

**EFFECT OF STRATEGIC ORIENTATION ON THE
PERFORMANCE OF LARGE RETAIL STORES IN NAIROBI,
KENYA**

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DECLARATION

This research project is my original work and has not been presented for the award of degree in any other university or institution for any other purpose.

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D61/69197/2013

This research project has been submitted for examination with my approval as university supervisor.

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DEDICATION

I dedicate this project to my dear husband Alex Kirwa and my children, Michelle Jeptoo and Milan Jelimo for their support during the entire period I was working on this project. I highly cherish your love, encouragement, support and guidance throughout all this years.

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The process of this master's management project writing has been a wonderful learning experience in my academic life. It was filled with both challenges and rewards. The completion of my present study leads to a new beginning and a step forward in my endeavors.

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ABSTRACT

In the present day business environment, rivalry and competition among the business firms has reached unprecedented heights and in the process acquiring and sustaining competitive edge has become a key strategy to survival for most of the firms. Strategic orientation is the core element to success for many organizations in creating proper behaviors to achieve superior performance, since strategic orientation focuses on the way a firm adapts and interacts with its external environments. Strategic orientation has been gaining more attention since it was recognized as the core element to success for many organizations. Strategic orientation is related to creating proper behaviors to achieve superior performance and it focuses on the way a firm adapts to and interacts with its external environments. For strategic orientations to be effective, companies must create an internal alignment between organizational features (goals, values, resources, capabilities, structure and systems) and create a fit between the internal organizational and its external environment. This fit depends on the strategic orientation a company has. The objective of the study was to determine the effect of strategic orientation on the performance of large retail stores in Nairobi. The research design adopted was descriptive cross sectional research design. The population of the study comprised of all the 15 large retail stores in Nairobi. The study used primary data that were collected through self-administered questionnaires. The data was analyzed by the use of descriptive statistics. The regression analysis was used to assess the effect of strategic orientation on the performance of large retail stores in Nairobi. The study established that market orientation enables the retail stores to focus on ensuring that the customers are satisfied through review of business strategy, competitor analysis, customer future needs discussion, focusing more on customers than competitors and dissemination of data on customer satisfaction at all levels. Entrepreneurial orientation was found to have enabled the retail stores to launch new products in the market, adopt aggressive attitude towards competitors, reviewing periodically product development to ensure that they are in line with what customers want, developing innovative actions, and carrying out risky projects when they involve profitable opportunities. The findings on interaction orientation was that the stores encourages customers to share opinions on the firm products and encourages customers to participate interactively in designing products, thus enabling the firms to understand the customers' needs thus coming up with products that will give the store a competitive edge over its competitors. The pursuit of strategic orientation was found to have resulted in an increase in market share, relationship with customers, efficiency in serving customers, sales volume, profits and customer satisfaction. The regression analysis revealed that the performance of large retail stores was influenced to a large extent by market orientation, entrepreneurial orientation and interaction orientation.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Strategic orientation is the core element to success for many organizations in creating proper behaviors to achieve superior performance (Hakala, 2010), since strategic orientation focuses on the way a firm adapts and interacts with its external environments. Strategic orientation represents an approach to business and it contains various dimensions including technology, market, entrepreneurial, and learning orientations that are expected to make the firm better suited to confront the business challenges that keep on emerging every other day. For instance, firms with a high level of technology have strong orientation to research and development (R&D) and use sophisticated technology to develop new products while a market orientation requires organizations to focus on customers and their needs (Keskin, 2008). He further points that by a firm being able to strategically oriented, it will be able to develop new skills, a strong strategic vision in their business, establish a good strategy and realign their structure, systems, leadership behavior, human resource policies, culture, values and management processes. Organizational performance is the analysis of a company's performance as compared to its goals and objectives. There is a strong relationship between organization performance and the several dimensions of strategic orientation. Strategic orientation provides an organization with a better understanding of its customers which leads to enhanced customer satisfaction and thus organizational performance.

This study will be founded by contingency theory that states that firm competitiveness depends on the alignment of the organization with the environment and congruence of the

organizational elements with one another (McKee, 2009). The theory elaborates that the greater the consistency between the competitive strategy and contingent factors, the organization has positive impact on average performance. Competitive strategy deals with the internal and external environment, and acts as intervention between an organization and its environment to achieve competitive advantages. Competitiveness in organization is valued as a multi-dimensional model comprising of customer values, shareholder values and an organization's ability to react.

The competition in the Kenyan retail sector has intensified recently resulting in a number of retail stores adopting various strategies in order to improve their performance. Despite the economic and technological change in business organizations, as well as the healthy competitions among firms, some organizations still have the problem of adapting to these changes and also having the competitive advantage over others. Strategic management in the retail sector demand that retail stores should have effective systems in place to counter unpredictable events that can sustain their operations and minimize the risks involved through market orientations. Only those organizations that is able to adapt to the changing environment and adopt new ideas and ways of doing business that can be guaranteed hope of survival. In Kenya Retail stores have different characteristics of strategic orientation which are important for firm innovativeness and firm performance. Strategic orientation is important in the examination of organization culture's through employees focus on their time, energy and resources in decision making.

1.1.1 The Concept of Strategy

Strategy is the direction and scope of an organization, which achieves advantage in a changing environment through its configuration of resources and competences with the

aim of achieving vision (Pierce & Robinson, 2007). Strategy is the process of managing action planned for running the business and conducting operations. Strategy helps to achieve success in business through realization of objectives that are desired. Strategy represents managerial commitment in setting of actions in growing the business, attracting and pleasing customers, and improving the company's financial performance. Organization need a well formulated strategy to guide and allocate an organization's resources into a unique and possible condition based on internal competencies and shortcomings (Rhee et al. 2010).

A conquering strategy must fit business's external and internal environment, build sustainable competitive advantage and improve company performance (Thompson & Strickland, 2005). A good strategy is well matching to industry and competitive state, company's best market opportunities, durable and powerful, boost performance of organization in profit and financial strength. Strategy mirrors a company's awareness of how, when and where to compete and for what purpose, most of the business does through following path and making decisions to achieve their intended objectives. A strategy is a classification of long-term goals and objectives of an organization, adoption of courses of action and the allocation of resources (Rhee et al, 2010). Thompson and Strickland (2005) point out that a strategy 5ps includes a plan, ploy, pattern, position and/or perspective that an organization uses to adapt to the environment.

1.1.2 Strategic Orientation

Strategic orientation has also been described as strategic fit, strategic predisposition, strategic thrust, and strategic choice (Morgan and Strong, 2003). Strategic orientation represents an access to business, and categories into various dimensions including

technology, market, entrepreneurial, and learning orientation. Strategic orientation acts as a symptom of business direction and set up of activities (Wiesen, 2014), the strategic directions are implemented by a firm in guiding activities for superior performance. Strategic orientation is made up by components which organization plans for future and well evaluation of the plan, resulting to organization analyze strategy for future growth compared to actual execution of procedures. Strategic orientation and level of inter functional of a firm influences the ability of the firm in success of new product.

Many organizations have different strategic orientations that vary deeply with regard to internal and external situation they include, resource orientation, market orientation, entrepreneurial orientation and learning orientation (Hakala, 2010); in market orientation places a role in the profitable creation and maintenance of customer value. It raises the need for organization to acquire, spread and respond to market intelligence from the current and potential competitors. Organization with technology is capable and willing to acquire an essential technological background and utilize in the development of new products. Organization has strong commitment to research and development, technology orientation builds new technical solutions and offer new products to target customer needs.

The entrepreneurial orientation in organizations helps to adjust operations in dynamic competitive environments. It changes and shapes the environment for organization resources to exploit uncertain opportunities through new and creative ideas result to changes in the market. Organizations with strategic orientation are able and willing to act anticipatory to environmental opportunities, be aggressive toward competitors, risks

taking and better utilization limited resources. Learning orientation is an important component of organization innovation through obtaining and sharing information about customer needs, market changes, and competitor actions (Holt, 2000). Learning orientation is associated with the development of new ideas, products, and knowledge of an organization.

