THE PERCEIVED EFFECTS OF THE THREE COMPONENTS OF MARKET ORIENTATION ON THE PERFORMANCE OF TOUR FIRMS IN KENYA[1]

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Abstract

The principal objective of the study reported in this article was to empirically assess the perceived direct effects of the three components of Market Orientation namely Customer Orientation, Competitor Orientation, and the Inter-functional Coordination on Performance of Tour Firms in Kenya. The relevant primary data were gathered from Chief Executives and Senior Managers of the One hundred and four (104) Tour Firms registered with the Kenya Association of Tour Operators (KATO) using a semi-structured questionnaire.

The results of the study revealed that the direct effects of the three components and the composite scores of Market Orientation were all statistically significant. First, the beta coefficient for Customer Orientation was 0.607 and this was highly statistically significant (p-value=.000).This variable also explained 36.8% of the variation in firm performance scores. In the case of the Competitor Orientation the beta coefficient was 0.683 which again was highly statistically significant (p-value=.000).The Competitor orientation explained 46.6% of the performance scores. The Inter-functional Coordination Variable hand relatively low beta coefficient of 0.484 which was still statistically significant (p-value=.002). It explained only 23.5% of variation of the performance scores. The composite index scores of the Market Orientation variable explained slightly more than half (52.4%) of the variation of the performance score.

[1] This paper was extracted from a Doctoral Thesis by Dr Winnie G. Njeru

In view of the above the study results revealed that customer orientation, competitor orientation and the Inter-functional coordination all had positive effects on performance of tour firms in a developing economy. These results are consistent with those of studies conducted in the developed world. However, since the concept of Market orientation, as a composite measure, explained only slightly more than half (52.4%) of the variation of the perceived firm performance scores, future research work should use a broader concept of market orientation and embrace both subjective and objective indicators of firm performance.

Keywords: Market orientation, companies, Kenya

Introduction

Marketing scholars, researchers and practitioners have dedicated considerable effort and interest in the study of the market orientation concept and how it influences a firm's performance. The significance of market orientation and how it influences firm performance has also gained a lot of interest over the years with most studies stressing the central role of market orientation in a firm's superior performance. In a market place characterized by changing customer tastes and preferences, rapid technological advances and a complex competitive landscape, the capacity for firms to anticipate market opportunities and threats is crucial (Achrol & Kotler, 1999). To be successful and achieve superior performance, firms must continually anticipate, determine and deliver customer satisfaction to their target markets, keep abreast to emerging market trends, monitor competitor activities and proactively adjust their products and service offering, reconfigure their internal resources and operating routines more effectively and efficiently than their competitors. Firms can achieve this by adopting the market orientation concept which suggests that the long-term purpose of a firm is to satisfy customers needs while maximizing firm profits (Kohli & Jaworski, 1990).

Market orientation is important in that the firm focuses on collecting information about target customers' needs and competitors' capabilities continually and using this information to create superior customer value (Slater& Narver, 1995). Firms that are market-oriented are well informed about the market in which they operate in and have the ability to use the information advantage to create superior value for their target customers. The extant theoretical and empirical studies indicate a positive market orientation and firm performance relationship (Kohli & Jaworski, 1990; Narver & Slater, 1990; Avlonitis & Gournaris, 1999). According to Baker and Sinkula (1999), a firm requires a strong market orientation in order to focus on the environmental events that are likely to influence its ability to increase customer satisfaction relative to competitors. Firms that track and respond to customer needs and preferences can satisfy customers better and consequently perform at a higher level (Lusch & Laczniak, 1987). A firm's responsiveness to changing market needs calls for the introduction of new products and services and the implementation of marketing activities that are designed to satisfy customer needs better than competitors (Martin & Grbac, 2003).

Tourism has been considered as one of the world's largest economic sectors and the largest generator of wealth and employment contributing approximately 9% of the global Gross Domestic Product (GDP) and 8% of world's total employment (World Travel and Tourism Council, 2012). In Kenya, the tourism sector has been characterized by fluctuation both in revenue and visitor arrivals. In 2010, earnings increased from USD 930.2 million to USD 1,102 million in 2011. In 2012, there was another slight increase to stand USD 1,138 million. International visitor arrivals increased from 1,609,100 in 2010 to 1,822,900 in 2011 and there was a decline in 2012 to stand at 1,710,768. In the domestic market, tourism recorded slowed growth in 2010 to 2012. Domestic bed nights occupancy rose from 2,348.9 thousand in 2010 to 2,603.4 thousand and 2,787.7 thousand in 2011 and 2012 respectively (Second Medium Plan Term, 2013). The performance of tourism has been constrained by factors such as slow-down in the global economy, negative travel advisories from key source markets following security concerns such as threats from terrorist attacks, increased competition and inadequate marketing among others.

