and reactors as the main dimensions of strategic orientation, the current study used product, competitor and customer orientation as the main dimensions of market orientation/strategic orientation.

CHAPTER FIVE

SUMMARY CONCLUSIONS AND RECOMMENDATIONS

This chapter highlights the results of the study and reports the conclusions made

5.1 Summary of the findings

The purpose of the research was to study the effect of market orientation strategies on performance of commercial banks in kisumu. The summary of findings therefore focuses on the following objectives of the study

Objective one sought to determine the relationship between customer-oriented strategy and performance of commercial banks. The study revealed that there is positive relationship between customer-oriented strategy and performance of commercial banks. This implies that whenever there is an increased focus on customer oriented strategy, the overall effect on organization performance was positive.

Objective two sought to determine the relationship between competitor-oriented strategy and performance of commercial banks. The study revealed that there is negative relationship between competitor oriented strategy and performance of commercial banks. This implies that whenever there is an increased focus in competitor oriented strategy, the overall effect on organization performance was negative.

Objective three sought to determine the relationship between product-oriented strategy and performance of commercial banks. The study revealed that there is positive relationship between product-oriented strategy and performance of commercial banks. This implies that whenever there is an increased focus in product oriented strategy, the overall effect on organization performance was positive.

5.2 CONCLUSION

The purpose of the research was to study the effect of market orientation strategies on performance of commercial banks in Kisumu. From the findings, it can be concluded that:

First, based on the findings that there exist positive influence between customer-oriented strategy and performance of commercial banks, it can be concluded that whenever the commercial banks management concentrates on customers while developing products, the banks overall performance improves.

Secondly, based on the findings that there exist negative influence between competitor oriented strategy and performance of commercial banks,, it can be concluded that whenever the commercial banks management concentrates on competitors while developing products, the banks overall performance declines.

Lastly, based on the findings that there exist positive influence between product oriented strategy and performance of commercial banks, it can be concluded that whenever the commercial banks management concentrates on products development, the banks overall performance improves.

5.3 Recommendations

The following recommendations were made from the study findings.

Based on the conclusion of objective one that there exist positive influence between customer oriented strategy and performance of commercial banks, the study recommends that commercial banks need to put serious considerations on customers input and requirements to ensure overall organizational performance.

Based on the conclusion of objective two that there exist negative influence between competitor oriented strategy and performance of commercial banks, the study recommends that commercial banks should control their focus on competitors since doing so deviates them from the overall objective leading to decline on performance.

Based on the conclusion of objective three that there exist positive influence between product oriented strategy and performance of commercial banks, the study recommends that commercial banks need to put serious considerations on product development to ensure overall organizational performance.

5.4 Contributions

The study makes one major contribution to the existing knowledge. Whereas most of the studies reviewed portrayed unidirectional movement between market orientation and organizational performance, the current study revealed that there are dimensions of market orientation that do not move together with organizational performance.

5.5 Suggestions for further research

a) Future researchers may concentrate on studying individual market orientation dimensions and their influence on organizational performance.

b) Future researchers may adopt other methodological techniques with the same variables but in a different context.

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