1.1.3 Organizational Performance

Organizational performance is the productive output of a system in the form of goods or services. Organizational performance is categorized into three: financial performance (profit), internal non-financial performance (productivity) and external non-financial performance (e.g., customer satisfaction) (Swanson, 2000). In financial performance it deals with, return on investment, growth of sales, profit, organization effectiveness, and business performance, other organization value performance through quality service and products, satisfying customers, market performance and service innovations. Researchers in the strategic management field have discussed a variety of models for analyzing performance such as market shares, financial performance, efficiency and effectiveness of an organization performance, and human resource management, hence organization should value employees for better production and performance.

Organization performance requires selection and measuring key variables that can allow the organization to detect and monitor its competitive position in the business. Performance to organization is a function of controllable and uncontrollable variables. Organization performance can be explained in three dimensions of performance: return of investment, margin on sales, capacity utilization, customer satisfaction and product quality (Green, 2007). However performance measurement is important factor for

effective management in enhancing the organizational performance to identify and measure the influence of value in it. Organizational performance can also be used to view how an enterprise is doing in terms of level of profit, market share and product quality in relation to other enterprises in the same industry. Consequently, it is a reflection of productivity of members of an enterprise measured in terms of revenue, profit, growth, development and expansion of the organization.

1.1.4 Retail Sector in Kenya

New York Stock Exchange-listed research firm Nielsen has ranked Kenya Africa's second biggest formalized retail economy after South Africa, in a consumer report that studied five sub-Saharan Africa economies. The survey indicates that 41 per cent of Kenyan shoppers frequent formal retail outlets because of the wide range of products they offer, which they cannot find in the traditional outlets. The retail industry remains vibrant, with supermarket chains expanding beyond Kenya's boundaries. The industry registered improved sales over the review period and accounted for a significant share of the country's GDP. Many factors have led to growth and expansion of retail sector especially supermarket chains like Nakumatt, Tusky's and Naivas. These factors are; Changing lifestyles of Kenyans and increasing urbanization which leads to many malls being constructed hosting mainly retail outlets like Nakumatt, Tusky's and Bata shoe stores, Growing middle class with sophisticated consumers leads to growth of diversified retail outlets, Growing interest by foreign retailers like Spanish clothing retailer Zara leads to increased competition in the local retail sector hence more growth and expansion, increasing demand for convenience, with consumers looking for 'one-stop shops' where they can get everything they need in one place.

Setbacks of growth in retail sector like destruction of Nakumatt's flagship during terrorist attack in West Gate Mall in Nairobi, the bureaucratic challenges associated with establishing a new business in Kenya, retail demand is also sensitive to the rate of inflation and changes in taxation: the extension of value-added tax (of 16%) in September to a number of formerly exempt items raised fears of rising prices and slacker demand and fragmented markets remain a key obstacle for retail sector operations in the country.

1.1.5 Large retail Stores in Kenya

Large retail stores in Kenya play a significant role in the growth of the Kenyan economy. As the economy continues to grow, there is need to create more business opportunities by creating new retail stores and expanding the existing ones (Ndinda, 2012). Over the past few years, there has been unprecedented growth and expansion of the same in the major towns in Kenya. On the other hand some retail stores have closed shops, yet others have reduced the number of their branch networks all over the country (Mathura, 2010). It is true that large African and international retailers such as Shoprite, Woolworths, and Carrefour are making investments in modern trade formats. But traditional outlets will continue to be a significant channel for reaching consumers for some considerable time to come.

The high penetration of modern retail shops is attributed to the presence of strong brands of local outlets, a broader middle income class relative to other African countries, decent transportation network and good governance allowing for ease in importation of goods. While most large retail outlets tend to cherish competition and encourage growth, it is surprising that two third of these firms drop out of the growth curve of the product lifecycle. A significant fraction of these progress to maturity and stagnate shortly before

crashing down. Most of these firms face this trend because retail business is volatile and there is also increasing competition in major markets due to inadequate contingency planning and incompatible growth retail models (Agarwal & Audretsch, 2011). Moreover frequent changes in consumer trends and short business cycles are also some of the challenges in the retail supply chain requiring agile models.

1.2 Research Problem

Day and Lichtenstein (2006) posit that many firms have spent a vast amount of resources in order to improve their competitiveness and sustainability by looking at their internal processes. However, Morgan and Strong (2003) are of the opinion that firms may improve the value of their established performance through their strategic orientation. Strategic orientation has been gaining more attention since it was recognized as the core element to success for many organizations. Gatignon and Xuereb (2007) postulate that strategic orientation is related to creating proper behaviors to achieve superior performance and it focuses on the way a firm adapts to and interacts with its external environments. They further opine that for strategic orientations to be effective, companies must create an internal alignment between organizational features (goals, values, resources, capabilities, structure and systems) and create a fit between the internal organizational and its external environment. This fit depends on the strategic orientation a company has.

Studies that have been done on strategic orientation and its effects on performance include Kohli and Jaworski (1993) study on the market orientation shows a positive effect on performance. Paladino (2007) study established that there was a positive effect

of market orientation on innovation, product quality, and overall performance. On the other hand, Mentzer and Cooper, (2010) shows that market orientation concept involves generating, disseminating, and responding to market intelligence thus considered as effects on both current and future customer needs. Lumpkin and Dess (2006) researched on the relationship between strategic orientation and firm performance of small and medium enterprises in Malaysia. The study established that entrepreneurial and market orientation both have a positive direct effect on superior firm performance, interaction orientation which is a relatively new concept, did not show any significant effect on firm performance.

Locally, studies have been done concerning strategic orientation, for instance on ICT as a strategic orientation for service delivery in the office of the Vice-President and Ministry of Home Affairs (Ougo, 2011). The findings indicated that the adoption of ICT by the ministry result to better service delivery. Organization have advanced in different measures of strategic orientation but not yet discovered the real impact of strategic orientation on the performance in business or organization. Most of the studies focus on specific orientation and disregard considering possibility of interaction functioning as a system. Kaptuya, (2014) study on the role of strategic orientation as a source of competitive advantage at Geothermal Development Corporation in Kenya established that there was effective coordination between the different departments which leads to proper planning and coordination of activities, helps in creating proper understanding among persons, gives the company clear strategic direction, reduces conflicts among functional areas, time management and effective utilization of resources. From the studies that have been undertaken, there is no study that has been undertaken on the

relationships between strategic orientation and organizational performance of large retail stores. This study will therefore seek to answer the question; what is the relationship between strategic orientation and performance of large retail stores in Nairobi?

1.3 Research Objective

The objective of the study was to determine the relationships between strategic orientation and performance of large retail stores in Nairobi.

1.4 Value of the Study

The findings of the study were of value to the theory as it depicts the usage of strategic orientation by the companies and its influence on performance. The findings of the study seek to confirm that organizations try to fit in with the norm by pursuing strategic orientation that validates them as part of the organizational field. It would provide a reference point as well as recommendations on the areas the management of the companies can improve on in order to be competitive in the market.

The study will provide large and retail stores managers, employees and management with information and knowledge concerning strategic orientation. The business oriented people will benefit in proper evaluation of effective and efficient strategies orientation of their business, while be in a position to identify gaps in their strategies enhancing strategic response to effective management and improves performance. The study would also be of benefit to prospective investors in the retail industry in Kenya as it would provide an understanding of the influence that strategic orientation have on the performance of the company. The study will also hopes to make some practical contributions mainly focusing on identifying strategies that can help improve the

performance of large retail stores. It will identify the improvements that the retail stores can adopt to sustain competitive advantage and achieve superior firm performance. It will suggest particular configurations of strategic orientations that can work for retail stores depending on their needs and business conditions. This study will benefit the government and especially the Ministry of Industrialization for making policy decisions and accelerate the rate of growth in the large and retail sector to improve the economy of the country. Academicians can use the information as a reference for future research and compare with other strategic orientation.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the information from other researchers who have carried out their research in the same field of study. The specific areas covered here are theoretical underpinnings, strategic orientation and the effect of strategic orientation on performance.