The tourism sector has been identified as a key sub-pillar in the Economic Pillar of Vision 2030, the Country's new development blueprint whose aim is to transform the Country into a newly industrialized middle-income by the year 2030. The Economic Pillar aims at achieving and sustaining an average GDP growth rate of 10 per cent per annum beginning 2012. The other two Pillars are the Social and Political Pillars (Kenya Vision 2030).Kenya is currently implementing the second Medium Term Plan which covers 2013 to 2017.

The continued growth in the tourism industry and the foreign exchange earnings it generates has made the tourism industry to be one of the major industries in the world economy (Singh, 1997). The industry comprises different types and sizes of businesses such as accommodation and transportation providers, catering and entertainment providers, tour firms and travel agencies amongst others. Tour firms are a central link in the tourism distribution chain and the most influential actors in the industry (Budeanu, 2009). As the increased competition for tourists and the accompanying revenue that they generate for a firm and the economy increases, the emphasis on tourism in developed and developing countries is evident (Harrison, 2001). It is against this background that countries continue to accord significant attention to the tourism industry. The tourism product, unlike other products and services, is consumed *in situ* meaning that consumption is at the point of production (Dieke, 2001). Consumption and therefore market concentration is mainly limited to the rich countries.

The multiplier effect of the tourism sector has led to development and growth of businesses such as the tour firms who operate in a dynamic and competitive environment. Tour firms are intermediaries who bear the responsibility of satisfying customers by providing quality tourism service and providing customers with value for money with suppliers in a seamless way. According to Sigala (2008), tour firms can influence the volume and direction of tourism flows in the chosen destination.

The intensified competition for the tourism markets has also led to the relevance of market orientation as an important firm strategy for the success of tour firms as they market and grow destinations in their tourism packages. It is important to develop an understanding of tour firms' success in the Kenyan business context. The scarcity of empirical and conceptual market orientation and performance studies in a Kenyan context is evident (Winston & Dadzie, 2002; Langat et al., 2012). Specifically, there are limited studies on market orientation and firm performance studies on tour firms in Kenya.

Firms today face different challenges such as marketing problems, limited resources and a dynamic competitive environment in which they operate. Firms should also be aware of the changing customer needs and requirements which pose challenges in creating customer value. Given the complexities of the market place, increased competition, globalization, changing customer needs and wants, firms require a strong market orientation and innovative marketing practices to remain competitive. They should therefore manage their target markets more efficiently and effectively than their competitors. This requires them to be market oriented. Despite considerable and rich advances in the development of market orientation theory, there is still a void in the literature with respect to the implementation of a market orientation. Specifically, little is known about the characteristics of successful programmes for building market orientation (Day, 1994).

Market oriented firms are those that implement the marketing concept which states that to achieve business goals and objectives, firms must determine the customer needs and wants of their target customers and deliver the satisfaction more efficiently and effectively than competitors (Kirca et al., 2005). While the concept of market orientation and its effect on firm performance has received considerable attention and has been identified as a key theme in marketing theory and practice, different scholars have conceptualized and assessed the constructs differently resulting in different measurements and firm performance implications. Furthermore, there are limited studies which exclusively focus on the direct relationship between customer orientation, competitor orientation, inter-functional coordination and firm performance. Research findings have also been contradictory and mixed.

Literature Review

The nature and scope of market orientation and its effect on firm performance has been the subject of extensive scholarly and practitioner's debate and is increasingly becoming a popular research subject theme (Kirca, et al., 2005; Lada, 2009). Market orientation has been recognized as a good indicator for responding to market requirements and provides a solid foundation for a sustainable competitive advantage for a firm (Hunt & Morgan, 1996). This view is supported by Slater and Narver (1995) who posit that market orientation enables the firm to be more focused by continually collecting information about its target customer needs and competitor capabilities, strength and strategies and by using the acquired information to create superior customer value.