2.2 Theoretical Foundation of the Study

The theoretical perspective in a research reflects the researcher's theoretical orientation, which is crucial to interpreting the data in a qualitative study, irrespective of whether it is explicitly or implicitly stated. In other words, theoretical perspectives play a role as the filter for focusing and bounding the data to be collected. Several theories are considered to be underpinning the study and include the contingency theory and the open system theory.

2.2.1 Contingency Theory

This research is based on the contingency theory whose proponents are Kast and Rosenzweig (1985). The theory based upon the organismic analogy, views organizations as consisting of a series of interdependent subsystems, each of which has a function to perform within the context of the organization as a whole. This can be related to technology, quality customer service, employees' motivation and marketing strategy that are can be used to as a strategic response to competition by retail stores. Organizational effectiveness is dependent on a fit or match between the type of technology, environmental volatility, the size of the organization, the features of the organizational structure and its information system. Contingency theories are developed from the

sociological functionalist theories of organization structure such as the structural approaches to organizational studies (Reid and Smith, 2000). On other hand contingency theory is regarded as a dominant paradigm in management accounting research (Cadez and Guilding, 2008).

The human subsystem embraces the people in the organization, their leadership, and their motivation. Contingency theory assumes that each of the subsystems is open to a range of variation. Each should be designed so that it is congruent with the others and corresponds to the environment with which it is faced (Mentzer, 2001). The technology used in the organization will also have an important effect upon the subsystems and the organizational structure. Contingency theory additionally rests upon the open systems view that regards the organization as dependent upon the wider environment. The organization and environment are seen as being in a state of mutual influence and interdependence. The marketing strategy performance decides whether it survives or not, and is determined by the way the organization manages its relationship with the environment.

Contingency theorists Kast and Rosenzweig (1985) suggest that a leaner organizational structure and reduced red tape increase flexibility and facilitate the fit between intra-organizational processes and the environment. Economically, a key reason for downsizing is to reduce costs as organizations seek to maximize efficiency Zhang (2000) and business objectives can be best achieved with fewer employees. A modern variation of contingency theory is configuration theory, which states that the fit between contingency and structural variables is limited to just a few configurations or *gestalts*, that is, fits (Miller, 1986). Therefore, contingency theory is concerned with the relationship

between misfit and performance. This provides the explanation of why organizations adopt the structures and there by produce the associations between structural and contingency variables.

2.2.2 Open System Theory

Open Systems Theory (OST) refers to the concept that organizations are strongly influenced by their environment (Bastedo, 2004). OST is a modern systems-based changed management theory designed to create healthy, innovative and resilient organizations and communities in today's fast changing and unpredictable environments. As organizations and communities conduct their business they influence and change their external environments, while at the same time being influenced by external changes in local and global environments in a two way influential change known as active adaptive change (Pfeffer & Salancik, 2003). The environment consists of other organizations that exert various forces of an economic, political, or social nature. The environment also provides key resources that sustain the organization and lead to change and survival (Scott, 2002). Organizations and communities are open systems; changing and influencing each other over time.

To ensure viability a system must have an open and active adaptive relationship with its external environment because a healthy viable open system has a direct correlation with the changing values and expectations over time with its external environment (Pfeffer and Salancik, 2003). This means that if the values and expectations of a certain organization or community are out of sync with those that exist in the external environment then that particular organization or community will eventually become unhealthy and unviable. People too are open systems. Through their actions they influence and change their

external environment, and at the same time are constantly being influenced by changes in the external environment (Scott, 2002). From an employee's perspective, the organization itself is their immediate external environment. The aggregated effect of this influential change between people, their organization and/or community and the external environment is known as socio-ecological (people-in-system-in-environment) change.

2.3 Strategic Orientation

Strategic orientation represents an approach to business and is often divided into various dimensions including technology, market, entrepreneurial, and learning orientations. Thus the concept of strategic orientation is related to creating proper behaviors to achieve superior performance. Laurie, (2006) argued that the strategy is firmly grounded in the notion of reaching an envisioned future state through desired firm growth and is important in futurity as a key dimension of strategic orientation in areas pertaining to forecasting sales, customer preferences and environmental trends.

2.3.1 Market Orientation

Market orientation is the ability to understand and satisfy a customer's needs through firms /organizations seeking to improve skills that create and disperse information valuable to customers and competitors. Firms with market orientation strategy are more innovative and adapt new products, services, and processes. Therefore market orientation functions as a motivational factor that promotes firm innovativeness, success in developmental activities in respect to new product creation and effect on new-product success rates (Baker and Sinkula, 2009). Im and Workman, (2004) point out that market orientated organizations are proactive to satisfy customers and maintain strong, positive

relationships with firm innovativeness and therefore an organization's market orientation change process should be conceptualized as sequential.

Proactive market orientation is important because it implies a forward-looking stance accompanied by innovative or new-venturing activity. Therefore, creative firms should engage in a greater level of information-scanning activities. Thus proactive market oriented involves searching for new information and knowledge. In 21st century market orientation places the highest priority on the profitable creation and maintenance of superior customer value in business firms. The market orientation emphasizes the need for the entire organization to acquire, disseminate, and respond to market intelligence from the firm's target buyers and current and potential competitors (Jaworski and Kohli, 2003).

Ngo and O'Cass (2012) suggest that the impact of market orientation depends on the country in which it is implemented. In less developed countries, managers should anticipate higher payoffs from their marketing orientation perhaps because proactive marketing strategies are generally not practised in developing countries and this could result in greater returns for firms adopting marketing orientation (Ngo and O'Cass, 2012).

Jaworski and Kohli (2003) identified top management, interdepartmental dynamics and organizational systems as the sources of market orientation. Firstly, top management reinforcement can motivate the organization's staff to track changing markets and be more alert to market needs (Jaworski and Kohli, 2003). The leadership capability of a top level manager of the company is the key point of market orientation development (Laurie, 2006). The other source of market orientation is interdepartmental dynamics

which is actually made up of two types: interdepartmental conflict and interdepartmental connectedness (Jaworski and Kohli, 2003). Interdepartmental conflict due to incompatibility of actual or desired responses may contribute to internal communication breakdown and internal competition which will lower the overall market orientation of the organization. On the other hand, interdepartmental connectedness can contribute to greater market orientation, as it encourages information flow and interdependency between departments to coordinate their actions for better marketing practices.

Han, Kim, and Srivastava (2013) noted that the consequences of market orientation, includes consequences on employees, environment and business performance. The effect on employees can lead to organizational commitment as market orientation is able to provide psychological and social benefits to employees when employees from different departments work together for the ultimate goal of satisfying customers. The consequences on environment are explained as the effect on the larger market by the strategies of market orientation such as aggressive advertising or market expansion undertaken by the firm. Finally, business performance refers to rise in sales, profits or market share due to market orientation.

2.3.2 Entrepreneurial orientation

Entrepreneurial orientation consists of both proactive and risk-taking position and this behaviour will be characterized by boldness and tolerance for risk which result to new-market entry and new-product creation. Entrepreneurial orientation can be regarded as an antecedent of firm innovativeness, providing consistent support for firms' innovation activities. Research studies report positive associations between a company's entrepreneurial orientation and the firm approaches strategy formulation, organizational

structure, corporate culture, marketing philosophy, human resource management practices, and control systems, but the management challenges lies in designing work environments that reinforce employee entrepreneurial behavior (Schindehutte, Morris and Kocak, 2008).

The entrepreneurial orientation constructs support, both the fields of entrepreneurship and strategic management. Studies carried out shows three dimensions of entrepreneurial orientation, as innovativeness, risk taking, and proactive: Innovativeness is the fundamental posture of an entrepreneurial organization in terms of developing new products or inventing new processes while risk-taking is associated with the willingness to commit significant resources to opportunities and to take calculated business risks and proactive is perseverance in ensuring initiatives are implemented (Marinoet, 2002). The entrepreneurial-oriented organizations change and shape the environment thus are willing to commit resources to exploit uncertain opportunities, through explore new and creative ideas that lead to changes in the marketplace and do so proactively ahead of the competition in anticipation of future demand (Keh, 2007).

Mckee (2009) noted that entrepreneurial orientation is an important factor for firm performance because entrepreneurial firms are more likely to increase new product development, facilitate new business creation, and reenergize existing operations. Entrepreneurial orientation has also been linked to key organizational outcomes such as innovativeness and strategic flexibility. Entrepreneurial orientation is premised on the assumption that the individual (entrepreneur) possesses certain characteristics of proactiveness, innovativeness, risk-taking, autonomy and competitive aggressiveness.

These characteristics in an entrepreneur together with other organizational factors and environments will constitute the nature of entrepreneurial orientation in the firm.

Proactiveness is defined as a forward-looking perspective characteristic of a marketplace leader that uses its foresight to anticipate future demand and shape the environment (Lumpkin and Dess, 2001). It reflects how an organization reacts to market opportunities, acting with initiative and opportunistically to influence market trends, expectations and demand. A proactive firm is differentiated from a reactive firm by being the first to act (Wiesen, 2014). Basically, innovativeness results from the achievement made by the firm in developing new products, services and processes. It is believed that innovative firms are better performing than their competitors Lumpkin and Dess, 2006). Morgan and Strong (2003) define risk-taking as the tendency of a firm to engage in high-risk projects with the aid of managerial preferences that choose bold actions to achieve a firm's objective. However, Lumpkin and Dess (2006) argue that it is important to note that risk has various meanings depending on the context in which it is applied. Hakala (2010) argued that autonomy is consistent with entrepreneurial independence as autonomy is required to bring a new idea to completion unfettered by the shackles of corporate bureaucracy. Aggressiveness captures the facet of a firm's strategic orientation that, in comparison with its competitors, rapidly deploys resources to improve market position (Clark and Montgomery, 2006). Such a trait is characteristic of the marketing company that seeks first-mover advantage and exhibits a combative posture in exploiting market opportunities.

2.3.3 Interaction Orientation

Interaction orientation is based on the idea that today's interactive market environments require special emphasis on customer service and interaction for the survival and success of a business (Ramani and Kumar, 2008). Ramani and Kumar (2008) argue that interaction orientation will lead to customer-based relational performance and customer-based profit performance which can affect aggregate business-level performance positively. Interaction orientation is a construct focused on interactions at an individual level with customers. It can be implemented on the firm's customer relationship management. Rayport and Jaworski (2005) argue that well-managed interactions are a source of competitive advantage and successful interaction between customer and firm are able to assist firms in product development and consequently increase firm performance.

Ramani and Kumar (2008) summarized the sources of interaction orientation into management-level, firm-level and industry-level characteristics of a business. At the management level, the creativity of customer service practices adopted by managers contributes to interaction orientation. The sources of interaction orientation relating to firm and industry are more suited to large firms as they relate to patents and expertise in outsourcing (firm-level) and institutional pressures and industry environment (industry-level). At the management level, the reward system is argued to have the same effect on interaction orientation as market orientation as managers who stress customer satisfaction and market-oriented behaviour and reward employees that adopt these practices will encourage better customer interaction in the firm. Another management-level source of

interaction orientation is the capability of managers to improve service techniques to interact with customers.

Kaya and Seyrek (2005) suggest that firms with a superior customer orientation gain competitive advantage through the creation and maintenance of customer value. Covin and Slevin (2009) propose that customer relationship management as a factor in improving firm performance. In addition, communication between customer and firm is an advantage for firms for developing organizational capability. Ramani and Kumar (2008) proposed that interaction orientation comprises of four components/ dimensions— customer concept, interaction response capacity, customer empowerment and customer value management. The customer concept refers to the capacity of a firm to deliver any kind of advantage to the customer. A seller can create value for the buyer by increasing benefits to the buyer for the cost charged on the buyer and by decreasing the buyer's cost in relation to the buyer's benefit. The customer concept corresponds with Day and Wensley (2010) notion of customer orientation as a seller's action to comprehend and cater to a buyer's entire value chain constantly. For customer-based profit performance, Ramani and Kumar (2008) used three indicators to measure customer-based profit performance like identification of profitable customers, acquisition and retention of profitable customers, and conversion of unprofitable customers to profitable ones.

Kirca, Jayachandran, and Bearden (2005) noted that interaction response capacity refers to the ability of a firm for fostering successful interactions with customers and the firm's ability to respond to diverse customers differently. Employees at the frontline of serving customers need to adapt to individual customer needs as well as be proficient in after-sale service. As Treacy and Wiersema (2003) note, customers no longer judge the value of a

product based on its price and quality alone but they look forward to certain convenience of purchase and after-sales service. According to Ramani and Kumar (2008), customer empowerment allows customers to connect with the firm and collaborate with each other by sharing information, criticism and suggestions. Customer value management is identified as the ability of the firm to measure and define its individual customer value and to use it as a guideline to marketing resource allocation decisions (Hurley and Hult, 2008). Customer data can be used to analyze individual customer value in order to provide good sales strategies that can then return revenues or profits to the firm. These kinds of customer data or data analytic techniques facilitate the capacity and calculation (prediction) of customer based revenue and profits

2.4 Effect of Strategic Orientation on Organizational Performance

A key trait of any successful business is its ability to continually improve their product offerings and adopt the most cutting-edge marketing techniques. These traits can be subsumed under the concept of innovation. Innovation enables businesses to improve the quality of their products or services, differentiate themselves from competitors and contribute to superior firm performance in the long run (O'Donnell and Cummins, 2005). The owner or manager must be able to manage the process of innovation right from opportunity recognition to the delivery of the end product or service. Rhee (2010) add that other factors such as marketing clout, financial resources, production capabilities might moderate the strength of innovation strength. He argues that innovation can enable organizations to improve their overall performance and transform them into corporate entities with the ability to expand and compete internationally. Incorporating the right mix of strategies to boost innovation can enable firms to attract more customers and

increase sales. Organizations can renew themselves through innovative strategies, adjust to new business environments and even move into new areas of business.

The entrepreneurial orientation is needed for an organization to survive and achieve its goals. Previous empirical research (Rhee, 2010) shown that entrepreneurial orientation is an important factor for firm performance. Firm innovativeness has emerged as a key factor related to the acquisition of sustainable types of competitive advantages. Organization/firms with strategic orientation are willing to act proactively relative to environmental opportunities, be aggressive toward competitors, take risks and utilize their limited resources better. The availability of resources in organization /firms allows them to experiment with proactive, risky and aggressive strategies that might not be approved in a resource-constrained environment by using better ways; more efficient, more effective than rival firms is considered as a major component in gaining competitive advantage. A unique configuration of the capabilities will strengthen their source of competitive advantage and encounter the barriers for organization/firm.

The environmental changes in the market require the organization to increase their market intelligence efforts to enable the implementation of new strategies which prefer customer demands and offer them better value in terms of additional benefits and/or lower prices, through achieving customer satisfaction and loyalty in the long run. Firm organization should provide a unique blend of product, service, price, distribution, and communication elements. Strategic assists customer and competitor oriented firms/organization in developing appropriate marketing capabilities for the actual deployment of chosen strategic behaviors into the marketplace (Morgan, 2009). The

process of actual implementing strategies in the marketplace both requires and facilitates the development of appropriate marketing capabilities. Slater, (2012) found that organization pursue cost reduction to achieve competitive advantage and therefore contribute to the process improvement through cost reductions and increased performance. Cost-orientation places a high level of in-depth knowledge regarding the costs of providing products and services to the market by lowering; average and marginal costs are the benefits of this type of strategic orientation.

Kirca, Jayachandran, and Bearden (2005) argued that availability of resources is likely to influence firm's decision to enter and compete in a new business to exploit an opportunity. An opportunity, per se, has little or no intrinsic value, it is only through the process of exploitation of resources through appropriate strategy that brings opportunity to fruition through its introduction in the marketplace—is the firm able to capture the opportunity's potential contribution to firm's growth (Hakala, 2010). Market oriented organizations tend to constantly restructure departmental resources to optimize customer value. Therefore, it is more likely that firms with a market orientation will possibly be more innovative and adapt new products, services, and processes. For instance, market orientation functions as a motivational factor that promotes firm innovativeness. Im and Workman (2004) noted that market orientation plays an important part in firm innovation success. They also argue that market-oriented organizations are proactive to satisfy customers and maintain strong, positive relationships with firm innovativeness.