While diverse definitions of market orientation exist in the market orientation literature (Adis & Jublee, 2010), the Narver and Slater's (1990) cultural dimension and Kohli and Jaworski's (1990) behavioural dimension have had far reaching impact on the market orientation literature and have been extensively used. A third integrationist perspective is proposed by (Homburg & Pflesser, 2000). Notwithstanding the diverse perspectives on market orientation (behavioural, cultural, or integrationist), most authors seem to agree that market oriented firms are well informed about their market and have the ability to use that information advantage to create superior value for their target customers (Vaan Raaij & Stoelhorst,2008)

According to Narver and Slater (1990), market orientation is a one-dimension construct consisting of three closely interrelated behavioural components namely customer orientation, competitor orientation and inter-functional coordination. Customer orientation is concerned with sufficient understanding of target customers to be able to create superior value. It requires that a marketer understands a buyers entire value chain (Day & Wensley, 1988). Similarly, Kohli and Jawoski (1990) posit that a customer focus is a critical element in determining market orientation.

Competitor orientation emphasizes understanding of the strengths and weaknesses of existing and potential competitors and at the same time monitoring competitor behaviours in order to meet the latent and potential needs of the target customer (Narver & Slater, 1990). Shin (2012) suggests that to understand current and potential competitors, a firm can assess its position, develop appropriate strategies, and respond quickly to competitors' actions with prompt precise actions in the short run and at the same time modify marketing programmes in the long run.

Firms should adjust to market dynamics caused by competitors and better understand the changing market needs since the objective of a competitor oriented firm is to keep pace with or remain ahead of competitors (Han, et al., 1998). The ability of a firm to offer superior product/service offering, competitive pricing strategy, differentiated channel management, unique marketing communication and continuous marketing research activities can be supported better by high levels of competitor orientation which can lead to superior firm performance.

Inter-functional coordination focuses on the coordinated utilization of personnel and other resources throughout the firm so as to create value for the target customer (Narver & Slater, 1990). Firms that seek effective inter-functional coordination do so from the understanding that synergy among company members is required and value for customers is created (Alhakimi & Baharun, 2009). This view had earlier been advanced by Porter (1985) who asserted that every department, facility, branch office and or any other organizational unit must be well-defined and understood and that all employees must recognize their role in helping the firm achieve and sustain competitive advantage. The inter-functional coordination and the execution of the marketing programmes may help firms generate better customer value and superior firm performance.

Kohli and Jaworski (1990) view market orientation from three aspects; market intelligence generation, dissemination and responsiveness. Market intelligence generation refers to gathering of organization-wide generating of market information pertaining to current and future customer needs, disseminating of the information across departments and the organization-wide responsiveness to it.

The pertinent literature suggests that market orientation has a long-term focus on profits. Narver and Slater (1990) further observe that for long-term survival in the presence of competition, a firm cannot avoid a long term perspective. It must constantly discover and implement additional value for its customers. The long-term focus and the implementation of the marketing programmes can help firms discover and implement the additional value to its target customers. While Narver and Slater (1990) view profitability as a key objective in market orientation, Kohli and Jaworski, (1990) argues that profitability is a consequence of market orientation. The focus on profitability and the execution of the marketing mix programs and being market oriented can create continuous superior customer values which lead to superior firm performance.

According to Chakravathy (1986), performance is a multi-dimensional construct and any single index may not provide a comprehensive understanding of the performance relationship relative to the constructs of interest. Day and Wensley (1988) suggest that judgmental measures of performance such as customer satisfaction, employee satisfaction and service quality are important prerequisites for objective performance measures. Kohli and Jaworski (1990) support this view that a firm with a strong market orientation will realize employees with greater job satisfaction and organizational commitment than organizations with a lesser market orientation. Agarwal et al. (2003) argue that while judgmental measures of performance are important to profitability, objective measures of performance provide the link to profitability in service organizations. Similarly, Lada (2009) opines that performance consists of two broad measures: judgmental performance measures such as customer service loyalty and objective performance measures such as return on assets.

Kohli and Jaworski's (1990) contend that the possible consequences of market orientation include outcomes such as economic performance (profitability), non-economic performance (employees' organisational commitment and esprit de corps) and customer response (customer satisfaction and repeat business). This assertion was supported by Kotler (2002) who argued that market orientation leads to greater customer satisfaction that in turn leads to repeat purchases.