2.5 Summary and Research Gaps

The large retail stores compete in a market where rivalry is intense with an overabundance of brands and sub brands occupying both the lower and upper tiers of the price continuum. Kenya, given its diverse population base, wealth of natural resources and highly marketable and exploitative factors of endowment – provides an opportunity to improve the overall value of the brands to its shareholders and equity partners. Significant economies of scale and scope can be gained in this developing country, especially where the need exists to maximize productivity and profitability. The maximization of profitability in the sector depends to a large extent on strategic orientation. The retail business in Kenya is mostly practiced in different counties, while Nairobi holds the highest population in the retail business. High competition is noted in the county which makes business to develop strategic orientation to meet competitive advantage.

Globally a number of studies have been done concerning the effects of strategic orientation on performance. Although there have been some studies on this subject, they have considered the effect of entrepreneurial orientation and market orientation independently. The studies further have been conducted in developed countries, it is misleading to assume the homogeneity of strategic orientations in different national contexts as the sampling variance is low and suggests that there are possibly moderators influencing its effect on firm performance that are specific to a certain locale. There should be a study to incorporate the three constructs of market, entrepreneurial and interaction orientation in a cohesive framework. It is expected that the approach should outline a more realistic picture of strategic orientation as different strategic actions within

a firm are generally taken in cohesion with each other. The study should also provide a framework that is more effective than a single strategic orientation that is often used in most research. There should be a study that is devoted to the subject that will also study a combination of strategic orientation constructs and their effect on performance of large retail stores in Nairobi.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents a summary of information regarding the methodologies that was used in this study. The chapter also describes the research design, target population, data collection instruments and the techniques for data analysis that were used.

3.2 Research Design

A research design denotes the methodology that the study uses to accomplish the intended objectives. The study used descriptive cross sectional research design which describe or define a subject, by creating a profile of large and retail stores through the collection of data and tabulation of the frequencies on research variables or their interaction (Cooper & Schindler, 2003). This cross sectional design was believed to be appropriate because it described relevant aspects of a phenomenon of interest in a particular situation at the same time period during the study.

A cross sectional study looks at data collected across a whole population to provide a snapshot of that population at a single point in time. Descriptive cross sectional design method provides quantitative data from the chosen population. This design provided further insight into research problem by describing the variables of interest. Best and Kahn (2002) asserts that descriptive cross sectional design involves describing, recording, analyzing and interpreting condition that exists.

3.3 Population of the study

The population of the study comprised of large retail stores in Nairobi. According to the licensing department list in Nairobi County, the study choose 23 large retail stores in

Nairobi (Appendix II) that was the target population as they offered specific and unique goods and services to their target markets. Since the population size was small, the study was a census.

3.4 Data Collection

The study used primary data which was collected through self-administered questionnaires. The questionnaires were administered by the researcher using the drop and pick later method. The questionnaire consisted of closed ended questions designed to elicit specific responses for qualitative analysis. A Likert scale was also used for close – ended questions. A questionnaire was chosen since it acts as a useful tool for collecting data from respondents because of the need to provide a means of expressing their views more openly and clearly. The questionnaire was made up of three parts; Part A consisted of the demographic information of the respondent, Part B dealt with the strategic orientation practices being employed in the firm while Part C seek to establish the effect of strategic orientation on performance of large retail stores.

3.5 Data Analysis

The data collected was analyzed using descriptive statistics (measures of central tendency and measures of variations). Once the data was gathered, the questionnaires were altered for accuracy, consistency and completeness. The data was cleaned to eliminate discrepancies and thereafter, classified on the basis of similarity then tabulated before final analysis performance. The responses were coded into numerical form to facilitate statistical analysis. The descriptive statistics data analysis method was used to analyze quantitative data through calculating the percentages and means specifically for the purpose of analyzing the quantitative data and presenting it in form of table and charts.

Regression analysis was used to assess the effects of strategic orientation on performance of large retail stores. The regression model used was given below:

$$y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

Where y = Organizational performance,

α = Constant term,

β = Beta coefficients,

X_1 = Market Orientation

X_2 = Entrepreneurial Orientation

X_3 = Interaction Orientation

ϵ = Error term.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the analysis, findings and discussion. The findings are presented in percentages and frequency distributions, mean and standard deviations. A total of 30 questionnaires were issued out and only 22 were returned. This represented a response rate of 73%.

4.2 Demographic Characteristics

The demographic information considered in the study was respondents' length of service with the organization, duration of retail store existence, number of employees and the number of outlets the retail stores have in Kenya.

4.2.1 Length of service

The number of years one has worked within an organization gives understanding about the inner workings of the institutions.

Table 4.1: Length of service

Years	Frequency	Percent	Cumulative Percentage
Less than 5	2	9.1	9.1
5 - 10	15	68.2	77.3
Over 10	5	22.7	100.0
Total	22	100.0	

The findings on table 4.1 revealed that 68.2% of the respondent have worked at large retail stores for a period of between 5 and 10 years, 22.7% of the respondents indicated that they have worked in the retail stores for more than 10 years while 9.1% of the respondents said that they have worked in the retail stores for a period of less than 5 years. This show that majority of the respondent have worked at the large retail stores for a period of 5 or more years and have enough understanding of the company’s working and operations.

4.2.2 Duration of retail store operation

The duration of retail store operation indicates an understanding of the sector and the strategies to be adopted in order to achieve competitive advantage over competitors.

Table 4.2: Duration of retail store operation

Years	Frequency	Percent	Cumulative Percentage
6 – 10	3	13.6	13.6
11 – 15	1	4.5	18.2
16 – 20	7	31.8	50.0
Over 25	11	50.0	100.0
Total	22	100.0	

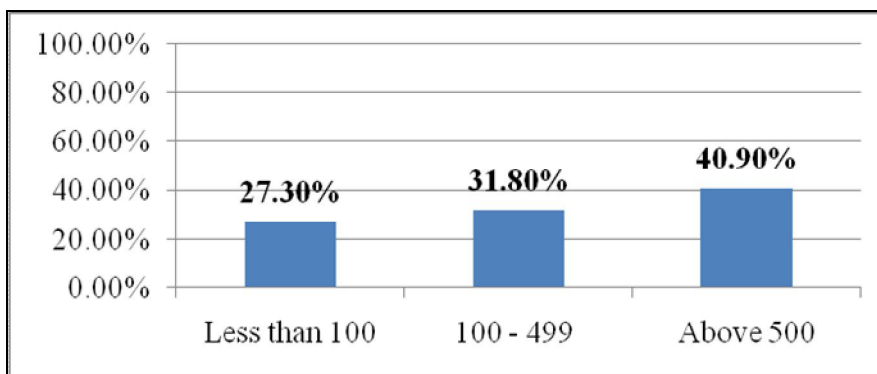
The results on table 4.2 showed that 50% of the respondents said that the companies have been in operation for more than 25 years, 31.8% of the respondents indicated the retail store duration of operation to be between 16 and 20 years, 13.6% of the respondents said that the retail stores have been in operation for 6 to 10 years while 4.5% of the respondents said that the retail store duration of operation was between 11 and 15 years.

The results indicate that majority of the large retail stores have been in operation in Kenya for more than 10 years and therefore they understand the local market trends and the need of strategic orientation in the sector in order to have competitive advantage over competitors.

4.2.3 Number of Employees

The respondents were requested to indicate the number of employees in the retail stores. The number of employees in the company indicates the size of the company and market coverage.

Figure 4.1: Number of Employees



The findings on figure 4.1 indicate that 40.9% of the respondents said that the retail stores have above 500 employees, 31.8% of the respondents said that the number of employees in the retail stores was 100 to 499 while 27.3% of the respondents indicated the number of employees in the retail stores to be less than 100. The results show that the number of employees in the companies differs and this can be attributed to the scale of operations of the companies.

4.2.4 Number of outlets

The number of outlets the retail store has is an indicator of its size and the market share it commands as it competes in the sector.

Table 4.3: Number of outlets

Number of outlets	Frequency	Percent	Cumulative Percentage
Less than 10	14	63.6	63.6
10 – 49	7	31.8	95.5
Above 50	1	4.5	100.0
Total	22	100.0	63.6

The results on table 4.3 on the number of outlets show that 63.6% of the retail stores have less than 10 outlets, 31.8% of the retail stores were indicated as having between 10 and 49 outlets while 4.5% of the stores were said to be having more than 50 outlets. The results show that the number of outlets the retail stores have differs and this can be attributed to financial outlay the stores have which can support expansion and the store strategy.

4.3 Strategic Orientation

Strategic orientation acts as a symptom of business direction and set up of activities, the strategic directions are implemented by a firm in guiding activities for superior performance. The respondents were requested to indicate the influence of strategic orientation on performance of large retail stores in a five point Likert scale. The range was 'not at all (1)' to 'very great extent' (5). The scores of not at all and small extent have been taken to represent a variable which had a mean score of 0 to 2.5 on the continuous Likert scale. The scores of 'moderate extent' have been taken to represent a

variable with a mean score of 2.5 to 3.4 on the continuous Likert scale and the score of both great extent and very great extent have been taken to represent a variable which had a mean score of 3.5 to 5.0 on a continuous Likert scale. A standard deviation of >0.9 implies a significant difference on the impact of the variable among respondents.

4.3.1 Market Orientation

The respondents were requested to indicate the role played by market orientation on the competitiveness of the large retail stores. The results are presented in table 4.4.

Table 4.4: Market Orientation

Market orientation	Mean	Std. Deviation
The retail store continually monitor customers and competitors to find new ways to improve customer satisfaction	4.6364	.4923
The store freely communicate information about our successful and unsuccessful customer experiences with our staff	3.8182	1.1806
Marketing personnel in our business unit spend time discussing customers future needs with other functional departments	4.0909	.9211
The retail store strategy for competitive advantage is based on our understanding of the customer's need	4.3636	.9021
The firm survey end-users at least once a year to assess the quality of our products and services	4.2273	.8125
The store is more customers focused than our competitors	3.9545	1.2527
The retail store business objectives are driven primarily by customer satisfaction	4.2943	1.0319

The retail store have regular measures of customer service	4.1174	1.0690
In this business, data about customer satisfaction is disseminated at all levels on a regular basis	4.1385	1.0690
The retail store periodically review the likely effect of changes in our business environment (e.g. regulation) on customers	4.2727	.9847
Data on customer satisfaction are disseminated at all levels in this business unit on a regular basis	4.0642	.8679

The results on table 4.4 indicate that the respondents were in agreement on all the factors to a great extent. They were in agreement that the retail stores continually monitor customers and competitors to find new ways to improve customer satisfaction with a mean score of 4.63. They further indicated that the retail store strategy for competitive advantage is based on the customer's need (mean = 4.36); business objectives being driven primarily by customer satisfaction (mean = 4.2943); periodic review of the likely effect of changes in business environment on customers (mean = 4.2727); survey of end-users to assess the quality of store products (mean = 4.2273) and that that the data about customer satisfaction is disseminated at all levels on a regular basis (mean = 4.1385).

The study further established that the retail store have regular measures of customer service (mean = 4.1174); marketing personnel spend time discussing customers future needs with other functional departments (mean = 4.0909); dissemination of data on customer satisfaction at all levels in this business unit on a regular basis (mean = 4.0642); focusing more on customers than competitors (mean = 3.9545) and freely communication of information about successful and unsuccessful customer experiences with the staff

(mean = 3.8182). From the results, it can be concluded that market orientation enables the retail stores to focus on ensuring that the customers are satisfied through review of business strategy, competitor analysis, customer future needs discussion, dissemination of data on customer satisfaction at all levels.

4.3.2 Entrepreneurial Orientation

The respondents were requested to indicate the entrepreneurial decisions that have been made by the retail store in order to achieve competitive advantage over its competitors.

Table 4.5: Entrepreneurial Orientation

Entrepreneurial Orientation	Mean	Std. Deviation
The retail store have launched many new products/services on the market in the recent past	4.4545	.9116
The changes introduced in the retail store product/services are usually important	3.9545	1.1329
The retail store usually beat our competitors in developing innovative actions	3.7727	1.1097
The retail store usually adopt an aggressive attitude towards our competitors	4.3182	1.0413
The retail store tend to carry out risky projects when they involve profitable opportunities	3.5909	1.1405
When uncertainty is high, we adopt a brave and aggressive attitude to exploit possible opportunities	4.2727	.9847
The retail firm periodically review our product development effort to ensure that they are in line with what customers want	4.1818	.9069

The results in table 4.5 indicate that the large retail stores have used entrepreneurial orientation in order to ensure that they compete effectively with other retail stores. The

use of entrepreneurial orientation was achieved through launching many new products in the market in the recent past (mean = 4.4545); adopting an aggressive attitude towards our competitors (mean = 4.3182); adopting a brave and aggressive attitude to exploit possible opportunities (4.2727); periodically reviewing product development effort to ensure that they are in line with what customers want (mean = 4.818); introducing changes in the retail store products (mean = 3.9545); developing innovative actions (3.7727) and carrying out risky projects when they involve profitable opportunities (mean = 3.5909). From the results, it can be concluded that the retail stores aggressiveness has enabled them to launch new products, exploiting opportunities that come their way, developing innovative actions and taking risks.

4.3.3 Interaction Orientation

Today's interactive market environments require special emphasis on customer service and interaction for the survival and success of a business. The results on the use of interaction orientation in the retail stores are presented in table 4.6.

Table 4.6: Interaction Orientation

Interaction Orientation	Mean	Std. Deviation
This firm believes that every customer cannot be satisfied with the same set of products and services	4.4091	.9081
This firm consciously seeks to identify and acquire new customers individually	3.9276	.8527
This firm believes that customer reactions to marketing action should be observed at the individual level	4.2273	1.0203

This firm has systems in place that record each customer's transactions	3.9545	1.1329
This firm encourages customers to give feedback about its products and services	4.0909	.9714
This firm encourages customers to share opinions of its product or services with other customers	4.3182	.9454
This firm encourages customers to participate interactively in designing products and services	4.2273	.8691

The results in table 4.6 show that the retail stores believes that every customer cannot be satisfied with the same set of products and services (mean = 4.4091); encourages customers to share opinions of its product or services with other customers (mean = 4.3182); believes that customer reactions to marketing action should be observed at the individual level (mean = 4.2273); encourages customers to participate interactively in designing products and services (mean = 4.2273); encourages customers to give feedback about its products and services (mean = 4.0909); recording each customer's transactions (mean = 3.9545) and identifying and acquiring new customers individually (mean = 3.9276). The results show that the retail stores value interaction orientation as it enables them to understand the customers' needs thus coming up with products that will give the store a competitive edge over its competitors.

4.4 Performance Measures

The respondents were requested to indicate the effect of strategic orientation on performance of the retail stores. This was important for the study in order to determine whether strategic orientation has an effect on the performance of the stores.

Table 4.7: Performance Measures

Performance measures	Mean	Std. Deviation
Increase in market share	4.5909	.9081
Increase the profits of the outlet	4.3182	.8930
Increased company sales volume	4.4091	.9512
Increased customer satisfaction	4.2273	1.0660
Efficiency in serving customers	4.5000	.6725
Enhanced organization relationship with its customers	4.5455	.7385

The results in table 4.7 indicate that strategic orientation affects the performance of large retail stores as it increases market share (mean 4.5909); enhance organization relationship with its customers (mean = 4.5455); efficiency in serving customers (mean 4.50); increase sales volume (mean = 4.4091); increase profits of the store (mean = 4.3182) and that it increases customer satisfaction (mean 4.2273). From the results, strategic orientation influence performance of the large retail stores as it increases market share, relationship with customers, efficiency in serving customers, sales volume, profits and customer satisfaction.