Other scholars have suggested judgmental measures of performance such as customer satisfaction, employee satisfaction, and service quality are important prerequisites for profitability or objective measures of performance (Day & Wensley, 1988). On their part, Heskett et al., (1994) argue that the service-profit chain link establishes relationships between profitability, customer loyalty, employee satisfaction, loyalty and productivity in service organizations. They further assert that profit and growth are stimulated primarily by customer loyalty which is a direct consequence of customer satisfaction which is largely influenced by the value of services provided to customers. This leads to customer value which is created by satisfied, loyal, and productive employees. Employee satisfaction, in turn, results from high-quality support services and policies that enable employees to deliver customer value.

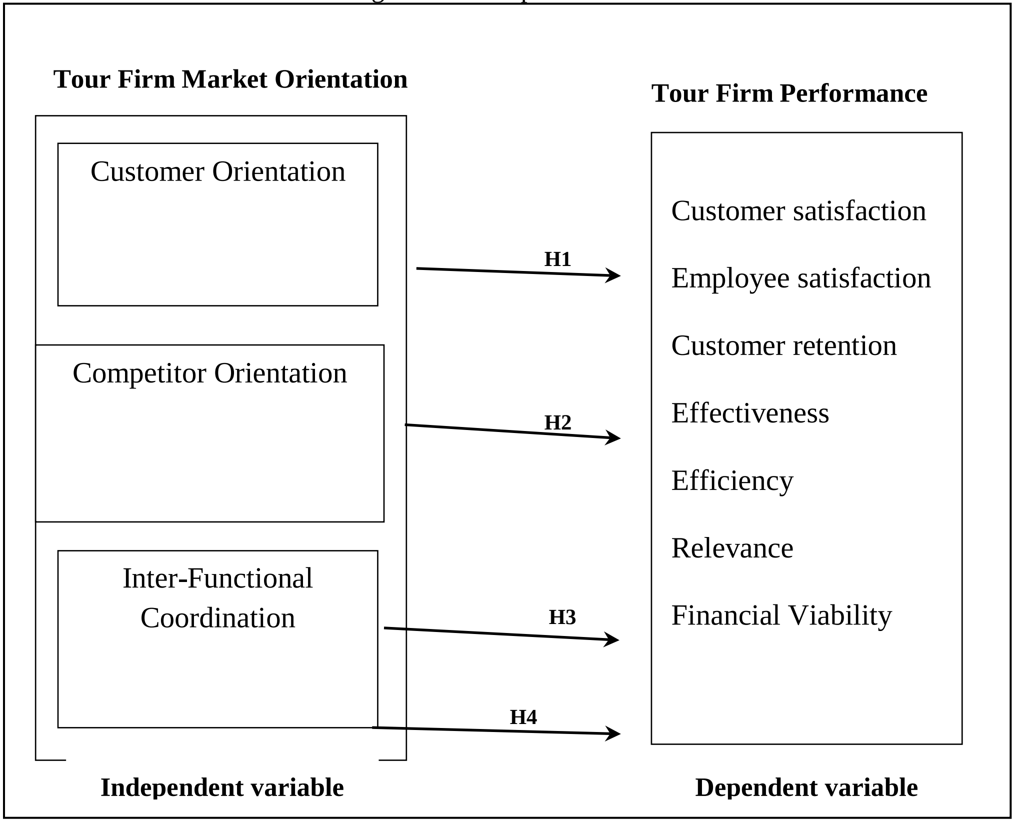
Subjective measures of relative performance were partly used because previous studies have shown the convergent validity of subjective performance and their objective counterparts, and partly because subjective assessments are often less problematic than more objective financial measures since the latter may be biased by the purpose for which they are produced (Gatignon & Xuereb, 1997). Previous theoretical and empirical studies have led support to the positive relationship between market orientation and performance in the developed world. However, the contextual differences between developed and developing countries had led many researchers to question the generalization of findings from developed countries to developing countries (Ngai and Ellis 1998).

The question is whether the same position holds in a developing country such as Kenya.

Conceptual Framework and Hypotheses

The relationships between the independent variable comprising customer orientation, competitor orientation inter-functional coordination and the dependent variable consisting of various firm performance measures are depicted in Figure 1.

Figure 1: Conceptual Model



From the conceptual model depicted in Figure 1, firm performance is directly influenced by customer orientation, competitor orientation and inter-functional coordination.