4.5 Relationship between Strategic Orientation and Performance

The relationship between strategic orientation (market, entrepreneurial and interaction) on large retail stores performance was tested by using linear regression analysis, based on the regression model presented. The following show the model summary, ANOVA and coefficients of regression.

Table 4. 8: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.908 ^a	.825	.783	.65323

a. Predictors: (Constant), market, entrepreneurial and interaction

The three independent variables that were studied, explain only 78.3% of the performance of large retail stores as represented by the R squared in table 4.8. This therefore means that other factors not studied in this research contribute 21.2% of the performance of large retail stores. R is the correlation coefficient which shows the relationship between the study variables, from the findings shown in the table above there was a strong positive relationship between the study variables as shown by .908.

Table 4. 9: ANOVA Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.534	3	1.267	54.455	.024 ^a
	Residual	9.307	18	2.327		
	Total	11.841	21			

The significance value in table 4.9 is .024 which is less than 0.05 thus the model is statistically significant in predicting how market orientation, entrepreneurial orientation and interaction orientation affect the performance of large retail stores. The F critical at 5% level of significance was 3.23. Since F calculated is greater than the F critical (value = 54.455), this shows that the overall model was significant.

Table 4. 10: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.121	1.223		2.917	.0367
	Market orientation	.210	.104	.157	3.081	.0188
	Entrepreneurial orientation	.180	.145	.087	2.578	.0267
	Interaction orientation	.396	.204	.155	2.960	.0451

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.121	1.223		2.917	.0367
	Market orientation	.210	.104	.157	3.081	.0188
	Entrepreneurial orientation	.180	.145	.087	2.578	.0267
	Interaction orientation	.396	.204	.155	2.960	.0451

a. Dependent Variable: employees

From the data in table 4.10, the generated table was

$$Y = 1.121 + 0.157 X_1 + 0.087 X_2 + 0.155 X_3$$

According to the regression equation established, taking all the three strategic orientation constructs into account constant at zero, performance of large retail stores will be 1.121. The data findings analyzed also shows that taking all other independent variables at zero, a unit increase in interaction orientation will lead to a 0.155 increase in performance of large retail stores; a unit increase in market orientation will lead to a 0.157 increase in performance of large retail stores and a unit increase in entrepreneurial will lead to a 0.087 increase in performance of large retail stores. This infers that interaction orientation contribute more to the performance of large retail stores followed by market orientation then entrepreneurial orientation.

At 5% level of significance and 95% level of confidence, interaction orientation had a 0.045 level of significance, market orientation showed a 0.0188 level of significant and entrepreneurial orientation showed a 0.0267 level of significant hence the most significant factor is interaction orientation. The t critical at 5% level of significance at $k = 3$ degrees of freedom is 2.245. Since all t calculated values were above 2.245 then all the variables were significant in explaining the performance.

4.6 Discussion

To survive in the dynamic environment, organizational strategies need to focus on their customers and dealing with emerging environmental changes in its operating environment. A customer therefore is core to an organization and ought to be satisfied with the products of the organization for it to succeed in an ever changing environment. Many firms have spent a vast amount of resources in order to improve their competitiveness and sustainability by looking at their internal processes. However, firms may improve the value of their established performance through their strategic orientation. The study established that market orientation enables the retail stores to focus on ensuring that the customers are satisfied through review of business strategy, competitor analysis, customer future needs discussion, focusing more on customers than competitors and dissemination of data on customer satisfaction at all levels. The results of the study was found to be consistent with Im and Workman, (2004) findings that market orientated organizations are proactive to satisfy customers and maintain strong, positive relationships with firm innovativeness and therefore an organization's market orientation change process should be conceptualized as sequential. Han, Kim, and Srivastava (2013) noted that the consequences of market orientation, includes consequences on employees,

environment and business performance. The effect on employees can lead to organizational commitment as market orientation is able to provide psychological and social benefits to employees when employees from different departments work together for the ultimate goal of satisfying customers.

An accepted position among business executives is that external factors such as competition situation, customer needs and market size are key success factors in the communication industry. Therefore it is a key function among the top leadership of a business unit to come up with appropriate strategies to capture opportunities presenting itself in the market and at the same time limit any threats present in the market. The entrepreneurial orientation constructs support, both the fields of entrepreneurship and strategic management. Rauch et al. (2009) argue that entrepreneurial orientation has received worldwide acceptance for the richness of its conceptual meaning and the relevance of the construct to actual firm performance. This was found to be consistent with the findings of the study which established that entrepreneurial orientation enables the retail stores to launch new products in the market, adopt aggressive attitude towards competitors, reviewing periodically product development to ensure that they are in line with what customers want, developing innovative actions, and carrying out risky projects when they involve profitable opportunities. Mckee (2009) noted that entrepreneurial orientation is an important factor for firm performance because entrepreneurial firms are more likely to increase new product development, facilitate new business creation, and reenergize existing operations.

Firms should adjust to market dynamics caused by competitors and better understand the changing market needs since the objective of interaction oriented firm is to keep pace

with or remain ahead of competitors. The ability of a firm to offer superior product/service offering, competitive pricing strategy, differentiated channel management can be supported better by high levels of interaction orientation which can lead to superior firm performance. The results on interaction orientation was that every customer cannot be satisfied with the same set of products and services and therefore the stores encourages customers to share opinions on the firm products and encourages customers to participate interactively in designing products, thus enabling the firms to understand the customers' needs thus coming up with products that will give the store a competitive edge over its competitors. The findings of the study was found to be consistent with Rayport and Jaworski (2005) argue that well-managed interactions are a source of competitive advantage and successful interaction between customer and firm are able to assist firms in product development and consequently increase firm performance.

A key trait of any successful business is its ability to continually improve their product offerings and adopt the most cutting-edge marketing techniques. These traits can be subsumed under the concept of strategic orientation. Kirca, Jayachandran, and Bearden (2005) argued that availability of resources is likely to influence firm's decision to enter and compete in a new business to exploit an opportunity. An opportunity, per se, has little or no intrinsic value, it is only through the process of exploitation of resources through appropriate strategy that brings opportunity to fruition through its introduction in the marketplace—is the firm able to capture the opportunity's potential contribution to firm's growth. Market oriented organizations tend to constantly restructure departmental resources to optimize customer value. Therefore, it is more likely that firms with a market orientation will possibly be more innovative and adapt new products, services, and

processes. This was found to be consistent with the findings of the study which established that strategic orientation result in increased market share, relationship with customers, efficiency in serving customers, sales volume, profits and customer satisfaction.

CHAPTER FIVE

SUMMARY, CONCLUSION, LIMITATIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter is outlined into summary of the findings, conclusions, recommendations, limitations of the study and suggestions for further research.

5.2 Summary of Findings

The strengths of an organization are grounded in its resources, capabilities and competencies that help accompany attain competitive advantage based on-superior efficiency, strategic orientation, and quality and customer responsiveness. The study found out that the large retail stores have incorporated strategic orientation in order to create the proper behaviors for the continuous superior performance of the business. Strategic orientation was achieved through market orientation, entrepreneurial and interaction orientation. Market orientation was found to have enabled the retail stores to focus on ensuring that the customers are satisfied through review of business strategy, competitor analysis, customer future needs discussion, focusing more on customers than competitors and dissemination of data on customer satisfaction at all levels.

The strategic orientation and the level of entrepreneurial coordination of a firm influence the ability of the firm to take advantage of a new product to make it successful. The entrepreneurial orientation enables the retail stores to launch new products in the market, adopt aggressive attitude towards competitors, reviewing periodically product development to ensure that they are in line with what customers want, developing innovative actions, and carrying out risky projects when they involve profitable

opportunities. One of organization's most revered axioms is that to be successful, the organizational product must satisfy some need or desire in the marketplace. The interaction orientation was found to have been used by the large retail stores to encourage customers to share opinions on the firm products and encourage customers to participate interactively in designing products, thus enabling the firms to understand the customers' needs thus coming up with products that will give the store a competitive edge over its competitors. In order to improve their competitiveness and sustainability, the retail stores were found to have improved their performance through strategic orientation as the study found out that the firms have witnessed increased market share, relationship with customers, efficiency in serving customers, sales volume, profits and customer satisfaction.