The hypotheses are derived from the literature and can be stated as follows:

H_1: There is a statistically significant relationship between customer orientation and performance of tour firms in Kenya

$H_{2:}$ There is statistically significant relationship between competitor orientation and performance of tour firms in Kenya

H_3: There is a statistically significant relationship between inter-functional coordination and performance of tour firms in Kenya

H_4: All the three components of market orientation contribute equally to performance of tour firms in Kenya

Methodology

The study reported here adopted a descriptive cross-sectional survey design. This type of design is considered to be robust studies that aim to analyze a phenomenon, situation, behavioural relationships problem attitude or issue by considering a cross-section of the population at one point in time (O'Sullivan, et al., 2009). The entire 104 category A to D Kenya Association of Tour Operators registered tour operators as at July 2012 were targeted.

Primary data were gathered using a structured questionnaire through a 5-point Likert type scale. The managing directors, owners and/or the marketing or sales managers were the key informants in each tour firm. Secondary data were also collected from publicly available sources.

The data were analyzed using both descriptive and inferential statistics. Descriptive analyses were conducted to arrive at the profiles of the respondent firms. Thereafter regression analyses were carried out in order to assess the relative importance of customer orientation, competitor orientation and inter-functional coordination on firm performance.

Reliability and Validity

The reliability of the study variables was checked using Cronbach's Alpha coefficient α (Cronbach, 1951). There is no universal agreement as to the lower limit of the coefficient. While some authors cite a lower limit of 0.70, others cite 0.60 and still others refer to a lower limit of 0.50 (Gliem & Gliem, 2003; Hair et al., 1998). For the purpose of the current study an alpha of 0.50 was taken as the lower limit.

Descriptive Statistics

To measure orientation, a total of 14 questions anchored on a 5 point likert-type scale ranging from 1=Not at all to 5= To a very large extent were used. Table 1 presents a summary of descriptive statistics of customer orientation, competitor orientation and inter-functional coordination.

Table 1: Summary of Market Orientation Measurement

Market Orientation Dimensions	**N**	**Overall Mean Score**	**SE**
Customer orientation	59	4.32	.089

Competitor orientation	59	4.33	.092
Inter-functional coordination	58	4.31	.093
Overall Mean Scores		**4.32**	**0.091**

Source: Primary Data.

SE= Standard error is a measure of reliability. The smaller the error, the more reliable the results.

The results in Table 1 show that competitor orientation had the highest overall mean score of 4.33 (to a large extent) followed by customer orientation with an overall mean score of 4.32. The relatively low overall mean score was recorded by inter-functional coordination (mean score=4.31). This implies that the tour firms are customer-oriented, competitor focused and utilize their firm resources and coordinate their staff members in a way that creates superior value for the customers.

Firm performance was measured using customer satisfaction, customer retention, employee satisfaction, effectiveness, efficiency, relevance and financial viability. A set of 52 questions anchored on a 5 point likert-type scale ranging from 1=not at all to 5= to a very large extent were used. Table 2 summarizes the pertinent results.

Table 2: Summary of Individual Measures of Firm Performance

Firm Performance Indicators	N	Mean Score	SE
Customer satisfaction	59	4.40	.099
Customer retention	59	4.40	.107
Employee satisfaction	59	3.62	.161
Effectiveness	59	4.15	.114
Efficiency	59	4.13	.113
Relevance	59	4.19	.112
Financial viability	59	4.32	.100
Overall Mean Scores		**4.17**	**.115**

Source: Primary Data.

The results in Table 2 show the overall mean score for the firm performance measures was 4.12, SE=.115. The highest mean score (4.40) was recorded by customer satisfaction and customer retention. This implies that the tour firms highly focus on the changing needs and wants of their target customers. The relatively low mean score (3.62) was recorded by employee satisfaction.

Regression Analysis and Hypotheses Testing

This current study was based on the premise that there is a relationship between customer orientation, competitor orientation and firm performance. The study focused on testing the direct influence of customer orientation, competitor orientation and inter-functional coordination on tour firm performance.

The first hypothesis of the study was to assess the relationship between customer orientation and performance of tour firms in Kenya. The relevant results are presented in Table 3.

Table 3(a): Customer Orientation and Firm Performance

R	R Square	F	Sig (p-value)
.607	.368	21.559	.000

Table 3(b): Regression results for the effect of Customer Orientation on Firm Performance

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.395	.100		3.970	.000
Customer Orientation	.523	.113	.607	4.643	.000

Predictors: (Constant), Customer Orientation
Dependent Variable: Firm Performance

The results in Table 3(a) show that customer orientation had a statistically significant influence on firm performance and explained 36.8% of the variation (R^2=.368). This implies that 36.8% variation in tour firm performance is explained by customer orientation. Table 3(b) shows the Standardized regression coefficient (β) value of customer orientation which was β=.607 which was highly statistically significant (p-value=.000). The hypothesis that there is a statistically significant relationship between customer orientation and tour firm performance was therefore highly supported.

The second hypothesis was to assess the relationship between competitor orientation and firm performance of tour firms in Kenya. Table 4 presents the pertinent results.

Table 4(a): Competitor Orientation and Firm Performance

R	R Square	F	Sig (p-value)
.683	.466	32.273	.000

Table 4(b): Regression results for the effect of Competitor Orientation on Firm Performance

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.399	.081		4.937	.000
competitor orientation	.519	.091	.683	5.681	.000

Predictors: (Constant), Competitor Orientation
Dependent Variable: Firm Performance

The results in Table 4(a) reveal that competitor orientation had a statistically significant influence on tour firm performance as it explained 46.6% of the variation (R^2=.466). This implies that 46.6% variation in tour firm performance is explained by competitor orientation. Table 4 (b) shows the standardized regression coefficient β value of .683 which is highly statistically significant (p-value =.000). The hypothesis that there is a statistically significant relationship between competitor orientation and tour firm performance is highly supported. The results imply that there is a relationship between competition and performance of the tour firms in Kenya.

The third hypothesis set to assess the relationship between inter-functional coordination and performance of the tour firms. The relevant results are presented in Table 5.

Table 5(a): Inter-Functional Coordination and Firm Performance

R	R Square	F	Sig (p-value)
.484	.235	11.344	.002

Table 5(b): Regression results for the effect of Competitor Orientation on Firm Performance

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.531	.096		5.543	.000
Inter-functional Coordination	.369	.109	.484	3.368	.002

Predictors: (Constant), Inter-Functional Coordination
Dependent Variable: Firm Performance

The results in Table 5(a) show that inter-functional coordination had a statistically significant influence on tour firm performance (R^2=.235). This implies that 23.5% variation in tour firm performance can be explained by inter-functional coordination. Table 5(b) shows the beta value of inter-functional coordination was β=.484 which was statistically significant (p-value=.002). The hypothesis that there is a statistically significant relationship between inter-functional coordination and tour firm performance was therefore supported.

Finally, hypothesis four had assumed that the three market orientation components (customer orientation, competitor orientation and inter-functional coordination) contribute equally to the performance of tour firms. The pertinent results for this hypothesis are presented in Table 6.

Table 6(a). Results of Goodness-of-fit of the Regression of Firm Performance on Customer Orientation, Competitor Orientation and Inter-functional Coordination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.618(a)	.382	.364	.06053	.382	21.621	1	35	.000
2	.722(b)	.521	.493	.05404	.139	9.906	1	34	.003
3	.724(c)	.524	.481	.05469	.003	.199	1	33	.659

Predictors: (Constant), Customer Orientation
Predictors: (Constant), Customer Orientation, Competitor Orientation
Predictors: (Constant), Customer orientation, Competitor Orientation, Inter-functional Coordination

Table 10: Results of the Regression of Firm Performance on Customer Orientation, Competitor Orientation and Inter-functional Coordination

Model		Sum of Squares	Degrees of Freedom	Mean Square	F	Sig.
1	Regression	.079	1	.079	21.621	.000(a)
	Residual	.128	35	.004		
	Total	.207	36			
2	Regression	.108	2	.054	18.514	.000(b)
	Residual	.099	34	.003		
	Total	.207	36			
3	Regression	.109	3	.036	12.118	.000(c)
	Residual	.099	33	.003		
	Total	.207	36			

Predictors: (Constant), Customer Orientation
Predictors: (Constant), Customer Orientation, Competitor Orientation
Predictors: (Constant), Customer Orientation, Competitor Orientation, Inter-functional Coordination
Dependent Variable: Firm Performance

Table 11: Results of Individual Significance of the Regression of Firm Performance on Customer Orientation, Competitor Orientation and Inter-functional Coordination