5.3 Conclusion

Today's consumers are highly knowledgeable and demanding. For the large retail stores to succeed in the competitive environment, they have to be responsive to the needs and wants of their target customers better than competitors. This call for retail stores to be market, entrepreneurial and interactive oriented. The study concludes that strategic orientation influence the performance of the large retail stores positively as it result in increased market share, relationship with customers, efficiency in serving customers, sales volume, profits and customer satisfaction. The level of adoption of each of the three components of market-orientation positively influences the level of large retail stores performance

5.4 Limitations of the Study

As with any research there are some limitations in this study and this section attempts to identify them. These limitations are as follows:

There are limitations about the objectivity of data gathered from survey questionnaire methods. Although this study took all the precautionary steps to reduce the possibility of response bias and applied the procedural remedies, there may still be some bias in the responses generated from the survey.

This study focused on the situation of the service sector large retail stores in Kenya. The specificity of its focus could be considered a positive as well as a limitation. It means that the results from the study are perhaps not generalizable for large retail stores in the other sectors in Kenya. Also, Kenya is a developing country, where the dimensions of organizational culture and beliefs are localized and distinct from a global business culture. This means that the results derived here in this study may be influenced by specific national and organizational culture dimensions in Kenya and not applicable to other national or cultural contexts

5.5 Recommendations

The study found out that market orientation enables the large retail stores to improve their performance, it is recommended that the stores should adapt and develop their market orientation in line with the conditions in the business environment, and with their internal capabilities of market oriented innovation, as they are able to exploit the full potential of a market orientation and achieve superior financial performance. The findings help the large retail stores to refine the order of the effects that ultimately results in organization

profitability, thereby providing a strong indication that it may be difficult to track the extent to which market orientation contributes to the profitability and that effects should be tracked and measured on other dimensions such as rate of innovation and customer satisfaction.

The study found out that market orientation influences company operations and it is recommended that it is important for the companies to develop and sustain a market-oriented organizational culture. In addition to directly affecting firm performance, a strong market orientation contributes to both incremental and radical innovation, helping to balance the firm's portfolio of offerings and achieve continuous success while reducing risk. A strong market orientation may also influence the decisions of new product development teams and other organizational gatekeepers that are critical to the success of radical innovations.

The study found out that entrepreneurial orientation was the most significant dimension of strategic orientation. This finding could provide a roadmap for the order in which strategic orientations need to be applied in any firm. For large retail stores, entrepreneurial orientation can play a major role in determining the survival and success of the firms. After entrepreneurial orientation is established, firms need to understand and establish market orientation to adopt the best marketing techniques that are able to counter challenges of changing customer preferences and product offerings from competitors.

The study established that interaction orientation influence the performance of the retail stores. It is therefore recommended that firms would do well to develop interaction

coordination capabilities, which will support the competitive behavior of innovativeness. This combination will help the retail stores be truly effective in developing greater performance in a highly competitive market place. Therefore, management should develop structures and procedures to promote connections throughout the organization with an eye to innovation.

5.6 Suggestion for further research

The study was undertaken on the effect of strategic orientation on performance of large retail stores. Future research in this area should consider a longitudinal study where firms are asked to operationalize certain orientations over a period of time and then the firm performance is measured before and after such a trial period. Such a longitudinal study with diachronic measurement of firm performance will provide more objective as well as substantive data about the actual effect of specific strategic orientations.

Future studies should also consider the effect of interaction orientation on innovation success. Even if interaction orientation does not directly deliver superior firm performance, it may still lead to innovation success in terms of improved customer and service value. It can also be asked how this result of innovation success from interaction orientation fails to translate itself into the final result of firm performance and actions may be proposed to remedy this.

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APPENDIX I: QUESTIONNAIRE

Section A: Demographic Characteristics

1. Name of the large retail store (Optional).....

2. Length of continuous service with the large retail store?

a) Less than five years ()

b) 5-10 years ()

c) Over 10 years ()

3. How long has your retail store been in operation in Kenya?

a) Under 5 years () b) 6 – 10 years ()

c) 11 – 15 years () d) 16 – 20 years ()

e) Over 25 years ()

4. How many employees are there in your retail store?

a) Less than 100 ()

b) 100 – 499 ()

c) Above 500 ()

5. How many outlets does your retail store have in Kenya?

a) Less than 10 ()

b) 10 – 49 ()

c) Above 50 ()

Section B: Strategic Orientation Constructs

6. To what extent has the following strategic orientation constructs been used by your retail store to improve its performance? Use 1-Not at all, 2-Small extent, 3-Moderate extent, 4-Great extent and 5-Very great extent.

Market Orientation Items	1	2	3	4	5
The retail store continually monitor customers and competitors to find new ways to improve customer satisfaction					
The store freely communicate information about our successful and unsuccessful customer experiences with our staff					
Marketing personnel in our business unit spend time discussing customers future needs with other functional departments					
The retail store strategy for competitive advantage is based on our understanding of the customer's need					
The firm survey end-users at least once a year to assess the quality of our products and services					
The store is more customers focused than our competitors					
The retail store business objectives are driven primarily by customer satisfaction					

The firm measure customer satisfaction systematically and frequently					
The retail store have regular measures of customer service					
I believe this business primarily exists to serve customers					
In this business, data about customer satisfaction is disseminated at all levels on a regular basis					
The retail store periodically review the likely effect of changes in our business environment (e.g. regulation) on customers					
Data on customer satisfaction are disseminated at all levels in this business unit on a regular basis					
Entrepreneurial Orientation Items					
The retail store have launched many new products/services on the market in the recent past					
The changes introduced in the retail store product/services are usually important					
The retail store usually beat our competitors in developing innovative actions					
The retail store usually adopt an aggressive attitude towards our competitors					
The retail store tend to carry out risky projects when they involve profitable opportunities					

When uncertainty is high, we adopt a brave and aggressive attitude to exploit possible opportunities					
The retail firm periodically review our product development effort to ensure that they are in line with what customers want					
Interaction Orientation Items					
This firm believes that every customer cannot be satisfied with the same set of products and services					
This firm consciously seeks to identify and acquire new customers individually					
This firm believes that customer reactions to marketing action should be observed at the individual level					
This firm has systems in place that record each customer's transactions					
This firm can identify all transactions pertaining to each individual customer					
This firm encourages customers to give feedback about its products and services					
This firm encourages customers to share opinions of its product or services with other customers					
This firm encourages customers to participate interactively in designing products and services					

Section C: Performance Measures

7. To what extent has the following performance indicators been affected by strategic orientation in your retail firm? Use 1- Very low extent, 2-Low extent, 3-Moderate extent, 4- Great extent, 5- Very great extent.

Performance indicators	1	2	3	4	5
Increase in market share					
Increase the profits of the outlet					
Increased company sales volume					
Increased customer satisfaction					
Efficiency in serving customers					
Enhanced organization relationship with its customers					

APPENDIX II: LIST OF LARGE RETAIL STORES IN NAIROBI

1. City walk shoe stores
2. Nairobi Java House
3. Kenchic Inn/ southern fries chicken limited
4. Bata shoe company limited
5. Deacons shops
6. Textbook centre
7. School outfitters limited
8. Uniform distributors limited
9. Safaricom retail shops
10. Victoria furniture shops limited
11. KFC outlets
12. Angelo stores
13. African curio shops
14. Subway Kenya restaurant
15. Mc fries outlets
16. Art café outlets
17. Furniture palace stores

18. House of leather stores
19. African leather outlets.
20. Airtel retail stores.
21. Yana tyres outlets
22. Michelin tyres outlets
23. Hotpoint appliances shops