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.356	.107		3.313	.002
	Customer orientation	.567	.122	.618	4.650	.000
2	(Constant)	.284	.099		2.888	.007
	Customer Orientation	.290	.140	.316	2.070	.046
	Competitor Orientation	.358	.114	.480	3.147	.003
3	(Constant)	.271	.104		2.609	.014
	Customer Orientation	.271	.147	.296	1.842	.075
	Competitor Orientation	.336	.125	.451	2.680	.011
	Inter-functional Coordination	.056	.125	.070	.446	.659

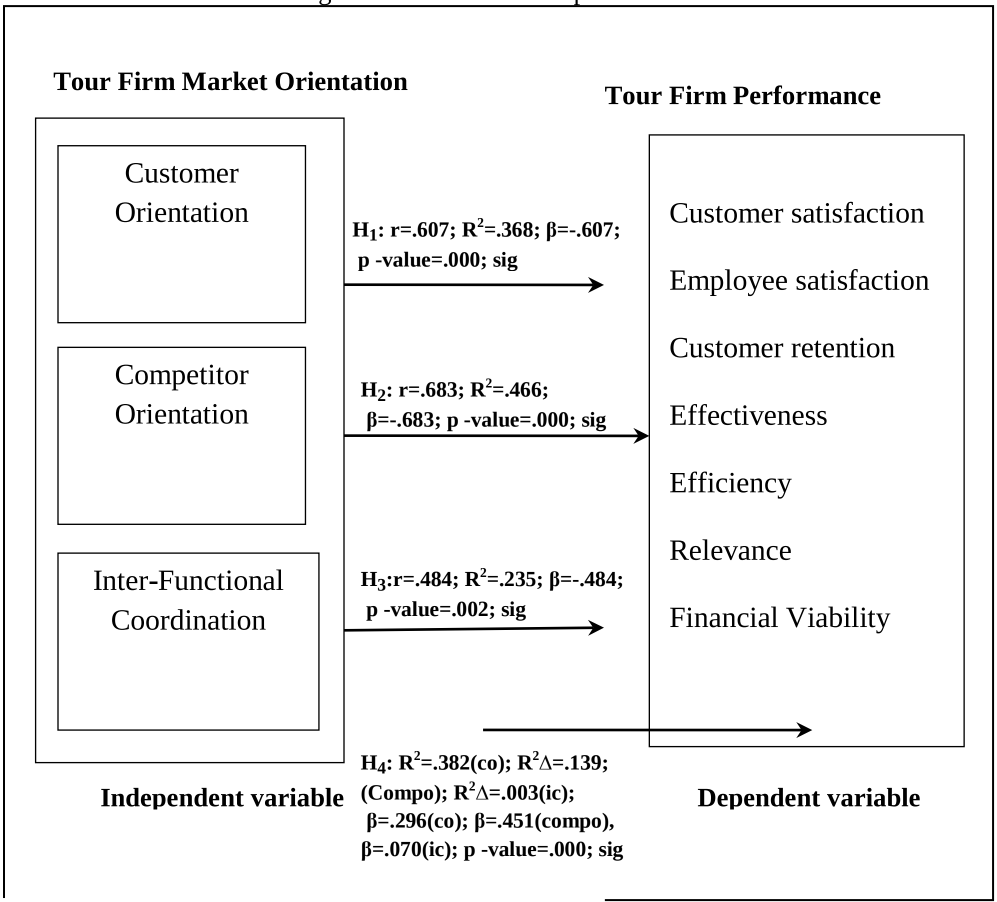
Dependent Variable: Firm performance

The results in Table 6(a) reveal that customer orientation, competitor orientation and inter-functional coordination jointly explain 52% of the variation in firm performance. The results also show that 38% of the variation in firm performance was explained by customer orientation. When competitor orientation was added there was an R^2 change of 0.139. However, when inter-functional coordination was added, there was a minimal R^2 change of only 0.003. This suggests that 52% of the variation in firm performance can be explained by customer orientation and competitor orientation. The results in Table 6(b) reveal that the overall model was statistically significant (p-value=.000). Table 6(c) show competitor orientation had β value of .451 which was statistically significant (p-value=.011) while inter-functional coordination had a β value of .070 which was not statistically significant. The results of the study show that performance of tour firms is highly influenced by competitor orientation and customer orientation.

Discussion

The study established a positive and significant relationship between customer orientation, competitor orientation, inter-functional coordination and performance of the tour firms surveyed in Kenya. This suggests that for tour firms to achieve superior performance outcomes, they need to operate on customer-led approaches, monitor and respond to competitor strategies and strengthen their inter-functional integration. Based on the results and conclusion of the study, the results are presented in the modified conceptual framework in Figure 2.

Figure 2: Modified Conceptual Model



co: customer orientation
compo: competitor orientation
ic: inter-functional coordination

The results in Figure 2 show that among the three dimensions of market orientation and firm performance seems to be most influenced by competitor orientation (R^2=46.6%), followed by customer orientation (R^2=36.8%) and finally inter-functional coordination (R^2=23.5%). This high contribution by competitor orientation can be attributed to the competitive nature of the tourism industry. The relatively low contribution of inter-functional coordination to firm performance can be attributed to the size of the tour firms.

The results are consistent with previous studies that suggested a strong and statistically significant relationship exists between customer and competitor orientation and performance and relatively weak and statistically significant relationship between inter-functional coordination and performance (Ogbonna & Ogwo, 2013; Shin 2012). This relationship is based on the assumption that market-oriented firms are better equipped to satisfy customer needs and preferences, and subsequently perform better than firms that are not market-orientated (Day, 1994).

Conclusion

The study investigated the relationship between market orientation measured by customer orientation, competitor orientation and inter-function coordination and firm performance (customer satisfaction, customer retention, employee satisfaction, effectiveness, efficiency, relevance and financial viability) of tour firms in Kenya. The positive and statistically significant relationship revealed in the study suggested that the tour firms in Kenya are market-oriented. They are therefore in a position to respond to changes in consumer tastes and preferences continuously.

For the tour firms to succeed in the competitive environment, they have to be responsive to the needs and wants of targeted customers better than competitors. This call for firms to be customer-focused, competitor-oriented and utilization of the firms' scarce resources efficiently. The results suggest that market orientation is an important strategy for small and medium sized enterprises like the tour firms in Kenya.

Implications of the Research Findings

From a theoretical perspective, the current study's overall results for the hypothesized relationships are positive and statistically significant. The study established that customer orientation, competitor orientation and inter-functional coordination influence firm performance of tour firms. This suggests that market orientation plays a critical role in determining firm performance. The findings contribute to the general body of knowledge and provide a basis for further development of theory and research particularly the market orientation and firm performance relationship**.**

From a policy point of view, the study suggests the importance of market orientation on individual firm performance and overall industry performance. The economic importance of the tourism industry in Kenya especially in delivering the Vision 2030 agenda and the market orientation of the tour firms being a key delivery partner of the tourism product is of great interest to public policy-makers whose major objective is to stimulate growth of the tourism sector in the Country. With tourism having been identified as a one of the priority sectors under the Economic Pillar in the Vision 2030 because of it linkages with all the other sectors in the Kenyan economy, there is need for strategic and operational government interventions as the country endeavours to be a globally competitive and prosperous nation. From the practitioner's perspective, the results of the study suggest that market orientation is robust across industry and country context boundaries. The research therefore provides a strong indication that market orientation contributes to firm performance.

Limitations of the Study

The current study was not without limitations. First, the conceptualization of market orientation may be somewhat limited. It is arguable that market orientation may consist of more than the three components of customer orientation, competitor orientation and inter-functional coordination. This means that other factors could provide further insight into the relationship between market orientation and performance relationship. The additional factors may enhance the robustness of the generalizability of the results.

Second, the study only used subjective performance indicators by asking the respondents to rate the performance of their firms relative to that of their closest competitor over the last three years. Majority of the tour firms in Kenya are small and medium enterprises and as a result might find it difficult to provide objective data on financial measures as they are not required by law to publish their financial results. Future studies should therefore include both subjective and objective measures. Third, the study used key informants from tour firms which put constraints on the generalizability of the results to other sectors firms and other country contexts. The narrow and specific focus of this study means the results are limited to tour firms only which may not translate to other industry and national contexts. There is therefore need for replicating the current study in other contexts and operating environments.

Fourth, the study used a cross-sectional research design. Although a cross-sectional design enables generalization of the findings while offering cost and control advantages, it prohibits investigation of dynamic relationships. Longitudinal research designs tend to reveal more explicit and dynamic results among the variables under investigation.

Finally, the results of this study were collected using a single key-informant approach which limits the ability to access information and single informant response bias. The responses were based on self reported data comprising perceptions of an individual respondent with each firm. The view of multiple informants can generate dependable conclusions of the variables under investigation. However, the limitations reported here above did not detract from the overall quality of the study.

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